

**The University of Mississippi Research Foundation
A Component Unit of The University of Mississippi**

Accountants' Report and Financial Statements

June 30, 2008 and 2007

The University of Mississippi Research Foundation
A Component Unit of The University of Mississippi
June 30, 2008 and 2007

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Independent Accountants' Report

Board of Directors
The University of Mississippi Research Foundation
University, Mississippi

We have audited the accompanying basic financial statements of The University of Mississippi Research Foundation (the Foundation), a component unit of The University of Mississippi, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation as of and for the year ended June 30, 2007, were audited by other accountants whose report dated May 30, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with 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. 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2008, and its changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2009, on our consideration of the Foundation's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The accompanying management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which

consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, to such information as of and for the year ended June 30, 2008. However, we did not audit the information as of and for the year ended June 30, 2008, and express no opinion on it. Other accountants have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, to such information as of and for the year ended June 30, 2007. However, as stated in their report referred to above, the other accountants did not audit the information as of and for the year ended June 30, 2007, and expressed no opinion on it.

BKD, LLP

February 5, 2009

The University of Mississippi Research Foundation
A Component Unit of The University of Mississippi
Management's Discussion and Analysis
June 30, 2008

Introduction

Management's Discussion and Analysis serves to provide an introductory overview of the financial position and performance of The University of Mississippi Research Foundation (the Foundation). This discussion and analysis has been prepared by management and should be considered in conjunction with the financial statements and accompanying note disclosures. Three financial statements are presented: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements present financial information for the fiscal year ended June 30, 2008, and comparative data for the fiscal year ended June 30, 2007.

The Foundation

The Foundation was established in 1999. The main purpose of the Foundation is to promote the development, implementation, and coordination of sponsored research and new technologies at The University of Mississippi.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Foundation at the end of the fiscal year. The components of the statement include assets, liabilities and net assets. Assets and liabilities are presented as current or noncurrent, giving the reader a sense of the availability of assets on a short-term and long-term basis, as well as the Foundation's ability to meet immediate and future obligations. The net assets (assets minus liabilities) section presents a snapshot of the Foundation's overall net worth. This section is categorized to communicate to readers the degree of availability of these net assets to meet institutional obligations.

Net assets are divided into three major categories: invested in capital assets, restricted net assets, and unrestricted net assets. Invested in capital assets provides a snapshot of the Foundation's net equity in property, plant, and equipment. Assets are classified as restricted when limitations or restrictions are placed on their use by external parties. Restricted net assets are subdivided into two categories, expendable and nonexpendable. Expendable restricted assets are available for expenditures by the Foundation but must be used in accordance with the intent of the appropriate external parties. Nonexpendable restricted net assets are only available for investment purposes and must remain intact in perpetuity. Unrestricted net assets are available to the Foundation for any lawful purpose of the Foundation.

The financial position of the Foundation improved during fiscal year 2008. Total assets increased by \$2,230,397, and total liabilities decreased by \$17,886, resulting in a \$2,248,283 increase in net assets. A large portion of the increase was due to the increase in value of ChromaDex Corporation stock the Foundation holds and receipt of a research award of \$100,000. This award is designated for the National Center for Physical Acoustics from The Elwood & Stephanie Norris Foundation. The other large portion of this improvement was due to an increase of \$92,419 in capital assets. This increase represents amounts invested by the Foundation in The University of Mississippi Research Park (the Research Park).

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Current assets at June 30, 2008, consisted primarily of cash, investments and a receivable. The receivable represents the amount due from the U. S. Department of Commerce for their award to the Foundation. The primary purpose of this award is to fund the construction of the Research Park.

Current liabilities at June 30, 2008, are comprised of a payable due to The University of Mississippi. This amount represents payment due for services rendered under a subcontract for grant management and oversight of the master planning and construction of the Research Park.

