



Item: AF: I-2

AUDIT AND FINANCE COMMITTEE

Wednesday, February 25, 2009

**SUBJECT: REVIEW OF THE FAU FOUNDATION INC. FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION, JUNE 30, 2008 AND 2007.**

PROPOSED COMMITTEE ACTION

Information only.

BACKGROUND INFORMATION

The audited financial statements of the Florida Atlantic University Foundation, Inc. are presented to keep the Board of Trustees informed about the financial status of the Foundation. The audited financial statements for the period ending June 30, 2008 were presented to the Foundation Board of Directors on September 16, 2008.

IMPLEMENTATION PLAN/DATE

Not applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: FAU Foundation Inc. Financial Statements and Additional Information, June 30, 2008 and 2007.

Presented by: Dr. Kenneth A. Jessell, VP Financial Affairs

Phone: 561-297-3266

**FLORIDA ATLANTIC UNIVERSITY
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

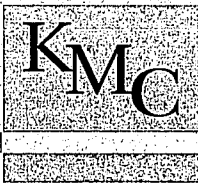
June 30, 2008 and 2007

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
June 30, 2008 and 2007

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FINANCIAL STATEMENTS



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Members of the Audit Committee
Florida Atlantic University Foundation, Inc.
Boca Raton, Florida

We have audited the accompanying statements of financial position of Florida Atlantic University Foundation, Inc. (a nonprofit organization) (the "Foundation") as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

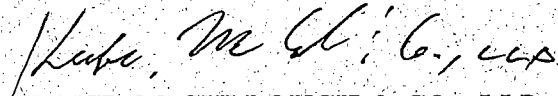
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Atlantic University Foundation, Inc. at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 10, 2008 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, 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.

Florida Atlantic University Foundation, Inc.

The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the financial statements of Florida Atlantic University Foundation, Inc. taken as a whole. The accompanying schedules of receipts, expenditures and endowment balances for eminent scholars program, ethics scholars program, and major gifts program are presented for purposes of additional analysis and are not required for a fair presentation of financial position, changes in net assets or cash flows of the Foundation. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. Further, the schedule of the Foundation's Board of Directors and Executive Committee Members is presented for informational purposes only and is not a part of the financial statements of the Foundation.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
September 10, 2008

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

A S S E T S

	<u>2008</u>	<u>2007</u>
ASSETS:		
Cash and cash equivalents	\$ 17,286,322	\$ 6,308,862
Deposits	604,839	602,660
Pledges receivable, net of discount and allowance for uncollectibles of \$ 2,285,009 and \$ 5,720,158 in 2008 and 2007, respectively	15,685,232	15,225,289
Investments	189,287,513	200,423,952
Funds held in trust by others	3,171,723	3,567,610
Restricted cash	2,762	--
Net investment in direct financing - type leases	10,600,000	10,875,000
Real property and improvements, net	4,507,401	4,512,217
Art and library collections	6,613,399	6,389,509
Other assets	<u>196,424</u>	<u>166,325</u>
Total assets	\$ <u>247,955,615</u>	\$ <u>248,071,424</u>

L I A B I L I T I E S A N D N E T A S S E T S

LIABILITIES:		
Annuities payable and other liabilities	\$ 1,741,800	\$ 1,513,296
Liability to resource provider	5,514,084	--
Refundable advances	2,690	--
Debt	3,271,125	4,037,610
Certificates of participation	<u>10,600,000</u>	<u>10,875,000</u>
Total liabilities	<u>21,129,699</u>	<u>16,425,906</u>
CONTINGENCIES (NOTE 19)	--	--
NET ASSETS:		
Unrestricted	14,242,135	14,874,867
Temporarily restricted	67,284,176	76,896,577
Permanently restricted	<u>145,299,605</u>	<u>139,874,074</u>
Total net assets	<u>226,825,916</u>	<u>231,645,518</u>
Total liabilities and net assets	\$ <u>247,955,615</u>	\$ <u>248,071,424</u>

The accompanying notes to financial statements are an integral part of these statements.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2008 and 2007

