

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

Financial Statements

June 30, 2009 and 2008

The University of Mississippi Research Foundation
(A Component Unit of The University of Mississippi)

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June 30, 2009 and 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of The University of Mississippi Research Foundation (A Component Unit of The University of Mississippi) (the "Foundation") as of June 30, 2009, and the related statements of revenues, expenses and changes in net assets and of cash flows for the year then ended. 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 for the year ended June 30, 2008, were audited by other auditors, whose report dated February 5, 2009, 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 financial statements referred to above present fairly, in all material respects, the financial position of The University of Mississippi Research Foundation, as of June 30, 2009, and the changes in its net assets and its 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 January 20, 2010, 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 should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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, 2009. However, we did not audit the information and express no opinion on it. Other auditors have applied certain limited procedures, which also 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, as stated in their report referred to above, the other auditors did not audit the 2008 information and expressed no opinion on it.

Covey Riggs & Ingram, LLC

Ridgeland, Mississippi
January 20, 2010

The University of Mississippi Research Foundation

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Management's Discussion and Analysis

June 30, 2009 and 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 (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 Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These statements present financial information for the fiscal year ended June 30, 2009, and comparative data for the fiscal years ended June 30, 2008 and 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.

Statements of Net Assets

The Statements of Net Assets present the financial position of the Foundation at the end of the fiscal year. The components of the statements 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 sub-divided 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 declined during fiscal year 2009. Total assets decreased by \$1,892,296 and total liabilities increased by \$36,271 resulting in a \$1,928,567 decrease in net assets. A large portion of this decrease was due to a decrease in value of ChromaDex Corporation stock the Foundation holds. The other portion of this decrease was due to an increase of \$36,271 in accounts payable.

In fiscal year 2008, the financial position of the Foundation had improved. Total assets had increased by \$2,230,397, and total liabilities had decreased by \$17,886, resulting in a \$2,248,283 increase in net assets. A large portion of the increase in 2008 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 was designated for the National Center for Physical Acoustics from The Elwood & Stephanie Norris Foundation. The other portion of this improvement was due to an increase of \$92,419 in capital assets which represented amounts invested by the Foundation in The University of Mississippi Research Park (the Research Park).

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Management's Discussion and Analysis

June 30, 2009 and 2008

Current assets at June 30, 2009 and 2008, consisted primarily of cash, investments and receivables. The receivables represent reimbursements receivable.

Current liabilities at June 30, 2009 and 2008, are comprised of accounts payable. The amounts payable represent amounts due to vendors for services rendered.

The largest component of net assets is unrestricted net assets. This amount primarily represents the Foundation's investment in ChromaDex Corporation and payments made to date for construction of the Research Park. 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

<i>June 30,</i>	2009	2008	2007
Assets			
Current assets	\$ 341,641	\$ 2,249,578	\$ 111,600
Capital assets	162,009	146,368	53,949
Total assets	\$ 503,650	\$ 2,395,946	\$ 165,549
Liabilities			
Current liabilities	\$ 129,985	\$ 93,714	\$ 111,600
Total liabilities	129,985	93,714	111,600
Net Assets			
Invested in capital assets	162,009	146,368	53,949
Restricted - expendable for research	100,000	100,000	-
Unrestricted	111,656	2,055,864	-
Total net assets	373,665	2,302,232	53,949
Total liabilities and net assets	\$ 503,650	\$ 2,395,946	\$ 165,549

Statements of Revenues, Expenses and Changes in Net Assets

The changes in net assets presented in the Statements of Net Assets are based on the activity included in the Statements of Revenues, Expenses, and Changes in Net Assets. The purpose of these statements is to present all revenues received and expenses incurred by the Foundation.

These statements present 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

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Management's Discussion and Analysis June 30, 2009 and 2008

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, "decrease in net assets" is more indicative of the overall financial results for the fiscal year.

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 a result of the Company becoming publicly traded by \$2,055,480. The remaining \$384 was interest earned by the Foundation.

