

**GEORGIA STATE UNIVERSITY RESEARCH
FOUNDATION, INC. AND AFFILIATE
(A COMPONENT UNIT OF THE STATE OF GEORGIA)**

FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

For the Year Ended June 30, 2016

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)

ANNUAL FINANCIAL REPORT
FY 2016

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Report of Independent Auditor

Board of Directors
Georgia State University Research Foundation, Inc.
and Affiliate
Atlanta, Georgia

We have audited the accompanying financial statements of the business-type activities of Georgia State University Research Foundation, Inc., a discretely presented component unit of the State of Georgia, and its Affiliate, Science Park, LLC, (collectively the “Research Foundation”), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Research Foundation’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Research Foundation’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the business-type activities and the discretely presented component unit of the Research Foundation, as of June 30, 2016, and the respective changes in net position and the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016, on our consideration of the Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Research Foundation's internal control over financial reporting and compliance.



Atlanta, Georgia
September 22, 2016

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
Management's Discussion and Analysis

Introduction

Georgia State University Research Foundation, Inc. (the "Research Foundation") is a non-profit corporation created to support the research activities of Georgia State University (the "University"). The Research Foundation supports such research activities by accepting and administering grants/contracts received in support of research proposals submitted by University employees through the Research Foundation. The University is one of the 29 institutions of the University System of Georgia. The University, located in Atlanta, Georgia, was founded in 1913. The University offers associates, baccalaureate, masters, specialist, and doctoral degrees in a wide variety of subjects.

The following discussion and analysis is of the Research Foundation's financial performance. A comparison of grant award funding for a three-year period follows:

Georgia State University Grant Award Funding

FY 2016	\$120,180,000
FY 2015	\$100,999,000
FY 2014	\$81,703,000

The Board of Directors of the Research Foundation consists of eleven voting members. The following seven directors hold office by virtue of their responsibilities at the University (even if they are serving in an acting capacity): the Vice President for Research, President, Provost, Vice President for Finance and Administration, Chief Legal Officer, Chair of the Georgia State University Senate Research Committee, and the Associate Vice President for Research. The following four directors are elected annually: one college dean elected by the Dean's Group of Georgia State University; two members of the Georgia State University Senate Research Committee elected by that committee; and a member of the faculty of Georgia State University, elected by the Senate Research Committee. Other members of the Board may be elected at any time by the affirmative vote of a majority of Board members, or as authorized by resolution of the Board of Directors. The directors serve on the Board of Directors for unlimited terms as long as they hold their positions in good standing at the University.

Overview of the Financial Statements and Financial Analysis

The Research Foundation is pleased to present its financial statements for fiscal year 2016. The emphasis of discussions about these statements will be on comparative year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the Research Foundation's financial statements provides an overview of its financial activities for the year.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the Research Foundation as of the end of the fiscal year. The Statement of Net Position is a point of time financial statement. The purpose of the Statement of Net Position is to present to readers of the financial statements a fiscal snapshot of the Research Foundation. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Position (assets minus liabilities). From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the Research Foundation.

The Statement of Net Position is classified into components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Statements of Net Position, Condensed

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current assets	\$ 23,267,350	\$ 28,403,213	\$ (5,135,863)	(18%)
Capital assets, net	8,693,939	7,194,503	1,499,436	21%
Other assets	6,962,950	7,670,006	(707,056)	(9%)
Total assets	<u>38,924,239</u>	<u>43,267,722</u>	<u>(4,343,483)</u>	<u>(10%)</u>
Liabilities:				
Current liabilities	<u>21,767,542</u>	<u>25,471,780</u>	<u>(3,704,238)</u>	<u>(15%)</u>
Total liabilities	<u>21,767,542</u>	<u>25,471,780</u>	<u>(3,704,238)</u>	<u>(15%)</u>
Net position:				
Net investment in capital assets	8,693,939	7,194,503	1,499,436	21%
Restricted endowments	2,000,000	2,000,000	-	-%
Restricted - other	1,092,791	1,016,707	76,084	7%
Unrestricted - committed	1,250,000	1,250,000	-	-%
Unrestricted	<u>4,119,967</u>	<u>6,334,732</u>	<u>(2,214,765)</u>	<u>(35%)</u>
Total net position	<u>\$ 17,156,697</u>	<u>\$ 17,795,942</u>	<u>\$ (639,245)</u>	<u>(4%)</u>

During fiscal year 2016, total assets decreased by 10% or \$4,343,483. This was due to a decrease of \$5,135,863 in current assets, an increase of \$1,499,436 in capital assets, and a decrease of \$707,056 in other assets. More specifically, the decrease in current assets is primarily made up of decreases of approximately \$2,000,000 in cash and equivalents and \$3,800,000 in accounts receivable, offset by an increase of approximately \$700,000 in advance payments to the University. The increase in capital assets, net is due to the SunTrust Annex renovation for \$1,613,400. Current year depreciation was approximately \$161,000. Other assets is affected by a decrease in the Research Foundation investments of approximately \$730,000 and an increase in the GRA Venture Fund of approximately \$21,000.

Total liabilities decreased by 15% or \$3,704,238. This was primarily due to a decrease in accounts payable to the University for reimbursable grant expenses of approximately \$4,300,000 and an increase in deferred revenue from sponsored projects of approximately \$600,000. The total net position decreased by 4% or \$639,245 during fiscal year 2016 from \$17,795,942 at June 30, 2015.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues earned by the Research Foundation, both operating and nonoperating, and the expenses incurred by the Research Foundation, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the Research Foundation. Generally speaking, operating revenues are received for providing goods and services for the activities of the Research Foundation. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Research Foundation. Nonoperating revenues are revenues received for which goods and services are not provided. Depreciation is provided for capital assets, and there is a required subtotal for net operating income or loss.

Statements of Revenues, Expenses and Changes in Net Position, Condensed

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>	<u>% Change</u>
Operating revenues	\$ 71,302,477	\$ 66,429,436	\$ 4,873,041	7%
Operating expenses	<u>72,284,802</u>	<u>67,774,666</u>	<u>4,510,136</u>	<u>7%</u>
Operating loss	(982,325)	(1,345,230)	362,905	(27%)
Nonoperating revenues	<u>343,080</u>	<u>357,774</u>	<u>(14,694)</u>	<u>(4%)</u>
Change in net position	(639,245)	(987,456)	348,211	(35%)
Net position at beginning of year	<u>17,795,942</u>	<u>18,783,398</u>	<u>(987,456)</u>	<u>(5%)</u>
Net position at end of year	<u>\$ 17,156,697</u>	<u>\$ 17,795,942</u>	<u>\$ (639,245)</u>	<u>(4%)</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects a 4% decrease in net position, or \$639,245, for fiscal year 2016.

Operating revenues in fiscal year 2016 increased by 7% or \$4,873,041. This is primarily due to increases in federal grants of approximately \$1,800,000 and private/local grants of approximately \$2,700,000.

Operating expenses in fiscal year 2016 increased by 7% or \$4,510,136. This was primarily due to increased payments to the University for project costs of approximately \$4,700,000.

Nonoperating revenues in fiscal year 2016 decreased by 4% or \$14,694. This was primarily due to a fiscal year 2015 loss on the property at 82 Piedmont Avenue of approximately \$725,000, as well as fiscal year 2016 decreases in net gains on investments of approximately \$280,000, rental revenue of approximately \$127,000, and other revenue of approximately \$350,000. Parking revenue increased by approximately \$15,000.

Statement of Cash Flows

The final statement presented by the Research Foundation is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the Research Foundation during the year. The statement is divided into four parts. The first section reflects operating cash flows and shows the net cash provided by (used in) the operating activities of the Research Foundation. The second section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The third section reflects the capital and related financing activities of the Research Foundation and presents the cash used in capital and related financing activities. The fourth section reconciles the net cash provided by (used in) the operating activities to the operating income (loss) reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows is not presented in a condensed format.

