



Item: BF: A-3b

BUDGET AND FINANCE COMMITTEE

Tuesday, June 2, 2020

SUBJECT: REQUEST FOR APPROVAL OF THE 2020-21 FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION OPERATING BUDGET.

PROPOSED COMMITTEE ACTION

Review and recommend approval of the 2020-21 Florida Atlantic University Research Corporation's (FAURC) Operating Budget; and, authorize the University President to amend this budget as appropriate during the fiscal year consistent with the FAURC's directives and guidelines.

BACKGROUND INFORMATION

The FAURC By-laws, amended May 18, 2011, require the preparation of an annual budget. The budget must be prepared annually and be approved by the FAURC Board of Directors and the University President, a member of the FAURC Board of Directors. The Board of Trustees must approve the Corporation's budget before it can be enacted.

During the April 7, 2020 FAURC Board meeting, this budget was approved.

IMPLEMENTATION PLAN/DATE

July 1, 2020.

FISCAL IMPLICATIONS

N/A.

Supporting Documentation: Proposed 2020-21 FAURC Operating Budget

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FAU Research Corporation Proposed Budget 2020/21	
	Total
Revenue:	
Nongovernmental grants and contracts	\$ 20,000
Royalties	\$ 174,000
Investment Income	\$ 11,300
Total Revenue	\$ 205,300
Expenses:	
Contractual and program expenses	\$ 95,088
Royalty expense	\$ 110,212
Total Expenses	\$ 205,300

INVESTMENT: To provide up to 20% of net assets or \$100,000 to invest into Tech Runway startup companies.

REVENUES:

Nongovernmental grants and contracts: Certain contracts and grants are administered through the Research Corporation. These are typically small awards for research projects that needed to be awarded to a 501 c (3) organization.

Royalties: money received from companies for royalties on patents. This money is distributed back to the inventor, and the Research Corporation based on the distribution formula.

Investment Income: Interest earned during the fiscal year and used to support operational of the Research Corporation and the Research goals of Florida Atlantic University.

EXPENSES:

Contractual and program expenses: operating expenses of the Research Corporation including audit, events, liability insurance and other expenses.

Royalty expense: royalties distributed to inventors, colleges and the FAURC. A typical distribution agreement is 1/3 to each.

FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION
BUDGETS vs ACTUALS

	FY 2014/15					FY 2015/16					FY 2016/17					FY 2017/18					FY 2018/19				
	BUDGET	ACTUAL	VARIANCE AMT	VARIANCE %	NOTE	BUDGET	ACTUAL	VARIANCE AMT	VARIANCE %	NOTE	BUDGET	ACTUAL	VARIANCE AMT	VARIANCE %	NOTE	BUDGET	ACTUALS	VARIANCE AMT	VARIANCE %	NOTE	BUDGET	ACTUALS	VARIANCE AMT	VARIANCE %	NOTE
Revenue																									
Nongovernmental grants and contracts	\$ 250,000	\$ 44,971	\$ (205,029)	-82.01%	A	\$ 30,000	\$ 22,259	\$ (7,741)	-25.80%	A	\$ 10,000	\$ (10,000)	-100.00%	A	\$ 10,000	\$ 124,558	\$ 114,558	1145.58%	A	\$ 10,000	\$ 113,220	\$ 103,220	1032.20%	A	
Royalties	\$ 170,000	\$ 172,930	\$ 2,930	1.72%	B	\$ 200,000	\$ 157,048	\$ (42,952)	-21.48%	B	\$ 150,000	\$ 141,449	\$ (8,551)	-5.70%	B	\$ 225,000	\$ 269,669	\$ 44,669	19.85%	B	\$ 150,000	\$ 210,835	\$ 60,835	40.56%	B
Investment Income	\$ 12,800	\$ 7,068	\$ (5,732)	-44.78%	C	\$ 7,500	\$ 6,290	\$ (1,210)	-16.13%	C	\$ 7,500	\$ 7,340	\$ (160)	-2.13%	C	\$ 7,500	\$ 8,128	\$ 628	8.37%	C	\$ 7,500	\$ 17,357	\$ 9,857	131.43%	C
Total Revenue	\$ 432,800	\$ 224,969	(\$207,831)	-48.02%		\$ 237,500	\$ 185,597	(\$51,903)	-21.85%		\$ 167,500	\$ 148,789	(\$18,711)	-11.17%		\$ 242,500	\$ 402,355	\$159,855	65.92%		\$ 167,500	\$ 341,412	\$173,912	103.83%	
Expenses																									
Contractual and Program Expenses	\$ 332,800	\$ 134,106	\$ (198,694)	-59.70%	D	\$ 87,500	\$ 99,773	\$ 12,273	14.03%	D	\$ 92,500	\$ 72,960	\$ (19,540)	-21.12%	D	\$ 172,502	\$ 192,943	\$ 20,441	11.85%	D	\$ 92,500	\$ 155,673	\$ 63,173	68.30%	D
Royalty Expense	\$ 100,000	\$ 61,540	\$ (38,460)	-38.46%	E	\$ 150,000	\$ 43,056	\$ (106,944)	-71.30%	E	\$ 75,000	\$ 112,997	\$ 37,997	50.66%	E	\$ 150,000	\$ 210,654	\$ 60,654	40.44%	E	\$ 75,000	\$ 129,336	\$ 54,336	72.45%	E
Total Expenses	\$ 432,800	\$ 195,646	(\$237,154)	-54.80%		\$ 237,500	\$ 142,829	(\$94,671)	-39.86%		\$ 167,500	\$ 185,957	\$18,457	11.02%		\$ 322,502	\$ 403,597	\$81,095	25.15%		\$ 167,500	\$ 285,009	\$117,509	70.15%	