For the fiscal year ended June 30, 2009, the Foundation received \$384,058 from the United States Department of Commerce award and \$125 from private, unrestricted donations. Additionally, the value of ChromaDex Corporation stock held decreased in value by \$1,945,854. The remaining \$1,545 was interest earned by the Foundation.

Operating expenses are depicted in the Statements of Revenues, Expenses and Changes in Net Assets by the type of goods or services purchased. Operating expenses for each of the years in the three year period ended June 30, 2009, consisted primarily of payments to the University of Mississippi for grant management.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

<i>Years ended June 30,</i>	2009	2008	2007
Operating Revenues			
Federal grants and contracts	\$ 368,417	\$ 354,136	\$ 76,021
Total operating revenues	368,417	354,136	76,021
Operating Expenses			
Contractual services	368,441	354,136	76,021
Total operating expenses	368,441	354,136	76,021
Operating Income (Loss)	(24)	-	-
Nonoperating Revenues (Expenses)			
Interest income	1,545	384	-
Unrealized gain (loss) on marketable securities	(1,945,854)	2,055,480	-
Private gifts and donations	125	100,000	-
Federal grants and contracts	15,641	92,419	53,949
Total nonoperating revenues (expenses)	(1,928,543)	2,248,283	53,949
Increase (decrease) in net assets	\$ (1,928,567)	\$ 2,248,283	\$ 53,949

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Management's Discussion and Analysis

June 30, 2009 and 2008

Statements of Cash Flows

The Statements of Cash Flows provides another perspective of financial activities and results. These statements present 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 the cash generated from private grants and donations. Cash flows from capital and related financing activities section summarize the cash used for acquisition, construction, renovation, and improvement of capital and related assets. Finally, the cash flows from the investing activities section summarizes interest received. During the year, cash and cash equivalents increased by \$1,646. For the fiscal year ended June 30, 2008, cash or cash equivalents increased by \$100,384. 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. For the fiscal year ended June 30, 2009, the Foundation continued to earn interest on the original \$100,000 investment as well as received other unrestricted contributions in the amount of \$125.

Condensed Statements of Cash Flows

<i>Years ended June 30,</i>	2009	2008	2007
Cash Provided By			
Operating activities	\$ (24)	\$ -	\$ -
Noncapital financing activities	125	100,000	-
Investing activities	1,545	384	-
Increase in cash and cash equivalents	\$ 1,646	\$ 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 schematic design phase of The University of Mississippi Research Park has been completed. CDFL/Howorth Joint Venture Architects have completed the schematic design drawings. The estimated completion date is April 2011.

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

<i>June 30,</i>	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 102,030	\$ 100,384
Accounts receivable	129,985	93,714
Investments	109,626	2,055,480
Total current assets	341,641	2,249,578
Capital Assets		
Construction in progress	162,009	146,368
Total assets	\$ 503,650	\$ 2,395,946
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 129,985	\$ 93,714
Total current liabilities	129,985	93,714
Net assets		
Investment in capital assets	162,009	146,368
Restricted - expendable for research	100,000	100,000
Unrestricted	111,656	2,055,864
Total net assets	373,665	2,302,232
Total liabilities and net assets	\$ 503,650	\$ 2,395,946

See accompanying notes to financial statements.

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Statements of Revenues, Expenses and Change in Net Assets

<i>Years ended June 30,</i>	2009	2008
Operating Revenues		
Federal grants and contracts	\$ 368,417	\$ 354,136
Total operating revenues	368,417	354,136
Operating Expenses		
Contractual services	368,441	354,136
Total operating expenses	368,441	354,136
Operating Loss	(24)	-
Nonoperating Revenues (Expenses)		
Interest income	1,545	384
Unrealized gain (loss) on marketable securities	(1,945,854)	2,055,480
Private gifts and donations	125	100,000
Federal grants and contracts	15,641	92,419
Total nonoperating revenues (expenses)	(1,928,543)	2,248,283
Increase (decrease) in net assets	(1,928,567)	2,248,283
Net assets, beginning of year	2,302,232	53,949
Net assets, end of year	\$ 373,665	\$ 2,302,232

See accompanying notes to financial statements.