The largest component of net assets is unrestricted net assets. This amount primarily represents the Foundation's investment in ChromaDex Corporation. The second largest component of net assets is capital assets. Per the development agreement between the Foundation and The University of Mississippi, the Foundation will convey, upon completion, the site work at the Research Park to the University by a special warranty bill of sale. At that time, The University of Mississippi shall assume all obligations and liabilities for the maintenance repair, upkeep, supervision, and control of the Research Park and related assets conveyed. Net assets restricted – expendable for research represents the contribution from The Elwood & Stephanie Norris Foundation.

Condensed Statements of Net Assets

	2008	2007
Assets		
Current assets	\$ 2,249,578	\$ 111,600
Capital assets	146,368	53,949
Total assets	\$ 2,395,946	\$ 165,549
 Liabilities		
Current liabilities	\$ 93,714	\$ 111,600
Total liabilities	93,714	111,600
 Net Assets		
Invested in capital assets	146,368	53,949
Restricted - expendable for research	100,000	-
Unrestricted	2,055,864	-
Total net assets	2,302,232	53,949
 Total liabilities and net assets	\$ 2,395,946	\$ 165,549

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June 30, 2008

Statement of Revenues, Expenses and Changes in Net Assets

The changes in total assets presented in the Statement of Net Assets are based on the activity included in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of this statement is to present all revenues received and expenses incurred by the Foundation.

This statement presents these activities as either operating or nonoperating. In general terms, operating revenues are revenues earned as a result of providing goods or services. Operating expenses are those expenses incurred to acquire or produce goods and services or to support the mission of the Foundation. The net result of operating activities is presented as operating income or loss. Since a portion of the Foundation's revenues and expenses is classified as nonoperating, including federal grants and contracts received for capital expenditures, "increase in net assets" is more indicative of the overall financial results for the fiscal year.

For the fiscal year ended June 30, 2007, all of the revenues received by the Foundation came from an award from the United States Department of Commerce. For the fiscal year ended June 30, 2008, the Foundation received \$446,555 from the United States Department of Commerce award and \$100,000 from The Elwood & Stephanie Norris Foundation. Additionally, the value of ChromaDex Corporation stock held increased as the result of the Company becoming publically traded by \$2,055,480. The remaining \$384 was interest earned by the Foundation.

Operating expenses are depicted in the Statement of Revenues, Expenses and Changes In Net Assets by the type of goods or services purchased. Operating expenses for the fiscal year ended June 30, 2007 and 2008 consisted primarily of payments to The University of Mississippi for contractual services related to grant management.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

	2008	2007
Operating Revenues		
Federal grants and contracts	\$ 354,136	\$ 76,021
Total operating revenues	354,136	76,021
Operating Expenses		
Contractual services	354,136	76,021
Total operating expenses	354,136	76,021
Operating Income	-	-
Nonoperating Revenues		
Interest income	384	-
Unrealized gain on marketable securities	2,055,480	-
Private gifts and donations	100,000	-
Federal grants and contracts	92,419	53,949
Total nonoperating revenues	2,248,283	53,949
Increase in Net assets	\$ 2,248,283	\$ 53,949

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Statement of Cash Flows

The Statement of Cash Flows provides another perspective of financial activities and results. This statement presents information about the activities on a cash basis utilizing four categories. The cash flows from operating activities section summarizes cash generated and used through operating activities. The cash flows from noncapital financing activities section summarizes cash generated from private grants and donations. Cash flows from capital and related financing activities summarize the cash used for the acquisition, construction, renovation and improvement of capital and related assets. Finally, the cash flows from investing activities section summarizes interest received. During the year, cash and cash equivalents increased by \$100,384. For the fiscal year ended June 30, 2007, the Foundation had no cash or cash equivalents. During that fiscal year, the only source of cash was the Foundation's award from the United States Department of Commerce. Throughout the year, cash was drawn from the agency and immediately disbursed as payments were due, resulting in a net cash balance of zero. For the fiscal year ended June 30, 2008, the Foundation received a contribution that earned interest, resulting in an available cash balance of \$100,384.