Capital Assets

At June 30, 2016 and 2015, capital assets consisted of the following:

	<u>2016</u>	<u>2015</u>
Capital assets, not being depreciated:		
Land	\$ 2,034,619	\$ 2,034,619
Total capital assets, not being depreciated	<u>2,034,619</u>	<u>2,034,619</u>
Capital assets, being depreciated, net:		
Buildings and improvements	4,942,246	5,088,670
Facilities and other improvements	1,697,827	37,788
Equipment	19,247	33,426
Total capital assets being depreciated, net	<u>6,659,320</u>	<u>5,159,884</u>
Capital assets, net	<u>\$ 8,693,939</u>	<u>\$ 7,194,503</u>

Economic Outlook

The Research Foundation is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The Research Foundation's overall financial position is strong and it is well-positioned to respond to the increasing research portfolio of the University. The Research Foundation anticipates the current fiscal year will be much like the prior year and will watch over resources to maintain the Research Foundation's ability to react to unknown internal and external issues.

Contacting the Research Foundation's Management

This financial report is designed to provide a general overview of Georgia State University Research Foundation, Inc.'s finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Gary Brennaman, Business Manager, P.O. Box 3999, Atlanta, Georgia 30302-3999. Separately issued financial statements for Science Park, LLC, may also be obtained from Gary Brennaman at the previously stated address.

Statement of Net Position

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
STATEMENT of NET POSITION
JUNE 30, 2016

	Georgia State University Research Foundation, Inc.	Discretely Presented Component Unit Science Park, LLC
Current assets		
Cash and cash equivalents	\$ 574,056	\$ 5,440,285
Cash and cash equivalents - restricted	164,460	1,149,402
Accounts receivable:		
Research project contracts	4,008,846	-
Georgia State University	1,432,343	-
Other receivable	45,255	-
Allowance for doubtful accounts	(150,000)	-
Net investment in direct financing lease	-	353,790
Unbilled project costs	9,022,492	-
Advance payments to Georgia State University	8,169,898	-
Total current assets	23,267,350	6,943,477
Noncurrent assets		
Net investment in direct financing lease	-	72,366,210
Investments	6,962,950	-
Capital assets, net	8,693,939	-
Total noncurrent assets	15,656,889	72,366,210
Total assets	38,924,239	79,309,687
Deferred outflows of resources		
Deferred loss on direct financing lease	-	6,444,713
Deferred loss on debt refunding	-	2,748,396
Total deferred outflows of resources	-	9,193,109
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	38,924,239	88,502,796

See notes to financial statements.

Statement of Net Position, continued

	Georgia State University Research Foundation, Inc.	Discretely Presented Component Unit Science Park, LLC
Current liabilities		
Accounts payable:		
Georgia State University	13,204,703	-
Other	400,517	-
Deferred revenue - sponsored projects	8,162,322	-
Total current liabilities	21,767,542	-
Noncurrent liabilities		
Bonds payable	-	81,919,326
Total noncurrent liabilities	-	81,919,326
TOTAL LIABILITIES	21,767,542	81,919,326
Net position		
Net investment in capital assets	8,693,939	-
Restricted endowments	2,000,000	-
Restricted - other	1,092,791	6,583,470
Restricted - committed	1,250,000	-
Unrestricted	4,119,967	-
TOTAL NET POSITION	\$ 17,156,697	\$ 6,583,470

See notes to financial statements.

Statement of Revenues, Expenses, and Changes in Net Position

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Georgia State University Research Foundation, Inc.	Discretely Presented Component Unit Science Park, LLC
Operating revenues		
Federal grants and contracts	\$ 55,927,224	\$ -
Federal stimulus grants	168,219	-
State grants and contracts	1,031,920	-
Private and local grants and contracts	14,155,550	-
Income from investment in direct financing lease	-	4,209,994
Other	19,564	103,277
Total operating revenues	71,302,477	4,313,271
Operating expenses		
Payments to Georgia State University for project costs	67,962,498	-
Depreciation	161,825	-
General and administrative	4,160,479	131,446
Total operating expenses	72,284,802	131,446
Total operating income (loss)	(982,325)	4,181,825
Nonoperating revenues (expenses)		
Interest and dividend income	191,568	241,972
Net unrealized and realized gains (losses) on investments	(464,124)	750,925
Interest expense	-	(4,063,430)
Other	615,636	(670,308)
Total nonoperating revenues (expenses)	343,080	(3,740,841)
Change in net position	(639,245)	440,984
Net position, beginning of year	17,795,942	6,142,486
Net position, end of year	\$ 17,156,697	\$ 6,583,470

See notes to financial statements.

Statement of Cash Flows

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
STATEMENT of CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Georgia State University Research Foundation, Inc.	Discretely Presented Component Unit Science Park, LLC
Cash flows from operating activities		
Received from sponsors	\$ 75,767,792	\$ -
Received from Georgia State University	-	4,325,332
Payments to suppliers	(77,164,212)	(131,446)
Net cash provided by (used in) operating activities	(1,396,420)	4,193,886
Cash flows from investing activities		
Proceeds from sales of investments	2,364,070	-
Purchases of investments	(2,121,138)	-
Income on investments	191,568	750,925
Other income	615,636	-
Interest income	-	241,972
Principal payments on direct financing lease	-	1,764,048
Net cash provided by investing activities	1,050,136	2,756,945
Cash flows from capital and related financing activities		
Costs of issuance and escrow payments on bond refunding	-	(6,352,069)
Purchase of capital assets	(1,661,261)	-
Interest paid on bonds payable	-	(4,146,900)
Principal payments on bonds payable	-	(1,760,000)
Net cash used in capital and related financing activities	(1,661,261)	(12,258,969)
Net decrease in cash and cash equivalents	(2,007,545)	(5,308,138)
Cash and cash equivalents		
Beginning of year	2,746,061	11,897,825
End of year	\$ 738,516	\$ 6,589,687

See notes to financial statements.

Statement of Cash Flows, continued

	Georgia State University Research Foundation, Inc.	Discretely Presented Component Unit Science Park, LLC
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (982,325)	\$ 4,181,825
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	161,825	12,061
Changes in assets and liabilities:		
Accounts receivable and unbilled project costs	3,848,822	-
Advance payments to Georgia State University	(720,504)	-
Accounts payable	(4,320,731)	-
Deferred revenue - sponsored projects	616,493	-
Net cash provided by (used in) operating activities	\$ (1,396,420)	\$ 4,193,886
Reconciliation to total cash and cash equivalents included in the Statement of Net Position		
Cash and cash equivalents	\$ 574,056	\$ 5,440,285
Cash and cash equivalents - restricted	164,460	1,149,402
Total cash and cash equivalents included in the Statement of Net Position	\$ 738,516	\$ 6,589,687
Noncash investing, capital and financing activities		
Unrealized losses on investments	\$ (464,124)	\$ -

See notes to financial statements.

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

RESEARCH FOUNDATION

Note 1 – Organization

Georgia State University Research Foundation, Inc. (the “Research Foundation”), a component unit of the State of Georgia, was established to contribute to the scientific, literary, educational, and charitable functions of Georgia State University (the “University”) in securing gifts, contributions and grants from individuals, private organizations, and public agencies, and in obtaining contracts with such individuals or entities for the performance of sponsored research, development, or other programs by the various colleges, schools, departments, or other units of the University.

Research grants awarded to the Research Foundation are then provided to the University, which is responsible for the fiscal administration of the grants.

Note 2 – Summary of significant accounting policies

Basis of presentation

The financial statements of the Research Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with Governmental Accounting Standards Board (“GASB”) applicable to governments. The financial statement presentation required by GAAP provides a comprehensive, entity-wide perspective of the Research Foundation’s assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows. In addition, these statements require the Research Foundation to present a Management’s Discussion and Analysis (“MD&A”). The MD&A is considered to be required supplemental information and precedes the financial statements.

Reporting entity

In accordance with GAAP, the Research Foundation qualifies for treatment as a component unit of the State of Georgia; therefore, the Research Foundation’s financial statements are included in the State of Georgia’s combined financial statements. The Research Foundation is also considered an affiliated organization of the University, and due to its financial significance, the Research Foundation’s financial activities are included in the University’s and University System of Georgia’s reports.

Science Park, LLC (“Science Park”) qualifies as a component unit of the Research Foundation. The statements of Science Park are reported discretely in the Research Foundation’s financial statements. Notes related to financial statements of Science Park follow the notes for the Research Foundation.