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Statements of Cash Flows

<i>Years ended June 30,</i>	2009	2008
Operating activities		
Grants and contracts	\$ 332,146	\$ 352,841
Payments to vendors and contractors	(332,170)	(352,841)
Net cash used in operating activities	(24)	-
Noncapital Financing Activities		
Received from private grants and donations	125	100,000
Net cash provided by noncapital financing activities	125	100,000
Capital and Related Financing Activities		
Capital grants	15,641	92,419
Purchases of capital assets	(15,641)	(92,419)
Net cash provided by capital and related financing activities	-	-
Investing Activities		
Interest received	1,545	384
Net cash provided by investing activities	1,545	384
Increase in cash and cash equivalents	1,646	100,384
Cash and cash equivalents, beginning of year	100,384	-
Cash and cash equivalents, end of year	\$ 102,030	\$ 100,384
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$ (24)	\$ -
Changes in operating assets and liabilities		
Accounts receivable	(36,271)	17,886
Accounts payable and accrued liabilities	36,271	(17,886)
Net cash provided by (used in) operating activities	\$ (24)	\$ -

See accompanying notes to financial statements.

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Notes to Financial Statements

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 education 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.

- 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.

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Notes to Financial Statements

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

In connection with the preparation of the financial statements, management of the Foundation evaluated subsequent events through January 20, 2010 which was the date the financial statements were available to be issued.

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, 2009 and 2008. 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 with readily determinable fair values 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 Statements 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.

Depreciation on assets placed in service will be 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.

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Notes to Financial Statements

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Most of the Foundation's revenues for the two years ended June 30, 2009 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. During the year ended June 30, 2009, the Foundation received unrestricted donations that were not designated for a specific purpose but could be used to cover operational expenses.

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.

Future Accounting Pronouncements

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting of Intangible Assets*. The objective of this statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies in recognition, measurement, and amortization of intangible assets. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets. This statement provides guidance on determining the useful life of an intangible asset or if the intangible asset should be considered to have an indefinite useful life, and therefore should not be amortized. GASB No. 51 is effective for the Foundation for the fiscal year beginning July 1, 2009.

In November 2007, the GASB issued GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent standards for the reporting of land and other real estate held as investments by requiring endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed

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Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

to determine fair value, and other information that they currently present for other investments reported at fair value. GASB No. 52 is effective for the Foundation for the fiscal year beginning July 1, 2009 with any changes made to comply with this statement treated as an adjustment of prior periods.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments and specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The new standard provides specific criteria that governments will use to determine whether a derivative instrument will result in an effective hedge. Changes in fair value for effective hedges that are achieved with derivative instruments will be recognized in the reporting period to which they relate. The changes in fair value of these hedging derivative instruments do not affect current investment revenue, but are instead reported as deferrals in the Statements of Net Assets. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are classified as investment derivative instruments for financial reporting purposes. Changes in fair value of those derivative instruments are reported as part of investment revenue in the current reporting period. The requirements of GASB No. 53 are effective for the Foundation for the fiscal year beginning July 1, 2009.

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in government funds. The requirements of GASB No. 54 are effective for the Foundation for the fiscal year beginning July 1, 2010.

Management has not completed its evaluations to determine the effect, if any, the adoption of these future statements will have on the Foundation's financial condition or results of operations.

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 federally insured limits. In October, 2008, the FDIC raised the federally insured limits to \$250,000 per depositor effective through December 31, 2013. At June 30, 2009, the Foundation's bank balances were \$102,030. Therefore, no deposit amounts were at risk.