	2008			2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS (LOSSES) AND OTHER SUPPORT:							
Contributions, net	\$ 2,200,348	\$ 6,576,655	\$ 5,425,531	\$ 14,202,534	\$ 2,685,958	\$ 9,875,688	\$ 23,092,069
Interest and dividends, net of fees	878,406	2,898,678	--	3,777,084	868,067	3,236,315	4,104,382
Rental income	213,965	964,692	--	1,178,657	125,016	962,741	1,087,757
Other income	7,615	952,951	--	960,566	1,228	1,119,124	1,254,584
Net realized and unrealized gains (losses) on investments	<u>(362,961)</u>	<u>(6,467,060)</u>	--	<u>(6,830,021)</u>	<u>2,334,122</u>	<u>25,399,760</u>	<u>27,733,882</u>
Total revenues, gains (losses) and other support	2,937,373	4,925,916	5,425,531	13,288,820	6,014,391	40,593,628	57,272,674
Net assets released from restrictions	<u>14,538,317</u>	<u>(14,538,317)</u>	--	<u>17,537,209</u>	<u>(17,537,209)</u>	--	--
Total revenues, gains (losses) and other support and net assets released from restriction	<u>17,475,690</u>	<u>(9,612,401)</u>	<u>5,425,531</u>	<u>13,288,820</u>	<u>23,551,600</u>	<u>10,664,655</u>	<u>57,272,674</u>
EXPENSES:							
Program services	12,199,620	--	--	12,199,620	13,398,258	--	13,398,258
Supporting services:							
Fundraising	3,908,901	--	--	3,908,901	4,039,060	--	4,039,060
Management and general	1,079,399	--	--	1,079,399	1,145,590	--	1,145,590
Construction of facilities	<u>920,502</u>	--	--	<u>920,502</u>	<u>3,396,500</u>	--	<u>3,396,500</u>
Total expenses	<u>18,108,422</u>	--	--	<u>18,108,422</u>	<u>21,979,408</u>	--	<u>21,979,408</u>
Change in net assets	(632,732)	(9,612,401)	5,425,531	(4,819,602)	1,572,192	23,056,419	35,293,266
NET ASSETS, beginning of year	<u>14,874,867</u>	<u>76,896,577</u>	<u>139,874,074</u>	<u>231,645,518</u>	<u>13,302,675</u>	<u>53,840,158</u>	<u>196,352,252</u>
NET ASSETS, end of year	<u>\$ 14,242,135</u>	<u>\$ 67,284,176</u>	<u>\$ 145,299,605</u>	<u>\$ 226,825,916</u>	<u>\$ 14,874,867</u>	<u>\$ 76,896,577</u>	<u>\$ 231,645,518</u>

The accompanying notes to financial statements are an integral part of these statements.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,819,601)	\$ 35,293,266
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	6,830,021	(27,733,882)
Provision for uncollectible pledges	272,310	1,861,090
Provision for depreciation	4,816	4,816
Contributions restricted for long-term purposes	(2,762)	--
Transfer of real property	--	493,293
Changes in assets and liabilities:		
(Increase) decrease in deposits	(2,179)	--
(Increase) decrease in pledges receivable, net	(732,253)	(9,378,654)
(Increase) decrease in art and library collections	(223,890)	(184,591)
(Increase) decrease in other assets	(30,099)	50,001
Increase (decrease) in annuities payable and other liabilities	228,504	(80,362)
Increase (decrease in liability to resource provider	5,514,084	--
Increase (decrease) in refundable advances	2,690	--
Net cash provided by operating activities	<u>7,041,641</u>	<u>324,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and maturities of investments	149,152,369	32,818,337
Collection of principal on direct financing-type leases	275,000	265,000
Purchase of assets restricted for investment in endowment	(5,425,531)	(10,530,423)
Purchases of investments	<u>(144,452,826)</u>	<u>(32,355,503)</u>
Net cash used in investing activities	<u>(450,988)</u>	<u>(9,802,589)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for investment in endowments	5,425,531	10,530,423
Proceeds from debt	70,500	--
Restricted contributions	2,762	--
Principal payments on certificates of participation	(275,000)	(265,000)
Principal payments on debt	<u>(836,986)</u>	<u>(828,643)</u>
Net cash provided by financing activities	<u>4,386,807</u>	<u>9,436,780</u>
Net increase (decrease) in cash and cash equivalents	10,977,460	(40,832)
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,308,862</u>	<u>6,349,694</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>17,286,322</u>	\$ <u>6,308,862</u>

The accompanying notes to financial statements are an integral part of these statements.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - ORGANIZATION AND OPERATIONS

Florida Atlantic University Foundation (the "Foundation") is organized under Florida Law as a direct support organization to Florida Atlantic University (the "University"). Our mission is to receive, hold, invest and administer private gifts on behalf of the University. We operate independently from the University, and have qualified under Internal Revenue Code Section 501 (c)(3), and Florida Statutes Chapter 1004.28. Any person or organization contributing money, stock or any other property in support of the University usually does so through the Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, we are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Pledges:

Unconditional pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. These amounts, less an allowance for potentially uncollectible pledges are reported on a net present value basis using a 2.25% discount rate. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Cash and cash equivalents:

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. We routinely maintain balances with financial institutions in excess of federally insured amounts.

Donated goods and services:

We receive donated goods and services, paying for most services requiring specific expertise. The value of donated goods is recorded in the financial statements as revenue and is either capitalized or expensed to the University. Donated goods and services other than in-kind resources contributed by the University were approximately \$ 408,000 and \$ 709,200 and were recorded at their fair market value for the years ended June 30, 2008 and 2007, respectively.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Art and library collections:

We capitalize certain donated art and library collections at their appraised or fair value on the acquisition date. Because of the particular purpose of the donation, some collections are transferred immediately to the University.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Real property and improvements:

Real property and improvements are carried at cost if purchased or, if donated, at the fair value on the date of the donation, less accumulated depreciation. Our policy is to provide for depreciation using the straight-line method over the estimated life of the asset as follows:

Buildings and improvements	45-50 years
----------------------------	-------------

Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long those donated assets must be maintained, we report expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. We generally transfer title of donated property and equipment to the recipient college or school. Examples of gifts-in-kind that we may retain as our property are real estate, certain artwork and library collections and property that we hold for future sale.

