

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI
RESEARCH FOUNDATION, INC.**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2011 and 2010

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The University of Southern Mississippi Research Foundation, Inc.
118 College Drive #5177
Hattiesburg, Mississippi 39406-0001

We have audited the accompanying consolidated statements of financial position of The University of Southern Mississippi Research Foundation, Inc. (a nonprofit organization) as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of The University of Southern Mississippi Research Foundation, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

To the Board of Directors
The University of Southern Mississippi Research Foundation, Inc.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Southern Mississippi Research Foundation, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated schedule of functional expenses and additional consolidating information on pages 14 through 17 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
March 16, 2012

EXHIBIT A

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

ASSETS

ASSETS	December 31,	
	2011	2010
Cash and cash equivalents	\$ 1,555,713	\$ 1,352,570
Research contracts receivable	194,836	533,086
Property, plant and equipment, net	6,743,363	6,873,763
Other assets	31,860	14,617
Total assets	\$ 8,525,772	\$ 8,774,036

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 27,707	\$ 62,529
Research contracts payable	274,585	576,583
Refundable security deposits	93,918	88,060
Deferred rental revenue	284,437	282,822
Notes payable	4,323,044	5,166,036
Total liabilities	5,003,691	6,176,030
NET ASSETS, UNRESTRICTED	3,522,081	2,598,006
Total liabilities and net assets	\$ 8,525,772	\$ 8,774,036

See accompanying notes.

EXHIBIT B

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010**

REVENUES, GAINS AND OTHER SUPPORT	December 31,	
	2011	2010
Rental revenues	\$ 2,072,766	\$ 2,190,547
Research contracts revenue	723,476	973,635
Donations	130,001	168,321
Management fee revenue	750,000	750,000
Interest income	523	1,767
Settlement proceeds, net	-	603,010
Other income	16,894	10,717
Total revenues, gains and other support	<u>3,693,660</u>	<u>4,697,997</u>
EXPENSES		
Program services:		
Research contracts, The University of Southern Mississippi	648,387	934,756
Scholarships, grants, and awards	35,326	40,069
Supporting services:		
Management and general	959,590	1,081,293
Rental expenses	1,126,282	1,307,180
Total expenses	<u>2,769,585</u>	<u>3,363,298</u>
CHANGE IN NET ASSETS	924,075	1,334,699
NET ASSETS, UNRESTRICTED		
Beginning of year	<u>2,598,006</u>	<u>1,263,307</u>
End of year	<u>\$ 3,522,081</u>	<u>\$ 2,598,006</u>

See accompanying notes.

EXHIBIT C

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	December 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 924,075	\$ 1,334,699
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	165,512	167,660
Increase (decrease) from changes in operating assets and liabilities:		
Research contracts receivable	338,250	769,959
Prepaid expenses	-	65,000
Other assets	(17,243)	1,356
Accounts payable	(34,822)	39,508
Accrued expenses	5,858	-
Deferred income	1,615	282,822
Research contracts payable	(301,998)	(730,894)
Net cash provided by operating activities	<u>1,081,247</u>	<u>1,930,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(35,112)	-
Net cash (used) by investing activities	<u>(35,112)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	4,413,626	-
Repayment of notes payable	(5,256,618)	(1,173,041)
Net cash (used) by financing activities	<u>(842,992)</u>	<u>(1,173,041)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	203,143	757,069
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,352,570</u>	<u>595,501</u>
End of year	<u>\$ 1,555,713</u>	<u>\$ 1,352,570</u>
SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 130,126</u>	<u>\$ 154,565</u>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The University of Southern Mississippi Research Foundation, Inc. (the Foundation) oversees gifts, contributions, and grants provided for sponsored research for individuals, industries, private organizations, and government agencies, throughout the United States, and assists with transferring technology developed through the Foundation to benefit the University of Southern Mississippi and the public. The Foundation bridges the intellectual resources of the academic community to the private sector to ensure technology transfer and commercialization of viable ideas.

The Foundation has an infinite life expectancy and anticipates significant gifts and donations of technology each year. The licensing and marketing activities of the Foundation operate on a continual basis.

Principles of Consolidation - The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary, Pinion Properties, LLC (Pinion). Pinion was formed on January 10, 2005, as a limited liability company whereby certain real property held by the Foundation was transferred to the newly formed entity to manage and maintain the property. Significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation - The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC 958-205 requires the reporting of total assets, liabilities and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows. FASB ASC 958-205 also requires that net assets, revenues, gains, expenses and losses be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees, and accordingly includes "quasi" endowment investments. At December 31, 2011 and 2010, all of the Foundation's net assets were unrestricted.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported and disclosures made in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE TWO

YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Income Tax - The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Code and is not a private foundation.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's income tax returns. The Foundation's income tax returns are subject to examination by taxing authorities for three years after they are filed. The Foundation's open tax periods are 2008 – 2011. The Foundation believes their estimates are appropriate based on current facts and circumstances and that no uncertain tax positions were taken.