Condensed Statements of Cash Flows

	2008	2007
Cash Provided By		
Noncapital financing activities	\$ 100,000	\$ -
Investing activities	384	-
Increase in Cash and Cash Equivalents	\$ 100,384	\$ -

Capital Assets and Debt Administration

The Foundation was founded for the purpose of supporting the research and other externally sponsored academic activities of The University of Mississippi. It operates primarily as a grants management organization and, as such, will maintain limited amounts of capital assets other than the Research Park and no long-term liabilities.

Subsequent Events and Other Operational Factors

The Research Park remains in the schematic design phase. The architectural contract has been awarded to the joint venture of Howorth & Associates and Cooke Douglass Farr Lemons, LTD. The estimated completion date is September 2011.

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Management's Outlook

The Foundation continues to generally improve its financial position; however, we have realized a significant market decline in our investments since June 30, 2008. The award received from the United States Department of Commerce ensures continued operations through 2011. The immediate priority of the Foundation is to secure funding for construction and management of the Research Park. In addition, the Foundation will continue to seek resources to further research at The University of Mississippi.

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Statements of Net Assets
June 30, 2008 and 2007

	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 100,384	\$ -
Accounts receivable	93,714	111,600
Investments	2,055,480	-
Total current assets	2,249,578	111,600
Capital Assets		
Construction in progress	146,368	53,949
	\$ 2,395,946	\$ 165,549
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 93,714	\$ 111,600
Total current liabilities	93,714	111,600
Net Assets		
Invested in capital assets	146,368	53,949
Restricted - expendable for research	100,000	-
Unrestricted	2,055,864	-
	2,302,232	53,949
	\$ 2,395,946	\$ 165,549

The University of Mississippi Research Foundation
A Component Unit of The University of Mississippi
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Federal grants and contracts	\$ 354,136	\$ 76,021
Total operating revenues	<u>354,136</u>	<u>76,021</u>
Operating Expenses		
Contractual services	<u>354,136</u>	<u>76,021</u>
Total operating expenses	<u>354,136</u>	<u>76,021</u>
Operating Income	<u>-</u>	<u>-</u>
Nonoperating Revenues		
Interest income	384	-
Unrealized gain on marketable securities	2,055,480	-
Private gifts and donations	100,000	-
Federal grants and contracts	<u>92,419</u>	<u>53,949</u>
Increase in Net Assets	2,248,283	53,949
Net Assets, Beginning of Year	<u>53,949</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 2,302,232</u>	<u>\$ 53,949</u>

The University of Mississippi Research Foundation
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Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Operating Activities		
Grants and contracts	\$ 352,841	\$ 18,370
Payments to vendors and contractors	(352,841)	(18,370)
Net cash provided by operating activities	-	-
Noncapital Financing Activities		
Received from private grants and donations	100,000	-
Net cash provided by noncapital financing activities	100,000	-
Capital and Related Financing Activities		
Capital grants	92,419	53,949
Purchases of capital assets	(92,419)	(53,949)
Net cash provided by capital and related financing activities	-	-
Investing Activities		
Interest received	384	-
Net cash provided by investing activities	384	-
Increase in Cash and Cash Equivalents	100,384	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	\$ 100,384	\$ -
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by Operating Activities		
Operating income	\$ -	\$ -
Changes in operating assets and liabilities		
Accounts receivable	17,886	(111,600)
Accounts payable and accrued liabilities	(17,886)	111,600
Net cash provided by operating activities	\$ -	\$ -

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Notes to Financial Statements
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Note 1: Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The University of Mississippi Research Foundation (the Foundation) is a not-for-profit Mississippi corporation established to promote the development, implementation, and coordination of sponsored research and new technologies at The University of Mississippi (the University) in the furtherance of the University's educational objectives. The Foundation is considered to be an affiliate and component unit of the University because all board members are related to the University as faculty, staff or trustees. Additionally, the Foundation's sole corporate member is the Chancellor of the University of Mississippi.

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on an accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when reduced to a legal or contractual obligation to pay. The Foundation reports as a Business-Type Activity (BTA) as defined by Governmental Accounting Standards Board (GASB) Statement No. 35. BTAs are those activities that are financed in whole or in part by fees charged to external parties for goods and services.