The GSU Research Center, LLC is a limited liability company with the Research Foundation as its sole member. The purpose of the GSU Research Center, LLC is to acquire, manage, develop, lease, and operate a certain property in DeKalb County, Georgia. As the activities of the GSU Research Center, LLC are not deemed significant to the Research Foundation, the GSU Research Center, LLC is not presented as a discrete component unit in these financial statements.

Panthers on Pryor, LLC is a limited liability company with the Research Foundation as its sole member. The purpose of Panthers on Pryor, LLC is to acquire, manage, develop, lease, and operate a certain property in Atlanta, Georgia. As the activities of Panthers on Pryor, LLC are not deemed significant to the Research Foundation, Panthers on Pryor, LLC is not presented as a discrete component unit in these financial statements.

Panther Bookstore, LLC is a limited liability company with the Research Foundation as its sole member. The purpose of Panther Bookstore, LLC is to acquire, manage, develop, lease, and operate a certain property in Atlanta, Georgia. As the activities of Panther Bookstore, LLC are not deemed significant to the Research Foundation, Panther Bookstore, LLC is not presented as a discrete component unit in these financial statements.

Basis of accounting

For financial reporting purposes, the Research Foundation is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the Research Foundation's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Adoption of new accounting pronouncements

In February 2015, GASB issued Statement of Governmental Accounting Standards ("SGAS") No. 72 *Fair Value Measurement and Application*, which prescribes how state and local governments should define and measure fair value. It also prescribes which assets and liabilities should be measured at fair value, and expands disclosures related to fair value measurements. The Research Foundation has adopted SGAS No. 72 for the year ended June 30, 2016. The implementation of SGAS No. 72 did not result in a change to beginning net position and did not have a significant impact on the financial statements.

Cash and cash equivalents

The Research Foundation considers all highly liquid investments with an original maturity of three months or less, as well as certificates of deposits, to be cash equivalents.

Allowance for doubtful accounts

The Research Foundation reviews the outstanding accounts receivable periodically, as well as the bad debt write-offs experienced in the past, and establishes an allowance for doubtful accounts. Account balances are charged-off against the allowance when the Research Foundation determines it is probable that the receivable will not be recovered. If actual collections of sponsoring agency receivables differ from the Research Foundation's estimates, additional allowances may be required.

Investments

Substantially all investments consist of marketable equity securities that are invested by Wells Fargo Bank, N.A. on behalf of the Research Foundation and securities obtained through the sale of patent licenses. Investments are recorded at fair value with all unrealized and realized gains and losses included as increases or decreases in unrestricted or restricted expendable net position. The estimated fair value amounts have been determined based on the Research Foundation's assessment of available market information and appropriate valuation methodologies. Fair value of securities is determined based on publicly traded prices or investment company quotations. Investments in private equity funds often do not have readily determinable fair values, and are valued using the most current information provided by the general partner and/or the investment manager.

Fair Value Measurements

Assets recorded at fair value in the Statement of Net Position are categorized within a fair value hierarchy in accordance with GASB SGAS No. 72, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Research Foundation’s best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Derivative financial instruments

The Research Foundation is required to present certain information addressing the recognition, measurement, and disclosure regarding derivative instruments entered into in order to hedge a portion of its current and future borrowings for the purpose of managing interest rate risk. At June 30, 2016, the Research Foundation does not have any derivative financial instruments.

Capital assets

Capital assets are recorded at cost at the date of acquisition or market value at the date of donation in the case of gifts. For equipment, the Research Foundation’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that exceed \$100,000 and significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and improvements, 5 to 10 years for land improvements, and 5 to 40 years for leasehold improvements. Residual values are estimated to be 10% of historical cost for infrastructure, buildings and building improvements.

Deferred revenue

Deferred revenue includes amounts received from grant and contract sponsors that have not yet been earned.

Net position

The Research Foundation’s net position is composed of the following:

Restricted endowments	\$	2,000,000
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Restricted - other: Restricted - other includes resources in which the Research Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted - other consisted of the following at June 30, 2016:

Endowment related	\$	59,289
Atlanta Census Research Data Center		900,148
Confucius Institute		133,354
Total	\$	<u>1,092,791</u>

Unrestricted - committed: Unrestricted - committed represents resources that have been committed by the Research Foundation to fund an endowment for the Georgia Research Alliance Eminent Scholar in Molecular and Translational Medicine.

Unrestricted: Unrestricted net position represents resources derived from contracts, grants, and fees. These resources are used for the ongoing operations of the Research Foundation and may be used at the discretion of the governing board to meet current expenses for those purposes and to enhance programs at the University.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Research Foundation generally applies the expense towards restricted resources and then towards unrestricted resources.

Net investment in capital assets: This represents the Research Foundation’s total investment in capital assets, net of related debt, if any.

Revenue

Revenue from research contracts is recognized as expenses are incurred for approved research activities. Amounts expended but not yet reimbursed are recorded as unbilled and billed project costs. Payments by research sponsors in advance of approved research expenses are recorded as deferred revenue.

Classification of revenues

The Research Foundation has classified its revenues as either operating or nonoperating in the Statement of Revenues, Expenses, and Changes in Net Position according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions. Revenue from federal, state, and local grants and contracts is considered operating revenue. Revenue from license and royalty arrangements is also considered operating revenue.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, other revenue sources that are defined as nonoperating revenues by GAAP, such as investment income, and revenues derived from non-research and non-licensing activities.

Income taxes

The Research Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. In addition, the Research Foundation is not classified as a private foundation based on a determination received from the Internal Revenue Service.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Research Foundation's deposits may not be recovered. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

- (a) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia.
- (b) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
- (c) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
- (d) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
- (e) Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
- (f) Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

At June 30, 2016, the Research Foundation's carrying amount of deposits was \$738,516, and the bank balance was \$739,068. Of the bank balance, \$293,107 was covered by FDIC insurance at June 30, 2016, and \$155,828 was collateralized by the State of Georgia pledging pool which thereby guarantees

collateralization of any uninsured bank deposit balances. The remaining uncollateralized balance of \$290,133 consists of cash equivalents held by investment custodians.

Note 4 – Investments

The following table summarizes required fair value disclosures and measurements at June 30, 2016 for assets measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date Using			
	Assets Measured at Fair Value	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Venture capital	\$ 367,990	\$ -	\$ 367,990	\$ -
Real assets	598,175	598,175	-	-
Fixed income	1,934,862	1,934,862	-	-
Equities	4,061,923	4,061,923	-	-
Total investments	<u>\$ 6,962,950</u>	<u>\$ 6,594,960</u>	<u>\$ 367,990</u>	<u>\$ -</u>

Investments of \$6,593,960 are held by Wells Fargo Bank, N.A. on behalf of the Research Foundation. Investments of \$367,990 are held by the Georgia Research Alliance Venture Fund, LLP (“GRA Venture Fund”). Investments of \$1,000 are held in Microbial Medical stock.

Interest rate risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Research Foundation’s policy for managing interest rate risk is divided between short-term and long-term investments. Short-term investments will have a maximum maturity of eighteen months to five years depending on the type of investment. Long-term investments are managed using a planning timeline of five years or more and overall risk measurements rather than specific maturity limits.

As of June 30, 2016, the Research Foundation’s debt securities had the following maturities:

Investment Type:	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 2	3 - 5	6 - 10
Government obligations	\$ 244,935	\$ 41,347	\$ 54,833	\$ 84,746	\$ 64,009
Corporate obligations	277,700	-	39,555	121,291	116,854
Total	<u>\$ 522,635</u>	<u>\$ 41,347</u>	<u>\$ 94,388</u>	<u>\$ 206,037</u>	<u>\$ 180,863</u>

Custodial credit risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Research Foundation will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Research Foundation does not have a formal policy for managing custodial credit risk for investments.

At June 30, 2016, all of the Research Foundation's investments were uninsured and held by the Research Foundation's counterparty in the Research Foundation's name.

Credit quality risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Research Foundation does not have a formal policy related to credit quality risk of investments.