Cash and Cash Equivalents - For financial statement purposes, the Foundation considers all highly liquid investments with an original maturity of three (3) months or less to be cash equivalents.

Research Contracts Receivable - Research contracts receivable are stated at unpaid balances less amounts deemed uncollectable by management. Receivables are written off based on a case-by-case basis and upon evaluation of specific circumstances. At December 31, 2011 and 2010, all accounts were considered collectable by management.

Property, Plant and Equipment - Property, plant and equipment acquisitions are recorded at cost or, if donated, fair market value when received. Depreciation is provided over the estimated useful life of depreciable assets, which is three (3), five (5), or seven (7) years for furniture and equipment and fifteen (15) or thirty-nine (39) years for buildings and improvements, and is computed using the straight line method. Property costing in excess of \$500 and having a useful life in excess of one (1) year is capitalized. Depreciation expense for the years ended December 31, 2011 and 2010, was \$165,512 and \$167,660, respectively.

Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The costs and related accumulated depreciation of assets sold or retired are removed from the accounts and any resulting gain or loss is reflected in the accompanying statements of activities.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and impairments of long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE THREE

YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue Recognition - The Foundation recognizes all contributed support received as income in the period received or unconditionally pledged. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted net asset is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets that do not have stipulations regarding the length of time that the asset must be used are reported as unrestricted support.

Research contract revenue is recognized as income in the period the service is provided. Such income is derived in part from separate contracts with The University of Southern Mississippi (the University) which provide for research to be performed by certain faculty. Payments to the University under research contracts aggregated \$648,387 and \$934,756 as of December 31, 2011 and 2010, respectively.

The Foundation has received various contributions of valuable intellectual property that have been patented. However, the ultimate value of the patented property is highly subjective and dependent upon successful commercialization by the Foundation. When intellectual property is successfully marketed or patents are licensed to third parties, royalty fees will be recognized as earned, over the period of the license agreement.

Rental revenue is recognized as it is earned.

Functional Expenses - Functional expenses are allocated between program services and supporting services. Supporting services include general and administrative activities and rental expenses. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Foundation. Rental expenses relate directly to Pinion operating properties.

Subsequent Events - In connection with the preparation of the consolidated financial statements and in accordance with recently issued FASB ASC 855, *Subsequent Events*, the Foundation has evaluated subsequent events after the statement of financial position through March 16, 2012, which is the date the financial statements were available to be issued.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE FOUR
YEAR ENDED DECEMBER 31, 2011**

NOTE 2 - INVESTMENTS

In September 2009, the Foundation purchased 1,000 shares of common stock of a closely held corporation for \$100,000. Based on management's review of the financial position of the closely held corporation, an unrealized loss has been recorded to reduce the basis of the investment to estimated net realizable value of \$-0- at December 31, 2011 and 2010.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at:

	December 31,	
	2011	2010
Land and improvements	\$ 2,774,387	\$ 2,774,387
Buildings and improvements	4,556,635	4,550,085
Furniture and equipment	123,034	94,472
	<u>7,454,056</u>	<u>7,418,944</u>
Less: accumulated depreciation	(710,693)	(545,181)
Total	<u>\$ 6,743,363</u>	<u>\$ 6,873,763</u>

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE FIVE
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 4 - NOTES PAYABLE

Notes payable as of December 31, 2011 and 2010 consisted of the following:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Note payable to a commercial bank, due in monthly installments of \$6,200, at the 1-month LIBOR Market Index Rate plus 2.25%. The interest rate was 2.485% at December 31, 2010. This note was paid off in December 2011.	\$ -	\$ 123,266
Note payable to a commercial bank due in monthly installments of \$54,183, at the LIBOR Market Index Rate plus 2.25%. The interest rate was 2.485% at December 31, 2010 and set to mature on July 14, 2011, and is secured by real property. This note was refinanced in December 2011.	-	5,042,770
Note payable to a commercial bank due in monthly installments of \$62,000, with an interest rate of 4.850% as of December 31, 2011. Maturity date is December 7, 2016 and is secured by real property.	<u>4,323,044</u>	<u>-</u>
Total notes payable	<u>\$ 4,323,044</u>	<u>\$ 5,166,036</u>

Maturities of notes payable at December 31, 2011 for each of the five (5) subsequent years and thereafter are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2012	\$ 540,244
2013	568,017
2014	596,586
2015	626,593
2016	1,991,604
Thereafter	<u>-</u>
	<u>\$ 4,323,044</u>

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE SIX
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5 - OPERATING LEASE COMMITMENTS

The Foundation leases office space to tenants under noncancelable operating lease agreements with terms of one (1) to ten (10) years. The following is a schedule by years of future minimum rentals under the leases at December 31, 2011.