Additions and major renewals to property and equipment are capitalized. Maintenance and repairs are charged to expense when incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the change in net assets.

Trusts held by others:

We are the sole beneficiary of certain trusts that are not in our possession or under our control, but are held and administered by outside trustees. We recognize the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or when we are notified of its existence.

Joint costs of fundraising appeals:

In conjunction with the University, we utilize various pamphlets, brochures and informational methods to inform the general public of our activities and to solicit funds. These costs are charged to fundraising.

Refundable advances:

We record any cash collected on conditional pledges as a refundable advance until such time as the condition has been met (Note 4). Refundable advances as of June 30, 2008 were \$ 2,690.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs:

We invest in direct response solicitations through our annual fund program. Our expectation is to solicit an immediate response from our constituents. Therefore, all advertising costs are expensed immediately and are not capitalized. The total cost of advertising in 2008 and 2007 was \$ 58,131 and \$ 60,060, respectively. These costs include advertising for vacant positions, requests for proposals and events, as well as solicitations. The compensation, including benefits for our annual fund director, was approximately \$ 67,500 and \$ 68,100 in 2008 and 2007, respectively.

Reclassifications:

Certain prior year amounts have been reclassified to be consistent and comparable with the current year financial statement presentation.

Investments:

Our investment policy provides for our investment portfolio to be managed by professional money managers and to be invested primarily in domestic and international equity, fixed income securities, and alternative investments such as hedge funds, private equity and real estate assets, according to specified allocations, except where donor restrictions may apply. These investments are recorded at their fair value based on publicly available trading values. All investment securities are held in custody in our name.

In accordance with this policy, net unrealized appreciation or depreciation for the year is reflected in the accompanying statements of activities. Investment income and losses are allocated to each fund on a monthly basis, based on the average daily balance for each fund.

We allocated approximately 9% of investments to hedging instruments in order to mitigate the risk of traditional asset investment fluctuations. These instruments are classified as fair value hedges.

We had unrealized losses of \$ 20,036,681 and unrealized gains of \$ 257,448 at June 30, 2008. These amounts are included in the statements of activities under net realized and unrealized gains (losses) on investments. Although the Foundation recorded a decline in total investment fair value in 2008, all hedges were considered to be effective.

NOTE 3 - INVESTMENTS

Investments at June 30, 2008 and 2007 consisted of the following at their fair value:

<u>Type</u>	<u>2008</u>	<u>2007</u>
United States large cap stocks	\$ 50,696,390	\$ 44,194,869
United States small cap stocks	291	6,104,389
United States mid cap stocks	<u>--</u>	<u>8,720,046</u>
Total United States stocks	<u>50,696,681</u>	<u>59,019,304</u>
International large cap	25,913,264	24,191,523
International emerging markets	8,711,060	12,391,133
International small cap	<u>5,089,391</u>	<u>10,407,676</u>
Total international stocks	<u>39,713,715</u>	<u>46,990,332</u>
Total equities	<u>90,410,396</u>	<u>106,009,636</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 3 - INVESTMENTS (continued)

United States fixed income	44,482,066	43,798,744
International fixed income	<u>3,103,835</u>	<u>4,106,473</u>
Total fixed income securities	<u>47,585,901</u>	<u>47,905,217</u>
Real estate assets	20,904,100	16,619,557
Hedge funds	17,356,381	25,108,251
Alternative	7,298,594	302,596
Private equity	<u>5,732,141</u>	<u>4,478,695</u>
Total other investments	<u>51,291,216</u>	<u>46,509,099</u>
Total investments	<u>\$ 189,287,513</u>	<u>\$ 200,423,952</u>

Our return on investments and its classification in the statements of activities are summarized as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Investment gains and losses:				
Interest and dividends (net of investment fees and expenses of \$ 400,707 and \$ 260,048)	\$ 878,406	\$ 2,898,678	\$ 868,067	\$ 3,236,315
Net realized and unrealized gains (losses)	<u>(362,961)</u>	<u>(6,467,060)</u>	<u>2,334,122</u>	<u>25,399,760</u>
Total return on investments	<u>\$ 515,445</u>	<u>\$ (3,568,382)</u>	<u>\$ 3,202,189</u>	<u>\$ 28,636,075</u>

NOTE 4 - PLEDGES RECEIVABLE

The composition of unconditional pledges to give at June 30, 2008 and June 30, 2007, was as follows:

	<u>2008</u>	<u>2007</u>
In one year or less	\$ 5,001,077	\$ 5,356,147
Between one and five years	12,540,831	15,589,300
Greater than five years	<u>428,333</u>	<u>--</u>
Total unconditional pledges at face value	17,970,241	20,945,447
Less unamortized discount	(1,296,060)	(3,201,455)
Less allowance for uncollectibles	<u>(988,949)</u>	<u>(2,518,703)</u>
Net unconditional pledges	<u>\$ 15,685,232</u>	<u>\$ 15,225,289</u>

Management periodically reviews the pledges balances and estimates allowances for accounts and pledges which may be uncollectible. Any past due pledge that has not been written off at June 30, 2008, has been included in the allowance for uncollectible accounts. Seven percent of all current and future pledges are included in the allowance. Additionally, pledges are recorded at their present value. The current Federal Reserve discount rate of 2.25% was applied to future cash flows in 2008 and 6.25% was applied in 2007.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 4 - PLEDGES RECEIVABLE (continued)

We are the beneficiary of numerous conditional promises to give. A conditional promise is one that requires an event in the future to take place before the promise becomes binding to the donor. At June 30, 2008, we had pledges conditional upon legislative appropriation from the Florida Department of Education's Major Gifts Program in the amount of \$ 145,000. The Florida Legislature did not appropriate funding for the 2009 fiscal year. Accordingly, we have not included these pledges in our receivables.