The Research Foundation's investments as of June 30, 2016 presented by investment type and fixed income securities presented by credit quality ratings are as follows:

	Fair Value	Government Obligations	Corporate Obligations	Mutual Funds
Quality ratings Mood's				
Aaa	\$ 517,137	\$ 244,935	\$ -	\$ 272,202
Aa	107,591	-	90,474	17,117
A	134,198	-	96,564	37,634
Baa	90,662	-	90,662	-
Bbb	371,612	-	-	371,612
Bb	296,461	-	-	296,461
B	217,078	-	-	217,078
Below B	52,723	-	-	52,723
Unrated	147,400	-	-	147,400
	\$ 1,934,862	\$ 244,935	\$ 277,700	\$ 1,412,227
Exempt investments:				
Equities	4,061,923			
Real Assets	598,175			
Venture Capital	367,990			
Total Investments	\$ 6,962,950			

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Research Foundation's policy for managing concentration of credit risk is divided amongst investment type as follows for the year ended June 30, 2016:

Fixed Income	28%
Equities	58%
Real Assets	9%
Venture Capital	5%

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Research Foundation does not have a formal policy related to foreign currency risk of investments.

Note 5 – Capital assets

Following are the changes in capital assets for the year ended June 30, 2016:

	Beginning Balance July 1, 2015	Additions	Ending Balance June 30, 2016
Capital assets, not being depreciated:			
Land	\$ 2,034,619	\$ -	\$ 2,034,619
Total capital assets, not being depreciated	2,034,619	-	2,034,619
Capital assets, being depreciated:			
Buildings and improvements	6,507,731	-	6,507,731
Facilities and other improvements	3,355,051	1,661,261	5,016,312
Equipment	70,896	-	70,896
Total capital assets, being depreciated	9,933,678	1,661,261	11,594,939
Less accumulated depreciation:			
Buildings and improvements	1,419,061	146,424	1,565,485
Facilities and other improvements	3,317,263	1,222	3,318,485
Equipment	37,470	14,179	51,649
Total accumulated depreciation	4,773,794	161,825	4,935,619
Total capital assets being depreciated, net	5,159,884	1,499,436	6,659,320
Capital assets, net	\$ 7,194,503	\$ 1,499,436	\$ 8,693,939

Note 6 – Indirect cost revenue

The Research Foundation receives reimbursement from grantors for indirect costs incurred. The Research Foundation remits all of the indirect cost reimbursements to the University. The University then remits 22% of the indirect cost reimbursements to the Research Foundation. The amounts received back from the University totaled \$3,036,002 during the fiscal year ended June 30, 2016, and are recorded within operating revenues in the accompanying financial statements.

Note 7 – Contingencies

The Research Foundation receives numerous state and federal grants, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grants are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Research Foundation has not complied with the rules and regulations governing the grants, refunds of any amounts received may be required and the collectability of any related receivable at year-end may be impaired. In the opinion of the Research Foundation, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the Statement of Revenues, Expenses, and Changes in Net Position for such contingencies.

Note 8 – Significant funding sources

During the fiscal year ended June 30, 2016, the Research Foundation derived approximately 78% of its revenue from contracts with the U.S. government. At June 30, 2016, approximately 16% of the billed research contracts accounts receivable was from the U.S. government. Management does not believe these receivables represent a significant credit risk at June 30, 2016.

Note 9 – Related party transactions

During the year ended June 30, 2016, the Research Foundation paid real estate rent of \$147,996 to Georgia State University Foundation, Inc. (“GSUF”). Additionally, the Research Foundation reimbursed GSUF for leasehold improvements of \$1,613,400 at 25 Park Place as debt covenants stipulate that GSUF be the contractor when any modifications of \$200,000 or more are made.

Note 10 – Commitments

The Research Foundation had an operating lease commitment to Panther Place, LLC (a subsidiary of GSUF) for office space located in Atlanta, Georgia. Rent expense was \$147,996 for the year ended June 30, 2016.

The Research Foundation made a commitment to provide support in the amount of \$500,000 to the GRA Venture Fund. During the 2016 fiscal year, the Research Foundation contributed \$75,432, which is held in investments. Total contributions made to the fund at June 30, 2016 were \$449,967. Based upon the terms of the agreement, the remaining commitment amount of \$50,033 may be called in whole or in part at any time until June 15, 2019, the end of the investment period of the fund.

During the 2016 fiscal year, the Research Foundation committed to provide an additional \$250,000 of support to fund the GRA Venture Fund. Based upon the terms of the agreement, the commitment amount of \$250,000 may be called in whole or in part at any time until July 24, 2022, the end of the investment period of the fund.

During the 2016 fiscal year, the Research Foundation entered into two construction contracts to complete leasehold improvements at the property leased from GSUF. As of June 30, 2016, the Research Foundation had a remaining commitment of \$366,558 to complete the contracted work.

SCIENCE PARK

Note 1 – Organization

Science Park, LLC (“Science Park”), a component unit of Georgia State University Research Foundation, Inc. (the “Research Foundation”), was incorporated as a single member limited liability company on August 9, 2006. The Research Foundation is the sole member of Science Park. Science Park was created to develop a 248,806 square-foot science research facility (the “Project”). Science Park leased the facility to the Board of Regents of the University System of Georgia (“Board of Regents”) for the use and benefit of Georgia State University (the “University”).

Note 2 – Summary of significant accounting policies

Basis of presentation

The financial statements of Science Park have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with Governmental Accounting Standards Board (“GASB”) applicable to governments. The financial statement presentation required by GAAP provides a comprehensive, entity-wide perspective of Science Park’s assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

Basis of accounting

For financial reporting purposes, Science Park is considered a special-purpose government entity engaged only in business-type activities. Accordingly, Science Park’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Adoption of new accounting pronouncements

In February 2015, GASB issued Statement of Governmental Accounting Standards (“SGAS”) No. 72 *Fair Value Measurement and Application*, which prescribes how state and local governments should define and measure fair value. It also prescribes which assets and liabilities should be measured at fair value, and expands disclosures related to fair value measurements. Science Park has adopted SGAS No. 72 for the year ended June 30, 2016. The implementation of SGAS No. 72 did not result in a change to beginning net position and did not have a significant impact on the financial statements.

Reporting entity

Science Park qualifies for treatment as a component unit of the Research Foundation; therefore, Science Park’s financial statements are included in the Research Foundation’s financial statements as a discretely presented component unit.

Cash and cash equivalents

Science Park considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of June 30, 2016, a portion of cash held by Science Park is held by an independent trustee and is restricted for the purpose of funding construction costs, interest, administrative fees, debt service reserves, and costs of issuance associated with the bond offering. Investments made by the trustee are considered cash equivalents and are made in accordance with the trust indenture.

Capitalized interest

Interest incurred during construction of the Project was capitalized until the Project was completed and ready for its intended use. Because the Project is financed by tax-exempt borrowings, including periodic amortization of any related discount or premium and issue costs of borrowings, the interest related to the Project is capitalized after reduction for interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. At the time the qualifying assets are placed in service, amortization of the capitalized interest begins, straight-line, over the estimated useful lives of the related assets. During the year ended June 30, 2016, no interest was capitalized.

Bonds payable

Science Park records the net proceeds of tax-exempt bond financing as a liability upon issuance. Bond proceeds consist of the par value of the bonds issued plus premiums or minus discounts. Losses on debt refundings are included in deferred outflows of resources and amortized over the shorter of the life of the refunded debt or the new debt. Bond premiums and losses on debt refundings are amortized to interest expense using the straight-line method, which approximates the effective interest method. Debt issuance costs are fully expensed at issuance.

Net position

Science Park's net position is classified as follows:

Net investment in capital assets: This represents Science Park's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted - other: This includes resources in which the Research Foundation is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted - other consisted of the following at June 30, 2016:

Reserve and renewal	\$ 1,149,369
Restricted for bond repayment	5,434,101
	<hr/>
Total	\$ 6,583,470

Unrestricted: Unrestricted net position represents resources derived from nonoperating income. These resources are used for transactions relating to the enhancement of the University, and may be used at the discretion of the governing board to meet current expenses for those purposes.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of revenues

Science Park has classified its revenues as either operating or nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Position according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GAAP, such as investment income.

Income taxes

Science Park is a single member LLC, with the Research Foundation as the sole member. As a result, it shall be disregarded as a separate entity for tax purposes and, therefore, no provision for federal income taxes has been made in the accompanying financial statements. The activities of Science Park are reported for tax purposes as part of the Research Foundation's tax return.