A Number of grants and contracts received didn't meet expectations. This is no measure of performance - certain contracts require the use of a 501 c (3) and others run directly through FAU.

B Budget was very close to actual amount of Royalties received.

C Given the actual data of investment income from FY14 (\$6,199) and over several years afterwards, it appears the budget of \$12,800 for this category was over-estimated.

D As the grants and contracts revenue was overstated, so too were the associated expenses with this category. Both categories off by ~\$200k.

E Typical distribution is 1/3 split between inventor, college and FAURC. \$61,540 distributed (instead of ~\$114k) from \$172,930 received reveals that situations were present where FAURC yielded a higher return rate.

A Number of grants and contracts received didn't meet expectations. This is no measure of performance - certain contracts require the use of a 501 c (3) and others run directly through FAU.

B Expectation that Royalties would increase didn't meet expectations. EdgeOne Royalties decreased and contract with Brookdale dropped off.

C \$7500 expected revenue more in line than previous year but still higher than actuals.

D Subtracting the grants & contracts revenues from the expenses yields net expenses of \$77,514 compared to \$89,135 in FY15. So, the budget for this category was underestimated.

E Typical distribution is 1/3 split between inventor, college and FAURC. \$43,056 distributed (instead of ~\$103k) from \$157,048 received reveals that situations were present where FAURC yielded a higher return rate. One such incident was a final settlement of \$27k for a domain.

A Number of grants and contracts received didn't meet expectations. This is no measure of performance - certain contracts require the use of a 501 c (3) and others run directly through FAU.

B Expectation that Royalties would decrease were realized.

C No significant difference between budget and actual.

D Subtracting the grants & contracts revenues from the expense budget, an expected 82,500 was budgeted for operating expenses. The budget for this category was over-estimated.

E Typical distribution is 1/3 split between inventor, college and FAURC. Budget should have been estimated at closer to \$100k instead of \$75k.

A Number of grants and contracts received far exceeded expectations. This is no measure of performance - certain contracts require the use of a 501 c (3) and others run directly through FAU.

B Expectation that Royalties would increase were realized but still understated. Two new companies added - Philips Electric (\$85K) and Water Quality Sensor Tech (75K)

C No significant difference between budget and actual.

D Expenses were higher as the amount of grants & contracts increased.

E Actual expenses higher as royalty revenue was also higher.

A Number of grants and contracts received far exceeded expectations. This is no measure of performance - certain contracts require the use of a 501 c (3) and others run directly through FAU.

B Expectation that Royalties would decrease were realized. Philips revenues not recurring (\$85k)

C Controller's Office reported an Adjustment to Fair Market Value in the amount of \$4,887 which increased Investment Income Actuals. Actual Interest earned was substantially higher - \$12,016.

D Expenses were higher as the amount of grants & contracts increased.

E Actual expenses higher as royalty revenue was also higher.