At the request of the University, we have embarked on a campaign to raise funds for the construction of an on-campus stadium. The University plans to issue bonds for the project as soon as adequate resources have been identified. Because pledges toward the stadium are conditioned upon the building of the stadium, FASB No. 116 requires that no pledges be recorded until the condition is met. We have a total of \$ 509,368 in conditioned pledges at June 30, 2008. Cash received toward this goal has been recorded as restricted cash in the amount of \$ 2,762 until it is used for the intended purpose. Inscribed bricks for the stadium walkways have been purchased and related fees were incurred. Gifts have been recognized to the extent of these costs.

No receivable was recorded for bequests and conditional pledges, nor was the future support recognized.

As of June 30, 2008 and 2007, a significant percentage of pledges receivable were from one donor.

NOTE 5 - REAL PROPERTY AND IMPROVEMENTS

Real property and improvements consist of the following at June 30, 2008 and June 30, 2007:

	2008	2007
Buildings and improvements	\$ 237,000	\$ 237,000
Less accumulated depreciation	169,238	164,422
	67,762	72,578
Land	4,439,639	4,439,639
Real property and improvements, net	\$ 4,507,401	\$ 4,512,217

The provision for depreciation was \$ 4,816 for both 2008 and 2007 fiscal years.

NOTE 6 - DEBT

Debt as of June 30, 2008 and 2007, consists of the following:

	2008	2007
Note payable to a bank in semiannual installments of \$ 400,000 plus interest at 4.20% until May 2012.	\$ 3,200,000	\$ 4,000,000
Note payable to a bank for the purchase of a piano in quarterly installments of \$ 3,793, including interest at 3.15% until October 2012. The note is collateralized by the piano, which was contributed to the University.	63,437	--
Note payable to an individual in quarterly installments of \$ 7,772 including interest at 4.47% until December 2008.	7,688	37,610
	\$ 3,271,125	\$ 4,037,610

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 6 - DEBT (continued)

Future debt principal payments in the aggregate are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 821,020	\$ 129,746	\$ 950,766
2010	813,759	95,170	908,929
2011	814,197	60,665	874,862
2012	814,650	26,192	840,842
2013	<u>7,499</u>	<u>89</u>	<u>7,588</u>
Total	\$ <u>3,271,125</u>	\$ <u>311,862</u>	\$ <u>3,582,987</u>

Interest expense on debt was approximately \$ 146,300 and \$ 204,800 for the years ended June 30, 2008 and 2007, respectively.

NOTE 7 - INCOME TAXES

We are a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. Accordingly, no provision for income taxes is required.

NOTE 8 - DIRECT FINANCING-TYPE LEASES AND CERTIFICATES OF PARTICIPATION

In support of the University needs, we previously raised \$ 6,230,000 and \$ 6,300,000 in exchange for issuing 1999 and 2000 Certificates of Participation (the "Certificates"), respectively, and used the funds to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The interest rate on the 1999 Certificates ranges from 3.5% to 5% while the interest rate on the 2000 Certificates ranges from 4.7% to 5.875%.

We also entered into master lease agreements with the Florida Board of Education (the "Board"), whereby we are obligated to pay the Board \$ 1 per year for each dormitory. We further entered into agreements to lease the buildings to the University, in exchange for the University's paying all amounts due under the Certificates.

We guarantee the Certificates unconditionally; the only limit is the expendable portion of our unrestricted net assets, which is \$ 14,242,135 as of June 30, 2008. The payment of this guarantee cannot exceed \$ 858,785 in any year. We maintain financial guarantee insurance policies to provide for any such non-payment.

At June 30, 2008, the minimum lease payments to be received from the University as base rent and the principal payment due on the 1999 and 2000 Certificates for each of the five succeeding fiscal years and thereafter are as follows:

Year Ending June 30	1999 Certificates	2000 Certificates	Total Principal	Interest	Total
2009	\$ 155,000	\$ 135,000	\$ 290,000	\$ 564,805	\$ 854,805
2010	165,000	140,000	305,000	551,558	856,558
2011	170,000	145,000	315,000	537,340	852,340
2012	180,000	155,000	335,000	521,171	856,171
2013	185,000	165,000	350,000	503,785	853,785
Thereafter	<u>4,215,000</u>	<u>4,790,000</u>	<u>9,005,000</u>	<u>4,705,537</u>	<u>13,710,537</u>
	\$ <u>5,070,000</u>	\$ <u>5,530,000</u>	\$ <u>10,600,000</u>	\$ <u>7,384,196</u>	\$ <u>17,984,196</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 9 - SUB-LEASING ARRANGEMENT

We previously entered into a subleasing agreement with the Florida Board of Education (the "Board"). When we entered into this agreement, we assumed two master leases between the Board and the Board of Trustees of the Internal Improvement Trust Fund. The subleasing agreement provides for the sublease of a certain parcel of real property located on Glades Road in Boca Raton, Florida, at no charge to us through January 21, 2073.