<u>Year Ended December 31, 2011</u>	<u>Amount</u>
2012	\$ 1,973,205
2013	1,404,331
2014	835,456
2015	835,456
2016	835,456
Thereafter	-
	<u>\$ 5,883,904</u>

The following schedule provides an analysis of the Foundation's investment in property held for lease by major classes as of December 31, 2011 and 2010:

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 1,071,195	\$ 1,152,577
Buildings and improvements	3,403,640	4,153,414
	<u>4,474,835</u>	<u>5,305,991</u>
Less accumulated depreciation	(470,166)	(482,799)
Net property and equipment held for lease	<u>\$ 4,004,669</u>	<u>\$ 4,823,192</u>

NOTE 6 - COMMITMENTS

The Foundation entered into a consulting agreement with an outside party to manage, promote, market, license and commercialize its intellectual property developed and owned by the Foundation. The agreement provides for annual payments of \$750,000 and is set to expire on August 31, 2012. This agreement will not be renewed upon expiration.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE SEVEN

YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 6 - COMMITMENTS (Cont.)

Concurrently, the Foundation entered into an agreement with the University on September 1, 2006 to negotiate and manage the University's private and industrial research projects, intellectual property and market University technology. The Foundation receives compensation of \$750,000 annually until the agreement expires on August 31, 2012. The agreement will not be renewed upon expiration.

NOTE 7 - RISK AND UNCERTAINTIES

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of bank deposit accounts. The Foundation maintains its cash balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2011 and 2010, the Foundation had \$263,788 and \$1,566,792, respectively, of cash deposits in excess of the FDIC limits.

NOTE 8 - RELATED PARTY TRANSACTIONS

On April 13, 2010, The Foundation and the University entered into a new lease agreement, combining the four previous lease agreements into one. Under the terms of the agreement, the University is provided with up to 62,750 sq. ft. of space for a total annual cost of \$1,150,853. The lease is comprised of four separate spaces plus additional parking and ground lease for temporary modular classroom buildings.

During year ended 2007, a separate lease agreement was entered into between the Foundation and the University which was amended in 2008. The amended lease provides the University with a total of 5,977 sq. ft. of space located in a separate building for a total annual cost of \$25,194. This lease was canceled during year ended 2010.

During years ended December 31, 2011 and 2010, the subtotal of rental income for both lease agreements with the University was \$1,137,749 and \$1,273,336, respectively, which represents 55% and 58% of the total rental income received by the Foundation, respectively.

The University contributes salaries for certain Foundation employees. For the years ended December 31, 2011 and 2010, salaries and related benefits totaling \$113,732 and \$143,185, respectively, have been recorded in the statement of activities as unrestricted contributed support and unrestricted expenses.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 9 - SETTLEMENT PROCEEDS

In April 2010, the Foundation entered into a lawsuit against a former consultant and employee of the University. The lawsuit was settled in favor of the Foundation in November 2010, resulting in settlement proceeds of \$603,010, net of attorney fees totaling \$164,989. There are no known claims or threatened litigation against the Foundation as of the date of this report.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011**

	Program Services	Supporting Services		Total
		General and Administrative	Rental	
Accounting	\$ -	\$ 35,924	\$ -	\$ 35,924
Bank charges	-	-	6	6
Computer and internet	-	-	402	402
Consulting fees	-	750,000	-	750,000
Depreciation	-	11,434	154,078	165,512
Dues and subscriptions	-	-	1,000	1,000
Insurance	-	1,730	183,779	185,509
Interest expense	-	-	130,126	130,126
Legal and professional fees	-	29,408	2,486	31,894
Miscellaneous	-	-	21,050	21,050
Office expense	-	1,732	2,051	3,783
Pest control	-	-	7,089	7,089
Postage	-	13	50	63
Rental expense	-	13,429	-	13,429
Repairs and maintenance	-	-	71,095	71,095
Research contracts	648,387	-	-	648,387
Salaries	-	113,732	95,268	209,000
Scholarships and awards	35,326	-	-	35,326
Taxes, payroll	-	-	7,838	7,838
Taxes, property	-	-	102,714	102,714
Travel and meetings expense	-	2,188	966	3,154
Uniforms	-	-	3,222	3,222
Utilities	-	-	343,062	343,062
	<u>\$ 683,713</u>	<u>\$ 959,590</u>	<u>\$ 1,126,282</u>	<u>\$ 2,769,585</u>