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Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments

A concentration of credit risk exists at June 30, 2009, as all of the Foundation's investments with readily determined fair values were held in one corporate stock.

Summary of Carrying Values

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

<i>June 30,</i>	2009	2008
Carrying Value		
Deposits	\$ 102,030	\$ 100,384
Investments	109,626	2,055,480
	\$ 211,656	\$ 2,155,864

Included in the following Statements of Net Assets captions

Cash and cash equivalents	\$ 102,030	\$ 100,384
Investments	109,626	2,055,480
	\$ 211,656	\$ 2,155,864

For the year ended June 30, 2008, the Foundation owned 548,128 shares of ChromaDex Corporation, which is a supplier of phytochemical standards and reference materials. 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.

At June 30, 2009, the market value of ChromaDex Corporation had declined significantly. Accordingly, \$1,945,854 was recognized as an unrealized loss on marketable securities.

In October 2008, the Foundation entered into an investor's rights agreement with CENTRI Technology, Inc. (CENTRI), which is a data computer software company. On October 20, 2008, the Foundation was granted 1,431,667 shares of stock in CENTRI. 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.

NOTE 3 – TRANSACTIONS WITH THE UNIVERSITY OF MISSISSIPPI

The Foundation has been awarded a grant from the National Institute of Standards and Technology in the amount of \$19,744,560 for the development of the University of Mississippi Research Park to be constructed on property of the University. In connection therewith, the Foundation and the University entered into a development agreement wherein the Foundation will lease certain parcels of land owned by the University under a ground lease arrangement for the development of the Research Park. The Foundation intends to construct roadways, utilities, buildings, common areas,

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Notes to Financial Statements

NOTE 3 – TRANSACTIONS WITH THE UNIVERSITY OF MISSISSIPPI (Continued)

and other necessary infrastructure for the operation of the Research Park on the leased property. Pursuant to the agreement and upon the completion of the site work related to the project, the Foundation will convey the site work at the Research Park to the University by a special warranty bill of sale. At that time the University will assume all obligations and liabilities for the maintenance repair, upkeep, supervision, and control of the Research Park and related assets conveyed.

In connection therewith, the Foundation and the University entered into a subcontract agreement wherein 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 years ended June 30, 2009 and 2008 totaled \$363,233 and \$354,136, respectively, of which \$128,617 and \$93,714, respectively, are included in accounts payable in the accompanying Statements of Net Assets.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2009 and 2008 totaled \$129,985 and \$93,714, respectively, representing reimbursements receivable.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2009 and 2008 was:

<i>June 30, 2009</i>	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable				
Construction in progress	\$ 146,368	\$ 15,641	\$ -	\$ 162,009

<i>June 30, 2008</i>	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable				
Construction in progress	\$ 53,949	\$ 92,419	\$ -	\$ 146,368

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of June 30, 2009 and 2008 totaled \$129,985 and \$93,714, respectively, representing amounts due to vendors for services rendered.

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Notes to Financial Statements

NOTE 7 – GRANTS AND CONTRACT AWARDED

At June 30, 2009, 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, 2009	(838,162)
Less expended and receivable as of June 30, 2009	(122,421)
<hr/>	
Remaining funding available	\$ 18,783,977

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, 2009 and 2008, during which no claims were made. The Foundation obtained commercial coverage beginning August 7, 2009.

NOTE 10 – SUBSEQUENT EVENTS

In July 2009, the Foundation entered into an investor rights agreement with Oxford Polymed Corporation, which is "a pharmaceutical company specializing in the production of high margin, low risk, low cost patent-protected drugs with large market opportunities." 600 common shares were purchased in September 2009. Par value of \$0.001 for a total purchase cost of \$0.60 was paid for these shares.

INDEPENDENT AUDITORS' 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, 2009, and have issued our report thereon dated January 20, 2010. 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.

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.

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 entity'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Cove, Riggs & Ingram, LLC

Ridgeland, Mississippi
January 20, 2010