We then entered into a ground lease agreement with a developer whereby the developer agreed to construct a retail complex on the site and lease the space to various entities. Pursuant to the ground lease agreement, the developer is to provide us with a monthly base rent from the commencement of the ground lease through its expiration on May 31, 2073. The base rent increases by 6% every ten years. The lease also provides for an additional \$ 5 per square foot in excess of 152,000 square feet of consumer services area during years 1 through 10, and shall be adjusted upward by 6% every ten years. The square footage provision in the contract increased the rental income by \$ 145,416 annually.

In December 2005, the lease was renewed and extended until the year 2073. The renewed lease included an incentive payment of \$ 500,000 and provided for an additional 1% of revenues to be added to the base rental amount. This provision yielded an additional \$ 47,312 in revenues in the 2008 fiscal year and \$ 44,132 in 2007. The percent of revenues will increase to 5% in 2046. We recognized total rental income of \$ 963,192 in 2008 and \$ 955,162 in 2007 relating to this agreement.

Future minimum rentals to be received under this sub-leasing arrangement at June 30, 2008 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 993,400
2010	\$ 993,400
2011	\$ 1,053,000
2012	\$ 1,053,000
2013	\$ 1,053,000
2014-2020	\$ 7,371,100
2021-2030	\$ 11,162,000
2031-2040	\$ 11,831,700
2041-2050	\$ 12,541,700
2051-2060	\$ 13,294,200
2061-2070	\$ 14,091,800
2071-2073	\$ 4,481,200

NOTE 10 - CONCENTRATION OF RISK

We invest in financial instruments that potentially subject us to concentrations of credit risk. These financial instruments consist principally of cash, cash equivalents, and certain pooled investments. We maintain our cash and cash equivalents with quality financial institutions. We further manage our credit exposure through professional management and by diversifying our investments.

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Cash Flow Information:

	<u>2008</u>	<u>2007</u>
Cash received during the year for - Interest and dividend income	\$ 3,695,039	\$ 4,041,763
Cash paid during the year for - Interest expense	\$ 166,215	\$ 197,885

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 12 - RESTRICTED NET ASSETS

At June 30, 2008, temporarily restricted net assets consisted of cash, pledges, investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 88,113,743 less annuities payable and other liabilities and debt of \$ 20,829,567 restricted by donors for the following purposes:

	<u>2008</u>	<u>2007</u>
Student financial support	\$ 19,565,255	\$ 23,174,521
Faculty and staff support	18,825,797	23,430,422
Academic divisions	17,864,135	24,764,635
Plant, equipment and maintenance	6,606,051	1,647,011
Library resources	1,933,835	2,162,811
Other	1,745,512	733,149
Research	<u>743,591</u>	<u>984,028</u>
 Total temporarily restricted net assets	 \$ <u>67,284,176</u>	 \$ <u>76,896,577</u>

At June 30, 2008, permanently restricted net assets consist of pledges and investments of \$ 145,299,605 restricted by donors for the following purposes:

	<u>2008</u>	<u>2007</u>
Academic divisions	\$ 56,667,442	\$ 53,965,530
Student financial support	47,848,180	45,126,055
Faculty and staff support	36,371,269	35,049,094
Research	1,658,411	1,522,892
Library resources	1,394,050	1,025,213
Other	761,630	2,896,568
Plant, equipment and maintenance	<u>598,623</u>	<u>288,722</u>
 Total permanently restricted net assets	 \$ <u>145,299,605</u>	 \$ <u>139,874,074</u>

NOTE 13 - IN-KIND TRANSACTIONS

We are supported in its goals by FAU Departments of Advancement and The FAU Alumni Affairs. Support from the University includes payroll processing, human resources, office space, equipment and operating expenses and salaries for Advancement personnel who are critical in the operations of the Foundation. We have estimated the cost of operational support from the University to be approximately \$ 2,129,400 in 2008 and \$ 2,568,200 in 2007. This support appears on the statements of activities as contributions and expenses.

Several decades ago, we received a donation of approximately 150 acres of land known as the Pine Jog Environmental Educational Center. The land was recorded at the fair market value of \$ 4,932,932 at the time of the gift and the 14,591 square feet of building space was recorded at \$ 34,000. The Pine Jog Environmental Educational Center, which is a unit of Florida Atlantic University's College of Education, uses these buildings as their operational center free of rent. We have estimated the rental revenues to be \$ 213,965 in 2008 and \$ 125,016 in 2007. This amount appears on the statements of activities as rental income and as program support.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 14 - PINE JOG PROPERTY TRANSFER

The Florida Atlantic University Foundation Board of Directors previously agreed to transfer to Florida Atlantic University 15 acres of land on the Pine Jog site (Note 13), which had a fair market value of \$ 1,900,000 and a book value of \$ 493,293. The University has entered into an agreement with the Palm Beach County School Board to lease the land for the construction of an elementary school and environmental education complex. In exchange for the leased land, Pine Jog will share in joint use of a portion of the facilities. The Palm Beach County School Board intends to use "green" construction techniques. The elementary school and environmental complex opened in August 2008. The transfer of land to the University was completed in July 2007.