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities (an amendment of GASB Statement No. 34)*. The presentation required by GASB Statement No. 34 and GASB Statement No. 35 provides a comprehensive, entity-wide perspective of the Foundation's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

GASB establishes the standards for external financial reporting for governmental entities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- Invested in capital assets – Capital assets, net of accumulated depreciation.
- Restricted:

Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained in perpetuity by the Foundation. Such assets include the principal of the Foundation's permanent endowment funds.

Expendable – Net assets whose use by the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.

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- Unrestricted: Net assets whose use by the Foundation is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the board of directors or may otherwise be limited by contractual agreements with outside parties.

Pursuant to GASB Statement No. 20, the Foundation has elected to apply the provisions for all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of 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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments purchased with an original maturity of three months or less.

Accounts Receivable

Receivables are reported at their gross value when earned as the underlying exchange transaction occurs. Estimated receivables have been recorded for services rendered but not yet billed as of June 30, 2008 and 2007. The receivables were arrived at by taking the subsequent payments of expenses invoiced after year end and recording at year end the portions incurred and reimbursable at year end.

Investments

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Changes in unrealized gain (loss) on the carrying value of investments are reported as nonoperating revenues (expenses) in the statement of revenues, expenses and changes in net assets. Investments without readily determinable market values are accounted for utilizing the cost-basis method.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Expenditures for construction in progress are capitalized as incurred.

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Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 40 years for buildings, 20 years for improvements other than buildings, and 3 to 15 years for equipment.

Revenue Recognition

All of the Foundation's revenues for the year ended June 30, 2007, and most of the Foundation's revenues for the year ended June 30, 2008, were derived from a restricted grant from the U. S. Department of Commerce. This grant supports the development of the University's Research Park. The Foundation recognizes revenue associated with direct costs as the costs are incurred. These revenues are reported as operating or nonoperating revenues, depending on the nature of the cost incurred.

Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are capital related and investment income are included in nonoperating revenues. The Foundation first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as restricted net assets.

During the year ended June 30, 2008, the Foundation received a donation earmarked for the National Center for Physical Acoustics. Therefore, this revenue is reflected in the accompanying financial statements as expendable for research.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

Note 2: Deposits and Investments

The Foundation does not have formal policies regarding investments, deposits and related risks.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, an entity's deposits may not be returned to it. The Foundation maintains its cash in deposit accounts which, at times, can exceed

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federally insured limits. At June 30, 2008, \$84,696 of the Foundation's bank balances of \$184,696 were exposed to custodial credit risk in uninsured and uncollateralized accounts.

Investments

A concentration of credit risk exists at June 30, 2008, as all of the Foundation's investments were held in one corporate stock. Additionally, due to market conditions, the fair value of the investment in ChromaDex Corporation stock, as reflected in the accompanying financial statements, has declined to approximately \$800,000 at January 30, 2009.

Summary of Carrying Values

The carrying values of deposits and investments are included in the Statements of Net Assets as follows:

	2008	2007
Carrying Value		
Deposits	\$ 100,384	\$ -
Investments	2,055,480	-
	\$ 2,155,864	\$ -
Included in the following Statement of Net Assets captions		
Cash and cash equivalents	\$ 100,384	\$ -
Investments	2,055,480	-
	\$ 2,155,864	\$ -

For the year ended June 30, 2007, the Foundation owned 548,128 shares of ChromaDex Corporation, which is a supplier of phytochemical standards and reference materials. No value was assigned to these shares at June 30, 2007, as there was no readily determinable market value, and such shares were acquired without any cost to the Foundation as a result of a licensing agreement between ChromaDex Corporation and The University of Mississippi.

During the year ended June 30, 2008, as a result of a merger, ChromaDex, Inc. became ChromaDex Corporation and is publicly traded. Accordingly, the market value of these shares as of June 30, 2008, was recorded as investments with the entire unrealized value of \$2,055,480 recognized as an unrealized gain on marketable securities.