Note 3 – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, Science Park's deposits may not be recovered. Science Park does not have a deposit policy for custodial credit risk.

At June 30, 2016, the book value of Science Park's deposits, including demand accounts and cash and cash equivalents held in managed investment accounts, was \$6,589,687. The bank and investment account balances at June 30, 2016 were \$6,589,687, of which \$6,339,687 was uninsured. The money market funds are rated AAAM – G by Standard and Poor's Rating Services.

Note 4 – Net investment in direct financing lease

Science Park constructed a science research facility for a total cost of \$86,234,363. Science Park leases the facility to the Board of Regents for and on behalf of the University. Science Park is accounting for this transaction as a direct financing capital lease. The lease entitles Science Park to receive direct and indirect funding for insurance, taxes, bond and interest obligations, repairs and maintenance, and other ancillary expenses. The lease contains an annual renewal option as of specified dates in the agreement.

Due to the Series 2007 Bond refunding (see note 5), a lease amendment between Science Park and the Board of Regents was executed on June 15, 2016. This amendment led to a reduction in the net investment in direct financing lease and a deferred outflow of resources of \$6,456,774. This deferred outflow is being amortized to interest income over the life of the new debt.

Future minimum net amounts receivable under direct financing lease at June 30, 2016 are as follows:

For the fiscal years ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Payments to be Received</u>
2017	\$ 330,070	\$ 2,866,930	\$ 3,197,000
2018	-	3,066,907	3,066,907
2019	2,333,541	3,045,855	5,379,396
2020	2,437,265	2,944,194	5,381,459
2021	2,544,820	2,838,030	5,382,850
2022-2026	14,546,277	12,423,682	26,969,959
2027-2031	17,965,828	8,970,185	26,936,013
2032-2036	22,268,635	4,698,227	26,966,862
2037-2038	10,293,564	464,132	10,757,696
Total	<u>\$ 72,720,000</u>	<u>\$ 41,318,142</u>	<u>\$ 114,038,142</u>

Note 5 – Bonds payable

Series 2007 Bond Issue

On December 1, 2007, \$90,205,000 of revenue bonds were issued by the Atlanta Development Authority ("ADA") on behalf of the Research Foundation with the proceeds to be used to (i) finance or refinance, in whole or in part, the cost of the acquisition, construction and equipping of a 248,806 square-foot research facility located in a new Georgia State University Science Park on the campus of the University; (ii) fund a debt service reserve fund for the Series 2007 Bonds; (iii) fund capitalized interest for the Series 2007 Bonds; and (iv) pay costs of issuance of the Series 2007 Bonds. The Research Foundation began making semi-annual interest payments on July 1, 2008.

Term bonds under the Loan Agreement bore interest payable semiannually on January 1 and July 1 at fixed rates ranging from 4.75% to 5.25% depending on the schedule of bond maturities. Serial bonds under the loan agreement bore interest payable semi-annually on January 1 and July 1 at a rate of 4.50% until July 1, 2014 when the interest rate increased to 5.00%. Principal payments were due on July 1 beginning in 2011 and continuing until 2039.

Series 2016 Bond Issue

On June 15, 2016, the outstanding balance on the Series 2007 bonds was refunded by a new bond issuance. Upon this advance refunding, the Series 2007 bonds were considered defeased. Revenue bonds of \$72,720,000 plus premium of \$9,216,542 were issued by the ADA on behalf of the Research Foundation. Principal payments are to be made annually starting July 1, 2019. Interest is to be paid semi-annually starting January 1, 2017 at a rate specified in the revenue bonds ranging from 3.00% to 5.00%. Moody's Investors Services, Inc. has assigned the Series 2016 Bonds the rating of Aa3.

This advance refunding led to a deferred outflow of resources of \$2,753,540. Interest expense for the year ended June 30, 2016 included \$5,144 related to amortization of this deferred outflow. Cash flow savings between the Series 2007 bonds and the Series 2016 bonds is \$16,859,060, with a related economic gain resulting from this transaction of \$15,154,016. As of June 30, 2016, total outstanding defeased debt was \$82,813,314 and the total escrow account balance was \$87,758,324. This escrow is in an irrevocable trust with an agent and will fund all future debt service payments on the refunded Series 2007 bonds. As a result, the defeased bonds and the liability for those bonds have been removed from the Statement of Net Position as of June 30, 2016.

Bonds payable activity for the year ended June 30, 2016 was as follows:

	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016
Series 2007 Bonds	\$ 83,915,000	\$ -	\$ (83,915,000)	\$ -
Series 2016 Bonds	-	72,720,000	-	72,720,000
Unamortized bond premium	685,711	9,216,542	(702,927)	9,199,326
Total	\$ 84,600,711	\$ 81,936,542	\$ (84,617,927)	\$ 81,919,326

Annual debt service requirements on the Series 2016 Bonds outstanding at June 30, 2016 are as follows:

For the fiscal years ending June 30,	Principal	Interest	Total
2017	\$ -	\$ 1,623,234	\$ 1,623,234
2018	-	2,981,450	2,981,450
2019	-	2,981,450	2,981,450
2020	2,310,000	2,923,700	5,233,700
2021	2,425,000	2,805,325	5,230,325
2022-2026	14,070,000	12,033,500	26,103,500
2027-2031	17,665,000	8,348,425	26,013,425
2032-2036	21,455,000	4,432,150	25,887,150
2037-2040	14,795,000	674,325	15,469,325
	\$ 72,720,000	\$ 38,803,559	\$ 111,523,559

Note 6 – Related party transactions

Science Park leases air rights from the Board of Regents where it constructed a building on the Board of Regents' property. The air rights lease is for the purpose of providing not less than 248,806 square feet of the Parker H. Petit Science Teaching Laboratory. The air rights lease was for a period of up to three (3) years during construction and continues for thirty (30) years after construction was completed for a base rental of \$10 per year. The air rights lease includes an option to renew for an additional five (5) years should there be debt outstanding at the end of the original lease term. Under the air rights lease, the ownership of any building or structure constructed passes to the Board of Regents at the end of the air rights lease.

Science Park signed a rental agreement with the Board of Regents for not less than 248,806 square feet in the Parker H. Petit Science Teaching Laboratory for the period which commenced on the first day of the first month after Science Park obtained a certificate of occupancy and ends the following June 30 at a rent not to exceed \$6,200,000 per year with options to renew on a year-to-year basis for up to thirty (30) consecutive one-year periods (the total not to exceed thirty years from the date of the certificate of occupancy) with rent increasing no more than 3% for each option period exercised.

Science Park has an agreement with the Board of Regents wherein each party grants to the other party such easements as are necessary for such other party to have necessary access and to define operational responsibilities.

Science Park has entered into a management agreement with the Research Foundation whereby the Research Foundation provides project management, accounting, and other administrative services to Science Park for \$10 per year. The \$10 management fee shall be payable in advance by Science Park on July 1 of each year, having commenced on July 1, 2008 and ending on July 1, 2039. During the year ended June 30, 2016, the Research Foundation waived the management fee under the provisions of this agreement.

Note 7 – Commitments

During the 2016 fiscal year, Science Park entered into a construction contract for renovations to the Parker H. Petit Science Teaching Laboratory. As of June 30, 2016, Science Park had a remaining commitment of \$750,612 to complete the contracted work.

**Report of Independent Auditor on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Georgia State University Research Foundation, Inc.
and Affiliate
Atlanta, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Georgia State University Research Foundation, Inc., a discretely presented component unit of the State of Georgia, and its Affiliate (collectively the “Research Foundation”), which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Research Foundation's internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Research Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Research Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Research Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Research Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Research Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Research Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheryl Bekart LLP

Atlanta, Georgia
September 22, 2016

Report of Independent Auditor on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Georgia State University Research
Foundation, Inc. and Affiliate
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Georgia State University Research Foundation, Inc., a discretely presented component unit of the State of Georgia, and its Affiliate's (collectively the "Research Foundation") compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the Research Foundation's major federal programs for the year ended June 30, 2016. The Research Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Research Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Research Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Research Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Research Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Research Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Research Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Research Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Cheryl Bekart LLP". The signature is written in a cursive, flowing style.