NOTE 15 - RELATED PARTY TRANSACTIONS

We adhere to a conflict of interest policy with our board members. During the course of business, we may purchase supplies and/or services at fair market value from companies which have affiliations with our board members. All such transactions are undertaken in the best interest of the Foundation and follow established procedures. In the interest of full disclosure, the following business transactions existed as of June 30, 2008:

Former Board member Thomas Lynch is the President of Plastridge Insurance Company, which is the chosen insurance broker for the Foundation. A total amount of \$ 36,792 was paid to Plastridge in 2008. Although Mr. Lynch's term expired this year, a request for proposal was issued in search of quotes for insurance coverage. Plastridge retained the majority of our insurance coverage, but a separate agent was selected to cover our art and library collections. Vendor selections were made based on costs and were performed at arm's length.

Board member Bruce H. Allen is a Senior Vice President of US Trust, Bank of America Private Wealth Management. The Foundation has an affinity contract with Bank of America, which was in place prior to Mr. Allen's becoming a Board member. Michael Kaufman is owner and President of Kaufman Lynn, Inc. General Contractors, which has a working contract with the University and has a small interest (1/2 %) in the partnership of the LLC that has the ground lease at the University Commons. Former Board member, Richard Murdoch is a shareholder in the law firm that provides legal services to the Foundation. M.J. Arts is a Boca Raton city councilman and a board member for the University Research and Development Corporation. Joseph W. Collard invests in technology and patents developed by the University and Mr. Collard's wife contracts with the University to provide continuing education in project management. Michael L. Davis is a vice president and principal partner with Keith and Schnars, P.A., an engineering and planning consulting firm, which has contracted with the University in the past. Rhys L. Williams is the advisor and agent for Leadership Florida, which is the vendor contracted with the University to produce the 2008 presidential debates on campus. This contract was paid by the Foundation in the amount of \$ 111,045. Mr. Williams also invests in the University technology licenses. Randy Justice, David L. Gury, Peter LoBello and Virginia Miller are on various advisory boards at the University.

NOTE 16 - LEAVE LIABILITY

In 2008, we recorded the accumulated liability for annual and sick leave payments that would be paid at the resignation or termination of an employee. We recognized a liability of \$ 102,379 for the leave payments that we are obligated to reimburse the University, and \$ 5,317 as an in-kind gift and expense for the liability that would be paid through the University funds.

NOTE 17 - SEVERANCE LIABILITY

In 2007, the University entered into a termination agreement with the executive vice-president for University Advancement and executive director of the Foundation, whereby severance pay of approximately \$ 521,000 would be paid to the former employee. The University has made provisions

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 17 - SEVERANCE LIABILITY (continued)

for this obligation using their own funding sources. We were not a party to the contract and have not recognized any expense or liability relating to this agreement.

NOTE 18 - HARBOR BRANCH OCEANOGRAPHIC INSTITUTE FOUNDATION

The University acquired Harbor Branch Oceanographic Institute (HBOI) on January 1, 2008. HBOI functions as a college of the University and is now the northernmost campus of FAU. HBOI is supported by its separate foundation, the Harbor Branch Oceanographic Institute Foundation, (HBOIF). This foundation was certified as an official Direct Support Organization (DSO) of the University on May 28, 2008.

We have agreed with the HBOIF to expand our operations to include administration of HBOIF funds and fundraising activities. The HBOIF will continue to operate to take in minimum revenues for license tags and to administer its endowment, but the majority of all future donations will be solicited and collected by the Foundation.

In accordance with this agreement, a total of \$ 7,746,805 was transferred from HBOIF to the Foundation in 2008 for the support of HBOI activities. A total of \$ 2,229,161 was immediately transferred to the University as directed by HBOIF and the remaining \$ 5,517,644 was held and recorded as a liability. The liability is decreased as funds are spent or sent to the University for the benefit of HBOIF. The amount remaining at June 30, 2008 was \$ 5,514,084, which is reflected as a liability to a resource provider on the statements of financial position. We do not report revenues or expenses for these transactions; however, we do recognize any income earned from the investment of these monies.

NOTE 19 - CONTINGENCIES

We are routinely involved in litigation, audits and tax examinations which arise in the normal course of operations. Our management believes that the amount of liability resulting from such activities, if any, would not materially impact the Foundation.

We previously entered into an affinity agreement with a bank, whereby the bank would solicit credit card business from the FAU Alumni Association's "members" and in return pay us royalties. We received advances against future royalties in the total amount of approximately \$ 1,525,000, of which we believe approximately \$ 613,000 at June 30, 2008 represents advance royalties and, therefore, is unearned. The agreement renews each year until the advances have been completely earned. All advances were recorded as royalty revenue and no liability was recognized. We are currently negotiating to renew the terms of the contract with the bank. The bank has agreed to forgive the \$ 613,000; therefore, no adjustments were required in our financial statements. The Alumni Association also has an affinity program, but no advances have been received in connection with that program.