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Notes to Financial Statements

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Note 3: Transactions with The University of Mississippi

Pursuant to an agreement between the Foundation and the University, the University provides grant management services and oversight of the Master Planning and Phase I construction of the Research Park. Contractual services provided by the University to the Foundation for the year ended June 30, 2008 and 2007, totaled \$354,136 and \$71,935, respectively, of which \$93,714 and \$71,935, respectively, are included in accounts payable in the accompanying statements of net assets.

Note 4: Accounts Receivable

Accounts receivable as of June 30, 2008 and 2007, totaled \$93,714 and \$111,600, respectively, representing reimbursements receivable from the U. S. Department of Commerce for funds expended on the Research Park.

Note 5: Capital Assets

Capital assets activity for the years ended June 30, 2008 and 2007, was:

	2008			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable				
Construction in progress	\$ 53,949	\$ 92,419	\$ -	\$ 146,368
Total capital assets, non-depreciable	53,949	92,419	-	146,368
Capital assets, net of depreciation	\$ 53,949	\$ 92,419	\$ -	\$ 146,368

	2007			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable				
Construction in progress	\$ -	\$ 53,949	\$ -	\$ 53,949
Total capital assets, non-depreciable	-	53,949	-	53,949
Capital assets, net of depreciation	\$ -	\$ 53,949	\$ -	\$ 53,949

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Note 6: Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2008 and 2007, totaled \$93,714 and \$111,600, respectively, representing amounts due to vendors for services rendered.

Note 7: Grants and Contract Awarded

At June 30, 2008, the grant from the U. S. Department of Commerce was as follows:

Total award under Grant No. 60NANB6D6134	\$ 19,744,560
Less received as of June 30, 2008	(482,811)
Less expended and receivable as of June 30, 2008	<u>(93,714)</u>
Remaining funding available	<u><u>\$ 19,168,035</u></u>

Note 8: Commitments and Contingencies

Government Grants

The Foundation is currently participating in grants from agencies of the federal government. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting agency, the grants are considered closed.

Note 9: Risk Management

The Foundation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions and natural disasters. The Foundation was self insured for the years ended June 30, 2008 and 2007, during which no claims were made. The Foundation plans to obtain commercial coverage in the future to ensure the Foundation for potential claims arising from such matters.

Note 10: Subsequent Events

In October 2008, the Foundation entered into an investor's rights agreement with CENTRI Technology, Inc. (CENTRI), which is a data computer software company. No shares have been issued by CENTRI as of January 2009. No value has been assigned to these shares, as there is no readily determinable market value, and such shares were acquired without any cost to the Foundation as a result of a licensing agreement between CENTRI and the University.



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

Board of Directors
The University of Mississippi Research Foundation
University, Mississippi

We have audited the financial statements of The University of Mississippi Research Foundation (the Foundation), a component unit of The University of Mississippi, as of and for the year ended June 30, 2008, and have issued our report thereon dated February 5, 2009. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the Foundation's internal control. We consider the deficiency described in the accompanying schedule of finding and response as item 08-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Foundation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the Foundation's management in a separate letter dated February 5, 2009.

The Foundation's responses to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Foundation's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

February 5, 2009

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Schedule of Findings and Responses
Year Ended June 30, 2008

Reference Number	Finding
08-1	<p>Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting of investments.</p> <p>Condition – The Foundation did not record an investment in ChromaDex Corporation stock that was determined to be material and required recording in the financial statements.</p> <p>Context – The design of the Foundation’s internal control structure does not include procedures for the financial reporting of investments.</p> <p>Effect – The omission of the investment would have resulted in the financial statements of the Foundation being materially misstated.</p> <p>Cause – The Foundation has not developed procedures to ensure proper recognition and disclosure of all investments.</p> <p>Recommendation – The Foundation should implement procedures to ensure proper recognition and disclosure of all investments.</p> <p>View of Responsible Officials and Planned Corrective Actions – The Foundation will adopt an operating procedure requiring members of the Executive Committee to notify the preparer of the financial statements of any event that may have a potential impact on the financial statements and note disclosures. These events will also be recorded in the minutes of the next Executive Committee meeting or board meeting. The Executive Committee will review the management discussion and analysis, financial statements and note disclosures prior to audit submission.</p>