Atlanta, Georgia
November 13, 2016

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
EXHIBIT I
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Federal Agency/Direct or Pass-through Entity/Program Name	CFDA NO.	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Agency for International Development				
Through - Dai				
Other Federal Assistance	98.OFA	DAI	\$ 25	\$ 25
Total Agency for International Development			<u>25</u>	<u>25</u>
Department of Agriculture				
Direct				
Consumer Data and Nutrition Research	10.253		-	84,525
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250		-	1,702
Through - North Carolina State University				
Agriculture and Food Research Initiative (AFRI)	10.310	NCSU	39,253	39,253
Through - University of Baltimore				
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250	UB	31,678	31,678
Total Department of Agriculture			<u>70,931</u>	<u>157,158</u>
Department of Commerce				
Through - 518-University of Georgia				
Sea Grant Support	11.417	518	723	723
Total Department of Commerce			<u>723</u>	<u>723</u>
Department of Defense				
Direct				
Basic and Applied Scientific Research	12.300		-	1,528,313
Basic Scientific Research	12.431		-	291,080
Basic, Applied, and Advanced Research in Science and Engineering	12.630		-	140,017
Basic Scientific Research - Combating Weapons of Mass Destruction	12.351		-	1,189
Other Federal Assistance	12.OFA		-	295,736
Military Medical Research and Development	12.420		-	475,968
Through - University of Central Florida				
Basic and Applied Scientific Research	12.300	UCF	156,634	156,634
Through - Ohio State University				
Military Medical Research and Development	12.420	OSU	13,332	13,332
Through - Carnegie Mellon University				
Basic and Applied Scientific Research	12.300	CMU	44,666	44,666
Total Department of Defense			<u>214,632</u>	<u>2,946,935</u>
Department of Education				
Direct				
Fund for the Improvement of Postsecondary Education	84.116		-	191,222
Teacher Quality Partnership Grants	84.336		-	475,788
Education Research, Development and Dissemination	84.305		-	1,545,158
Research in Special Education	84.324		-	1,566,898
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		-	138,956
Through - Northwestern University				
Education Research, Development and Dissemination	84.305	NWU	171,343	171,343
Through - Michigan State University				
Education Research, Development and Dissemination	84.305	MSU	67,998	67,998
Through - University of Oregon				
Research in Special Education	84.324	UOR	254	254
Through - Vanderbilt University				
Education Research, Development and Dissemination	84.305	VU	56,583	56,583
Through - University of Oregon				
Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	UOR	54,644	54,644

Federal Agency/Direct or Pass-through Entity/Program Name	CFDA NO.	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Through - 518-University of Georgia				
Improving Teacher Quality State Grants	84.367	518	64,341	64,341
Total Department of Education			415,163	4,333,185
Department of Energy				
Direct				
Office of Science Financial Assistance Program	81.049		-	923,600
Total Department of Energy			-	923,600
Department of Health and Human Services				
Direct				
Allergy, Immunology and Transplantation Research	93.855		-	3,838,014
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		-	1,433,538
Alcohol Research Programs	93.273		-	502,420
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		-	2,005,152
Child Health and Human Development Extramural Research	93.865		-	2,450,613
Mental Health Research Grants	93.242		-	901,873
Cancer Treatment Research	93.395		-	699,243
Cancer Detection and Diagnosis Research	93.394		-	509,389
Cancer Cause and Prevention Research	93.393		-	643,995
Cardiovascular Diseases Research	93.837		-	2,448,333
Human Genome Research	93.172		-	146,350
Environmental Health	93.113		-	135,559
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077		-	4,346,061
Biomedical Research and Research Training	93.859		-	1,723,018
Research on Healthcare Costs, Quality and Outcomes	93.226		-	527,218
Maternal and Child Health Federal Consolidated Programs	93.110		-	455,071
Public Awareness Campaigns on Embryo Adoption	93.007		-	58,227
Aging Research	93.866		-	1,075,264
Microbiology and Infectious Diseases Research	93.856		-	119,693
Occupational Safety and Health Program	93.262		-	87,257
Vision Research	93.867		-	155,808
Cancer Biology Research	93.396		-	100,317
Research Infrastructure Programs	93.351		-	37,311
Minority Health and Health Disparities Research	93.307		-	700,486
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		-	319,383
Research Related to Deafness and Communication Disorders	93.173		-	1,139,745
Trans-NIH Research Support	93.310		-	584,955
Enhance Safety of Children Affected by Substance Abuse	93.087		-	733,136
Research and Training in Complementary and Integrative Health	93.213		-	20,774
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632		-	19,002
Blood Diseases and Resources Research	93.839		-	52,779
Disabilities Prevention	93.184		-	346,856
Digestive Diseases and Nutrition Research	93.848		-	117,555
Injury Prevention and Control Research and State and Community Based Programs	93.136		-	224,844
Nursing Research	93.361		-	70,892
Through - Emory University				
Allergy, Immunology and Transplantation Research	93.855	EU	70,002	70,002
Through - Vanderbilt University				
Cancer Biology Research	93.396	VU	118,771	118,771
International Research and Research Training	93.989	VU	12,868	12,868
Through - Michigan Center for Urban African				
Aging Research	93.866	MCUA	128	128
Through - University of California				
Medical Library Assistance	93.879	UCA	16,691	16,691
Through - University of Iowa				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	UIA	37,757	37,757
Through - Family Health International				
Drug Abuse and Addiction Research Programs	93.279	FHI	162,212	162,212
Through - University of Cincinnati				
Allergy, Immunology and Transplantation Research	93.855	UC	280	280

Federal Agency/Direct or Pass-through Entity/Program Name	CFDA NO.	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Through - University of South Florida				
Allergy, Immunology and Transplantation Research	93.855	USF	7,608	7,608
Through - Vanderbilt University				
Cancer Biology Research	93.396	VU	(8,332)	(8,332)
Through - George Mason University				
Mental Health Research Grants	93.242	GMU	25,514	25,514
Through - University of Iowa				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	UIA	40,263	40,263
Through - Northwestern University				
Mental Health Research Grants	93.242	NWU	(17,821)	(17,821)
Through - Emory University				
Drug Abuse and Addiction Research Programs	93.279	EU	(1,620)	(1,620)
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	EU	42,310	42,310
Allergy, Immunology and Transplantation Research	93.855	EU	19,692	19,692
Cancer Treatment Research	93.395	EU	110,103	110,103
Through - University of Pittsburgh				
Child Health and Human Development Extramural Research	93.865	UP	78,817	78,817
Through - University of Alabama				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	UAL	59,319	59,319
Through - Novazoi Theranostics Inc.				
Minority Health and Health Disparities Research	93.307	NTI	19,180	19,180
Through - Emory University				
Allergy, Immunology and Transplantation Research	93.855	EU	(10,984)	(10,984)
Through - Centre for Addiction and Mental Health				
Mental Health Research Grants	93.242	CAMH	9,400	9,400
Through - Kaiser Permanente				
Cancer Control	93.399	KP	36,709	36,709
Through - University of Texas				
Mental Health Research Grants	93.242	UT	8,846	8,846
Through - University of Connecticut				
Child Health and Human Development Extramural Research	93.865	UCT	(16,044)	(16,044)
Through - Emory University				
Aging Research	93.866	EU	49,242	49,242
Through - University of South Carolina				
Research Related to Deafness and Communication Disorders	93.173	USC	12,945	12,945
Through - Kaiser Permanente				
Mental Health Research Grants	93.242	KP	14,318	14,318
Through - George Washington University				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	GWU	43,394	43,394
Through - Northwestern University				
Mental Health Research Grants	93.242	NWU	15,649	15,649
Through - University of South Florida				
Allergy, Immunology and Transplantation Research	93.855	USF	80,732	80,732
Through - Mind Research Network				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	MRN	47,417	47,417
Through - University of California				
Mental Health Research Grants	93.242	UCA	26,994	26,994
Through - Mind Research Network				
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	MRN	24,848	24,848
Through - University of North Carolina				
Allergy, Immunology and Transplantation Research	93.855	UNC	(449)	(449)
Through - National Network of Public Health				
NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424	NNPH	120,192	120,192
Through - University of Minnesota				
Aging Research	93.866	UMN	94,014	94,014
Through - Duke University				
Human Genome Research	93.172	DU	171,590	171,590
Through - Provia Biologics				
Cancer Detection and Diagnosis Research	93.394	PB	(4,514)	(4,514)
Through - Kaiser Permanente				
Mental Health Research Grants	93.242	KP	22,934	22,934