**SUPPLEMENTAL INFORMATION
AND SCHEDULES**

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF BOARD OF DIRECTORS AND
EXECUTIVE COMMITTEE MEMBERS
 June 30, 2008

At June 30, 2008, the membership of the Foundation's Board of Directors was comprised of the following individuals, along with their respective terms:

<u>Member</u>	<u>Term Expires</u>
Bruce H. Allen*	April 2010
M.J. Arts	April 2010
Barry S. Berg*	April 2009
Daniel Craig Chabot	April 2009
Joseph W. Collard	April 2011
Brian J. Cooke	April 2011
Howard R. Cooper	April 2011
Michael L. Davis*	April 2009
David L. Gury**	April 2010
Cecelia James*	April 2009
Randy Justice*	April 2011
Michael Kaufman*	April 2009
Barry Kaye	April 2010
Judith Teller Kaye	April 2011
Charna Larkin	April 2009
Peter LoBello*	April 2011
Luis J. Mago	April 2010
Virginia Miller*	April 2009
William Morris	April 2011
Neale Poller	April 2011
Robert Rubin	April 2011
Charles E. Rutherford	April 2011
Steven R. Sponder	April 2011
Rhys L. Williams	April 2011
Frank T. Brogan*	University President
Randy Talbot	Executive Director FAUF
Marlis Hadeed	University Club President
Gloria Branch	Alumni President
Eric H. Shaw, Ph.D	Faculty Senate President
Abe Cohen	Student Government President
Rajendra Gupta, M.D.	Board of Trustees Representative
Walter Lipkin	LLS Representative

EMERITUS

Kathleen Assaf	Director Emeritus
Ronald Assaf	Director Emeritus
Eleanor R. Baldwin	Director Emeritus
Herman Becker	Director Emeritus
Marjorie Pearlson	Director Emeritus
Lois Pope	Director Emeritus
Brian Utley	Director Emeritus
Elizabeth S. Zinman	Director Emeritus

* Indicates members of the Executive Committee
 ** Indicates the Chairman of the Foundation Board

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF RECEIPTS, EXPENDITURES AND
ENDOWMENT BALANCES FOR EMINENT SCHOLARS PROGRAM
For the Year Ended June 30, 2008

Fund Name	Balance at July 1, 2007	Matching State Funds	Contributions	Investment Income (Loss)	Expenditures	Interfund Transfer	Balance at June 30, 2008
FULLY ENDOWED:							
Dorothy F. Schmidt Eminent Scholar Chair in Humanities	\$ 8,312,886	\$ --	\$ --	\$ (133,436)	\$ (315,134)	\$ (300)	\$ 7,864,016
Dorothy F. Schmidt Distinguished Eminent Scholar Chair in Performing Arts	7,846,843	--	--	(126,322)	(319,753)	--	7,400,768
John M. DeGrove Eminent Scholar Chair in Growth Management and Development	3,583,419	--	--	(54,350)	(136,248)	--	3,392,821
Helen Karpelena Persson Eminent Scholar Chair in Community Caring	2,482,210	--	--	(40,082)	(130,209)	--	2,311,919
Eugene and Christine E. Lynn Eminent Scholar Chair in Business	2,094,849	--	--	(34,088)	(88,971)	--	1,971,790
Charles E. Schmidt Eminent Scholar Chair in Engineering	1,896,819	--	--	(29,539)	(110,718)	--	1,756,562
John Thomas Ladue McGinty Eminent Scholar Chair in Biology	1,728,128	--	--	(27,348)	(38,672)	--	1,662,108
Eminent Scholar Chair in Turkish Studies	1,612,463	--	--	39,777	(36,802)	--	1,615,438
Dr. Robert J. Morrow Eminent Scholar Chair in Social Science	1,701,783	--	--	(26,608)	(71,118)	--	1,604,057
Glenwood and Martha Creech Eminent Scholar Chair in Science	1,711,598	--	--	(27,265)	(80,447)	(4,808)	1,599,078
Raddock Family Eminent Scholar Chair in Holocaust Studies	1,711,306	--	--	(27,360)	(97,852)	525	1,586,619
Office Depot Eminent Scholar Chair in Business Research	1,551,559	--	--	(25,078)	(62,910)	--	1,463,571
Herbert and Elaine Gimelstob Eminent Scholar Chair in Judaic Studies	1,537,137	--	10,000	(23,769)	(61,802)	--	1,461,566
Charles Stewart Mott Eminent Scholar Chair in Community Education	1,523,650	--	--	(24,772)	(45,934)	--	1,452,944
Christine E. Lynn Eminent Scholar Chair in Nursing	1,538,525	--	--	(24,565)	(87,263)	--	1,426,697
Dorothy F. Schmidt Eminent Scholar Chair in Performing Arts	1,511,742	--	--	(18,848)	(71,682)	--	1,421,212
William F. Dietrich Eminent Scholar Chair in Philosophy	1,505,602	--	--	(24,221)	(82,393)	--	1,398,988
Total	\$ 43,850,519	\$ --	\$ 10,000	\$ (627,874)	\$ (1,837,908)	\$ (4,583)	\$ 41,390,154