SCHEDULE 2

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010**

	Program Services	Supporting Services		Total
		General and Administrative	Rental	
Accounting	\$ -	\$ 81,324	\$ -	\$ 81,324
Bank charges	-	-	1,391	1,391
Computer and internet	-	-	479	479
Consulting fees	-	757,500	65,000	822,500
Depreciation	-	11,824	155,836	167,660
Dues and subscriptions	-	-	1,000	1,000
Insurance	-	1,730	195,878	197,608
Interest expense	-	-	154,565	154,565
Legal and professional fees	-	43,717	2,633	46,350
Meals and entertainment	-	-	289	289
Miscellaneous	-	7,225	1,521	8,746
Office expense	-	2,779	3,687	6,466
Pest control	-	-	7,120	7,120
Postage	-	-	1,099	1,099
Rental expense	-	18,755	-	18,755
Repairs and maintenance	-	-	143,267	143,267
Reproduction	-	495	-	495
Research contracts	934,756	-	-	934,756
Salaries	-	143,185	75,048	218,233
Scholarships and awards	40,069	-	-	40,069
Taxes, payroll	-	-	5,432	5,432
Taxes, property	-	-	102,714	102,714
Travel and meetings expense	-	12,759	347	13,106
Uniforms	-	-	3,086	3,086
Utilities	-	-	386,788	386,788
	<u>\$ 974,825</u>	<u>\$ 1,081,293</u>	<u>\$ 1,307,180</u>	<u>\$ 3,363,298</u>

SCHEDULE 3

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

	University of Southern Mississippi Research Foundation, Inc.	Pinion Properties, LLC	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 319,966	\$ 1,235,747	\$ -	\$ 1,555,713
Research contracts receivable	192,121	2,715	-	194,836
Prepaid expenses	284,437	-	(284,437)	-
Property, plant and equipment, net	43,992	6,699,371	-	6,743,363
Other assets	-	31,860	-	31,860
Investment in Pinion	1,000,009	-	(1,000,009)	-
Total assets	\$ 1,840,525	\$ 7,969,693	\$ (1,284,446)	\$ 8,525,772
LIABILITIES				
Accounts payable	\$ -	\$ 27,707	\$ -	\$ 27,707
Research contracts payable	274,585	-	-	274,585
Refundable security deposits	-	93,918	-	93,918
Deferred revenue	284,437	284,437	(284,437)	284,437
Notes payable	-	4,323,044	-	4,323,044
Total liabilities	559,022	4,729,106	(284,437)	5,003,691
NET ASSETS, UNRESTRICTED	1,281,503	3,240,587	(1,000,009)	3,522,081
Total liabilities and net assets	\$ 1,840,525	\$ 7,969,693	\$ (1,284,446)	\$ 8,525,772

SCHEDULE 4

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

	University of Southern Mississippi Research Foundation, Inc.	Pinion Properties, LLC	Eliminations	Consolidated
REVENUES, GAINS AND OTHER SUPPORT				
Rental revenues	\$ 1,136,134	\$ 2,074,381	\$ (1,137,749)	\$ 2,072,766
Research contract revenue	723,476	-	-	723,476
Donations	130,001	-	-	130,001
Management fee revenues	750,000	-	-	750,000
Interest income	-	523	-	523
Other income	8,484	8,410	-	16,894
Total revenues, gains and other support	<u>2,748,095</u>	<u>2,083,314</u>	<u>(1,137,749)</u>	<u>3,693,660</u>
EXPENSES				
Program services:				
Research contracts, The University of Southern Mississippi	648,387	-	-	648,387
Scholarships, grants, and awards	35,326	-	-	35,326
Supporting services:				
Management and general	2,097,339	-	(1,137,749)	959,590
Rental	-	1,126,282	-	1,126,282
Total expenses	<u>2,781,052</u>	<u>1,126,282</u>	<u>(1,137,749)</u>	<u>2,769,585</u>
CHANGE IN NET ASSETS	(32,957)	957,032	-	924,075
NET ASSETS				
Beginning of year	<u>1,314,460</u>	<u>2,283,555</u>	<u>(1,000,009)</u>	<u>2,598,006</u>
End of year	<u>\$ 1,281,503</u>	<u>\$ 3,240,587</u>	<u>\$ (1,000,009)</u>	<u>\$ 3,522,081</u>