Federal Agency/Direct or Pass-through Entity/Program Name	CFDA NO.	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Through - Mind Research Network				
Mental Health Research Grants	93.242	MRN	108,182	108,182
Through - University of Alabama				
Research on Healthcare Costs, Quality and Outcomes	93.226	UAL	27,488	27,488
Through - State University of New York				
Child Health and Human Development Extramural Research	93.865	SUNY	80,959	80,959
Through - Morehouse School of Medicine				
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	MSM	104,922	104,922
Through - Kaiser Permanente				
Mental Health Research Grants	93.242	KP	6,720	6,720
Through - Drexel University				
Child Health and Human Development Extramural Research	93.865	DU	53,910	53,910
Through - University of Wisconsin				
Mental Health Research Grants	93.242	IWM	54,253	54,253
Through - Boston Medical Center				
Alcohol Research Programs	93.273	BMC	27,681	27,681
Through - Arizona State University				
Research on Healthcare Costs, Quality and Outcomes	93.226	ASU	102,071	102,071
Through - National Association of Chronic Disease				
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	NACD	39,695	39,695
Through - Baylor College of Medicine				
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	BCM	6,830	6,830
Through - University of California				
Mental Health Research Grants	93.242	UCA	29,827	29,827
Through - University of Pittsburgh				
Mental Health Research Grants	93.242	UP	10,501	10,501
Through - Arizona State University				
Biomedical Research and Research Training	93.859	ASU	(5)	(5)
Through - InLighta Biosciences, LLC				
Cancer Detection and Diagnosis Research	93.394	ILB	35,684	35,684
Through - Beth Israel Deconess Medical Center				
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	BIDMC	(4,352)	(4,352)
Through - 512-Augusta University				
Cancer Detection and Diagnosis Research	93.394	512	65,983	65,983
Cancer Treatment Research	93.395	512	23,528	23,528
Total Department of Health and Human Services			2,314,852	31,044,983
Department of Homeland Security				
Through - University of Maryland				
Centers for Homeland Security	97.061	UMD	11,550	11,550
Total Department of Homeland Security			11,550	11,550
Department of Justice				
Direct				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		-	7,506
Juvenile Mentoring Program	16.726		-	117,690
Through - Applied Research Services				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	ARS	(265)	(265)
Total Department of Justice			(265)	124,931
Department of Labor				
Through - Goodwill of North Georgia				
WIA Pilots, Demonstrations, and Research Projects	17.261	GNG	5,517	5,517
Total Department of Labor			5,517	5,517
Department of Veterans Affairs				
Direct				
Other Federal Assistance	64.OFA		-	62,943
Total Department of Veterans Affairs			-	62,943

Federal Agency/Direct or Pass-through Entity/Program Name	CFDA NO.	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of the Interior				
Through - 503-Georgia Institute of Technology				
Assistance to State Water Resources Research Institutes	15.805	503	14,774	14,774
Total Department of the Interior			14,774	14,774
Environmental Protection Agency				
Through - University of Alabama				
Science To Achieve Results (STAR) Research Program	66.509	UAL	(24)	(24)
Total Environmental Protection Agency			(24)	(24)
Executive Office of the President				
Through - University of South Carolina				
Research and Data Analysis	95.007	USC	42,310	42,310
Through - Office of National Drug Control				
Research and Data Analysis	95.007	NDC	2,758	2,758
Total Executive Office of the President			45,068	45,068
National Aeronautics and Space Administration				
Direct				
Science	43.001		-	480,919
Through - Space Telescope Science Institute				
Science	43.001	STSI	11,937	11,937
Through - Jet Propulsion Laboratory				
Science	43.001	JPL	21	21
Through - Montana State University				
Education	43.008	MSU	20,386	20,386
Through - Space Telescope Science Institute				
Other Federal Assistance	43.0FA	STSI	22,619	22,619
Through - Jet Propulsion Laboratory				
Science	43.001	JPL	6,205	6,205
Through - Space Telescope Science Institute				
Science	43.001	STSI	8,602	8,602
Through - Predictive Science, Inc.				
Science	43.001	PSI	29,549	29,549
Through - Space Telescope Science Institute				
Science	43.001	STSI	1,709	1,709
Through - 503-Georgia Institute of Technology				
Science	43.001	503	12,771	12,771
Education	43.008	503	8,154	8,154
Total National Aeronautics and Space Administration			121,953	602,872
National Endowment for the Humanities				
Direct				
Promotion of the Humanities_Professional Development	45.163		-	176,438
Promotion of the Humanities_Office of Digital Humanities	45.169		-	18,546
Total National Endowment for the Humanities			-	194,984
National Science Foundation				
Direct				
Mathematical and Physical Sciences	47.049		-	1,704,967
Computer and Information Science and Engineering	47.070		-	1,235,853
Social, Behavioral, and Economic Sciences	47.075		-	395,263
Biological Sciences	47.074		-	1,198,732
Engineering Grants	47.041		-	209,081
Office of Cyberinfrastructure	47.080		-	400,872
Geosciences	47.050		-	269,027
Education and Human Resources	47.076		-	621,001

Federal Agency/Direct or Pass-through Entity/Program Name	CFDA NO.	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Through - George Washington University				
Social, Behavioral, and Economic Sciences	47.075	GWU	481	481
Through - Research Foundation of SUNY				
Social, Behavioral, and Economic Sciences	47.075	RFS	599	599
Through - Stanford University				
Biological Sciences	47.074	SU	25,679	25,679
Through - Lehigh University				
Engineering Grants	47.041	LHU	13,929	13,929
Through - Florida Atlantic University				
Engineering Grants	47.041	FAU	742	742
Through - Illinois Wesleyan University				
Mathematical and Physical Sciences	47.049	IWU	15,514	15,514
Through - Rutgers, the State University of New				
Social, Behavioral, and Economic Sciences	47.075	RUT	12,098	12,098
Through - Arizona State University				
Biological Sciences	47.074	ASU	39,209	39,209
Through - University of Central Florida				
Geosciences	47.050	UCF	2,684	2,684
Through - 503-Georgia Institute of Technology				
Computer and Information Science and Engineering	47.070	503	25,291	25,291
Total National Science Foundation			136,226	6,171,022
Office of Personnel Management				
Direct				
Intergovernmental Personnel Act (IPA) Mobility Program	27.011		-	39,403
Total Office of Personnel Management			-	39,403
		Total R&D Cluster	3,351,125	46,679,649
TRIO Cluster				
Department of Education				
Direct				
TRIO_Student Support Services	84.042		-	400,298
TRIO_Educational Opportunity Centers	84.066		-	357,616
TRIO_Talent Search	84.044		-	256,376
Total Department of Education			-	1,014,290
		Total TRIO Cluster	-	1,014,290
Other Federal Programs				
Corporation for National and Community Service				
Through - Jumpstart National				
AmeriCorps	94.006	JSN	50,710	50,710
Through - 428-Community Affairs, Department of				
AmeriCorps	94.006	428	21,878	21,878
Total Corporation for National and Community Service			72,588	72,588
Department of Defense				
Through - Academy of Applied Science				
Basic Scientific Research	12.431	AAS	20	20
Total Department of Defense			20	20
Department of Education				
Direct				
Graduate Assistance in Areas of National Need	84.200		-	173,452
Transition to Teaching	84.350		-	373,098
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407		-	65,931
Rehabilitation Long-Term Training	84.129		-	281,718

