

BIRD Foundation Fiscal Reporting



Israel-United States Binational Industrial Research and Development Foundation

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- ◆ A trilateral agreement between BIRD and the two participants
- ◆ CPFA is a standard agreement (see BIRD's site)
- ◆ Main sections of the CPFA:
 - Terms of the conditional grant – section F
 - Grant repayment terms – sections F, G
 - Reporting commitments during the project - section C
 - Budgets of both Participants – Annex A
 - Grant payment milestones – Annex B
 - Project start date; Milestones -Annex E
 - Product Description – Annex F
 - Milestone Description (specific CPFAs) – Annex G

- ◆ **Bilateral agreement between the two companies** - a draft for BIRD to review prior to signing
- ◆ **Financial Status Analysis** - private companies only, substantiate matching funds
- ◆ **Adjust budgets** - To equal twice the approved grant, preserve the max 70-30 ratio
- ◆ **Adjust Program Plan (Gantt) , Milestone and Deliverables** – Reflect project start date (“Effective Date”)
- ◆ **Missing additional details** - as instructed in the letter

CPFA is sent to the companies for signatures

BIRD is last to sign

BIRD executes first grant payment to each company

- ◆ First payment upon signing of the CPFA, an advance towards the first segment
- ◆ The cumulative level of expenditure should reach a trigger amount
- ◆ “Accepted expenses” are different from reported expenses
- ◆ Each payment is an advance towards the next segment
- ◆ A payment may be postponed to the next segment

1. First Payment - On signing

Israeli Company	\$100,000
U.S. Company	\$120,000

2. Second Payment –

After receipt and approval of the first interim technical and fiscal reports for the first 6 month period, or after actual expenditures on the project have equaled or exceeded the required expenditure, whichever is later.

	Required Expenditure	Payment
Israeli Company	\$260,000	\$250,000
U.S. Company	\$310,000	\$350,000

3. Final Payment - After receipt and approval of the final technical and fiscal reports - the balance due to the Proposer up to the total sum of the Conditional Grant in accordance with Section B.1.

Annex E: Schedule of Project Milestones & Deliverables

#	<u>Milestone</u> Definition / Description and How It is Measured	Milestone Date (MM/YY)
1		
2		
3		
4		
5		
#	<u>Deliverable</u> Definition & Description	Deliverable Date (MM/YY)
1		
2		
3		[end of project]

- ◆ Interim set of reports – a Fiscal Report from each company and a joint Technical Report

Full set of interim reports should be submitted within 30 days from end of a segment
- ◆ Final set of reports – in addition to an interim set, should include Technical Report Part II (a marketing report)

A full set of final reports should be submitted within 60 days from end of project
- ◆ Reports uploaded to BIRD's site
- ◆ Late submission of the reports is a fundamental breach of the CPFA

- ◆ Review after all three reports are uploaded
- ◆ Technical report is reviewed by a project's PBC
- ◆ Fiscal reports are reviewed by the Finance team
- ◆ A cross check between expenditure in the segment and the progress of the tasks
- ◆ A recommendation to request an extension of the project or a budget revision may be advised by BIRD or initiated by the companies

Those requests should be submitted no later than 3 months prior to project completion

Variation from Budget

- Allowed up to 15% variation in any budget item
- For variation greater than 15% or when there is no budget item:
 - ◆ can recognize against underspending on other items
 - ◆ Submit written request for budget revision
 - ◆ Explain the requested changes
 - ◆ submit a new budget giving effect to the requested changes
- For changes that result in a different allocation of tasks between companies
 - ◆ same procedure with a request from both companies

Requests for budget modification should be submitted at least 3 months prior to Termination of Project

Example

Allowances when No Budget Revision was requested

	<u>Original</u> <u>Budget</u>	<u>Actual</u> <u>Expenses</u>	<u>Recognizable</u>
Direct Labor (incl. 25% Overhead)	500,000	450,000	450,000
Materials	100,000	80,000	80,000
Foreign Travel	10,000	20,000	11,500
Subcontractors	50,000	70,000	57,500
Consultants	_____	<u>45,000</u>	_____
	660,000	665,000	599,000
G&A – 5%	<u>33,000</u>	<u>33,250</u>	<u>29,950</u>
TOTAL	<u>693,000</u>	<u>698,250</u>	<u>628,950</u>

- ◆ Commercial Product – an incorporation of the Product (direct outcome of the development work or any indirect derivative thereof) into a commercial product that can be sold alone or in conjunction with other products
- ◆ The CPFA defines Full Repayment – a repayment of the entire obligation, as adjusted over time
- ◆ Actual repayments are triggered by several events:
 - Commercialization of the Product
 - Outright Sale of the product
 - Change of Control of a participant or IPO

- ◆ Repayments derived from Gross Sales at a rate of 5%
- ◆ Outright Sale – transfer of ownership of Intellectual Property or technology related to a Product requires a prior approval from BIRD. It is considered a Repayment Event triggering a Full Repayment of up to 50% of proceeds in the transaction
- ◆ Change of Control – need to receive approval from BIRD and commit to continue the Program Plan or commercialization efforts
- ◆ Optional: an alternate repayment model for early-stage start-up companies

Wishing you a successful project



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