Federal Agency/Direct or Pass-through Entity/Program Name	CFDA NO.	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Through - Ohio State University				
Investing in Innovation (i3) Fund	84.411	OSU	51,806	51,806
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation (i3) Fund, Recovery Act	84.396	OSU	46,271	46,271
Through - National Writing Project				
Improving Teacher Quality State Grants	84.367	NWP	5,972	5,972
Through - 518-University of Georgia				
Improving Teacher Quality State Grants	84.367	518	(455)	(455)
Total Department of Education			103,594	997,793
Department of Housing and Urban Development				
Through - Shelby County Government				
Sustainable Communities Regional Planning Grant Program	14.703	SCG	(2,575)	(2,575)
Total Department of Housing and Urban Development			(2,575)	(2,575)
Department of Health and Human Services				
Direct				
University Centers for Excellence in Developmental Disabilities Education, Research	93.632			472,922
Maternal and Child Health Federal Consolidated Programs	93.110		-	397,183
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		-	248,385
Graduate Psychology Education Program and Patient Navigator and Chronic Disease Prevention Program	93.191		-	152,775
Biomedical Research and Research Training	93.859		-	234,397
Advanced Nursing Education Grant Program	93.247		-	347,986
Research Infrastructure Programs	93.351		-	193,755
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		-	4,337
Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative	93.513		-	23,760
Mental Health Research Grants	93.242		-	132,267
Through - Georgia Center for Child Advocacy				
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	GCCA	51,031	51,031
Through - Emory University				
Vision Research	93.867	EU	(3)	(3)
Through - Emory University				
PPHF Geriatric Education Centers	93.969	EU	1,296	1,296
Through - Emory University				
Vision Research	93.867	EU	32,431	32,431
Through - Emory University				
Maternal and Child Health Federal Consolidated Programs	93.110	EU	45,923	45,923
Through - University of North Carolina				
Maternal and Child Health Federal Consolidated Programs	93.110	UNC	34,300	34,300
Through - Fulton County Human Services				
HIV Emergency Relief Project Grants	93.914	FCHS	13	13
Through - Emory University				
Vision Research	93.867	EU	4,126	4,126
Total Department of Health and Human Services			169,117	2,376,884
National Archives and Records Administration				
Direct				
National Historical Publications and Records Grants	89.003		-	69,381
Total National Archives and Records Administration			-	69,381
National Endowment for the Humanities				
Direct				
Promotion of the Humanities_Division of Preservation and Access	45.149		-	4,966
Promotion of the Humanities_Professional Development	45.163		-	34,573
Total National Endowment for the Humanities			-	39,539

Federal Agency/Direct or Pass-through Entity/Program Name	CFDA NO.	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
National Science Foundation				
Direct				
Education and Human Resources	47.076		-	426,367
Mathematical and Physical Sciences	47.049		-	17,577
Office of Cyberinfrastructure	47.080		-	23,867
Trans-NSF Recovery Act Reasearch Support	47.082		-	168,219
Social, Behavioral, and Economic Sciences	47.075		-	54,370
Through - Clark Atlanta University				
Education and Human Resources	47.076	CAU	53,684	53,684
Through - Clemson University				
Computer and Information Science and Engineering	47.070	CU	(1)	(1)
Total National Science Foundation			53,683	744,083
U.S. Department of State				
Through - International Research & Exchanges Board				
Academic Exchange Programs - Undergraduate Programs	19.009	IREB	152,674	152,674
Total U.S. Department of State			152,674	152,674
Small Business Administration				
Through - 518-University of Georgia				
Small Business Development Centers	59.037	518	147,821	147,821
Total Small Business Administration			147,821	147,821
Total Other Federal Programs			696,922	4,598,208
Total Expenditures of Federal Awards			\$ 4,048,047	\$ 52,292,147

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Note 1 – Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Georgia State University Research Foundation, Inc. and its Affiliate, (the “Research Foundation”) and is presented on the accrual basis of accounting. Expenditures under award programs are presented using the economic resources measurement focus and the accrual basis of accounting in the Research Foundation’s financial statements.

The purpose of the Schedule is to present a summary of the activities of the Research Foundation for the year ended June 30, 2016, which have been financed by the United States government.

Because the Schedule presents only a selected portion of the activities of the Research Foundation, it is not intended to and does not present either the financial position, changes in net position, or cash flows of the Research Foundation.

Research grants awarded to the Research Foundation are then provided to Georgia State University (the “University”), which is responsible for the fiscal administration of the grants.

Indirect Cost Rate – The Research Foundation has elected not to use the 10% de minimum indirect cost rate as allowed under the Uniform Guidance.

Note 2 – Subrecipients

Of the federal expenditures presented in the Schedule, the University provided federal awards to subrecipients as presented in Exhibit II.

Note 3 – Non-cash awards

The Research Foundation did not receive any non-cash federal awards during the year ended June 30, 2016.

Note 4 – Catalog of Federal Domestic Assistance (“CFDA”) Numbers

CFDA numbers that are available for each federal award program are indicated on the supplemental schedule of expenditures of federal awards at Exhibit I.

Note 5 – Contingencies

These award programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Research Foundation expects such amounts, if any, to be immaterial.

**GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(ies) identified?	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes <u> X </u> no
• Significant deficiency(ies) identified?	_____ yes <u> X </u> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of Uniform Guidance?	_____ yes <u> X </u> no

Identification of Major Programs

The programs tested as major programs for the year ended June 30, 2016 are as follows:

<u>CFDA #</u>	<u>Name of Federal Program</u>
Listed by CFDA number in Exhibit I	Research and Development Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$1,568,764
Auditee qualified as low-risk auditee?	<u> X </u> yes _____ no

II. Financial Statement Findings

None reported.

III. Federal Awards Findings and Questioned Costs

None reported

GEORGIA STATE UNIVERSITY RESEARCH FOUNDATION, INC. AND AFFILIATE
(A Component Unit of the State of Georgia)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

The following is an update of prior audit findings and is prepared in accordance with the Uniform Guidance.

Finding 2015-001

Failure to Comply with Special Contract Terms and Conditions and Salary Cap Limitations

Non-Material Noncompliance

Significant Deficiency in Internal Control Over Compliance

Federal Agencies:

Department of Health and Human Services

Federal Program:

Research & Development Cluster

CFDA #93.848

CRITERIA:

The Research Foundation is required to comply with special terms and conditions defined in the contracts, as well as limitations on the allowance of certain salary costs.

CONDITION:

Certain costs exceeded the salary cap limitations required by grant and contractual agreements entered into by the Research Foundation. Of a total of 40 transactions selected for testing, one was not within the required salary cap limitation.

CONTEXT:

Of the 364 programs, we examined 40 transactions and determined that one was not within the required salary cap limitation.

EFFECT:

A violation or failure to comply with an award's terms and conditions may result in the Federal agency withholding payments to the Research Foundation, withholding approval of further grants with the Research Foundation, and any other action deemed necessary to gain compliance.

QUESTIONED COSTS:

Known questioned costs in the sample selected for testing totaled \$474.

CAUSE:

Insufficient monitoring of compliance with the special terms and conditions of awards, including salary cap limitations.

RECOMMENDATIONS:

Efforts should be made by the Research Foundation to put in place policies and procedures to identify the terms and conditions of each grant and contractual agreement and to monitor the program's compliance with these terms and conditions, including salary cap limitation requirements through the effort reporting system.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN:

We agree with the finding and our corrective action will be to implement the following:

Generally, we are restructuring our grant award notice, sent upon set up of each award to the appropriate investigator(s) and administrators. Going forward, the notice will include a section specifying special award terms. Also, we plan to create a new system for the electronic distribution of the forms via our web based research administration portal.

For the specific salary cap issue, we will take two steps, one retroactively for awards already received this fiscal year and one for all prospective awards.

For previously received awards, we will:

- Identify through our payroll system all investigators whose annual compensation exceeds the National Institutes of Health ("NIH") salary cap.
- From that list, identify all who are being actively funded under an NIH award.
- For these over-the-cap investigators with NIH salary support, we will require their administrative department to set up a cost share account for the difference between actual salary and capped support.
- The combined NIH award and cost share accounts will provide the supported effort used to certify actual performed and compensated effort.

For new awards:

- The Office of Sponsored Proposals and Awards officers setting up the award will identify all salaries being compensated at the salary cap.
- For every such salary, the officer will confirm with the department administrator that the investigator is receiving compensation above the cap.
- For all such identified investigators, the department will be required to establish a linked cost share account for the salary difference.
- As with previously received awards, these combined accounts will provide the supported effort used to certify actual performed and compensated effort.

Contact Person: Ken Packman, Director - Office of Sponsored Proposals and Awards
Telephone: (404) 413-3550 Email: kpackman@gsu.edu

STATUS:

Corrective action has been taken and the matter has been resolved.