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
 SCHEDULE OF RECEIPTS, EXPENDITURES AND
 ENDOWMENT BALANCES FOR ETHICS SCHOLARS PROGRAM
 For the Year Ended June 30, 2008

Fund Name	Balance at July 1, 2007	Matching State Funds	Contributions	Investment Income (Loss)	Expenditures	Interfund Transfer	Balance at June 30, 2008
FULLY ENDOWED:							
Dr. Floyd Koch Business Scholarship Fund	\$ 663,025	\$ --	\$ --	(10,917)	\$ (32,776)	\$ --	\$ 619,332
Edward E. Shoaf Honors College Ethics Scholarship Fund	421,555	--	--	(6,957)	(19,433)	--	395,165
J. M. Rubin Foundation Honors College Ethics Scholarship Fund	280,441	--	--	(4,542)	(15,566)	--	260,333
Hilda A. Krinzman Ethics Scholarship Fund	268,299	--	--	(4,408)	(12,659)	--	251,232
Edward E. Shoaf Ethics Scholarship Fund	260,631	--	--	(4,183)	(10,025)	--	246,423
Mildred A. Becker Ethics Scholarship Endowment Fund	<u>263,088</u>	<u>--</u>	<u>--</u>	<u>(4,341)</u>	<u>(12,580)</u>	<u>--</u>	<u>246,167</u>
Total	\$ 2,157,039	\$ --	\$ --	\$ (35,348)	\$ (103,039)	\$ --	\$ 2,018,652

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF RECEIPTS, EXPENDITURES AND
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM
For the Year Ended June 30, 2008

<u>Fund Name</u>	<u>Balance at July 1, 2007</u>	<u>Matching State Funds</u>	<u>Contributions</u>	<u>Investment Income/ Loss</u>	<u>Expenditures</u>	<u>Interfund Transfer</u>	<u>Balance at June 30, 2008</u>
ENDOWED PROFESSORSHIPS:							
Lucy Henderson Edmondson Professorship in Elementary Education	\$ 4,046,237	--	\$ --	\$ (64,944)	\$ (135,823)	--	\$ 3,845,470
Alan B. Larkin Endowed Fund	2,173,257	--	--	(19,304)	(96,370)	(500)	2,057,083
Ronald and Elizabeth Blake Professorship in Nursing	335,910	--	--	(5,395)	(6,270)	--	324,245
Henry Epstein Professorship in Urban and Regional Planning	326,495	--	--	(3,989)	(4,636)	--	317,870
Lifelong Learning Society Professorship in Social Science	324,946	--	--	(4,784)	(6,293)	(500)	313,369
Nona and Peter Gordon Professorship in Early Childhood Education	322,805	--	--	(5,067)	(10,302)	--	307,436
John Wymer Endowed Professorship in Nursing	261,388	--	--	(4,068)	(4,728)	--	252,592
Lifelong Learning Society Professorship in Science	267,930	--	--	(4,346)	(14,355)	--	249,229
Bingham Professorship in Creative Writing	266,696	--	--	(4,231)	(15,475)	--	246,990
Charles E. Schmidt Professorship in Engineering	246,604	--	--	(3,898)	(7,865)	--	234,841
SunTrust/South Florida Professorship in Finance	251,389	--	--	(3,981)	(14,315)	--	233,093
Rabbi Ario S. Hyams Library Professorship	244,130	--	--	(3,899)	(12,217)	--	228,014
Adelaide R. Snyder Professorship in Ethics	244,957	--	--	(3,893)	(13,136)	--	227,928
Lifelong Learning Society Professorship in Arts and Humanities	250,173	--	--	(3,811)	(21,874)	--	224,488
Sharon Phillips Raddock Professorship in Holistic Nursing	225,223	--	--	(3,246)	(3,773)	--	218,204
Sensormatic Professorship in Marketing	225,561	--	--	(3,544)	(8,303)	--	213,714
Frances and Milton Levenson Professorship in Japanese Studies	227,788	--	--	(3,676)	(10,635)	--	213,477
Motorola Endowed Professorship for Electrical and Computer Engineering	221,732	--	--	(3,604)	(10,336)	--	207,792
William F. Dietrich Professorship in Philosophy	222,886	--	--	(3,542)	(14,277)	--	205,067
J. M. Rubin Foundation Professorship in Engineering	186,124	--	--	(2,975)	(9,999)	--	173,150
ENDOWED SCHOLARSHIPS AND FELLOWSHIPS:							
Harriet L. Wilkes College Scholarship Fund	25,507,137	--	--	(418,876)	(929,613)	--	24,158,648
Henry Morrison Flagler Scholarship Fund	6,933,922	--	--	(115,777)	(278,441)	--	6,539,704
Essie C. Crain Nursing Scholarship Fund	3,118,126	--	--	(48,484)	(161,920)	--	2,907,722
Davimos Eminent Scholar Chair in Brain Science	2,445,445	--	--	(38,090)	(90,704)	--	2,316,651

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF RECEIPTS, EXPENDITURES AND
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**

(continued)

For the Year Ended June 30, 2008

Fund Name	Balance at July 1, 2007	Matching State Funds	Contributions	Investment Income (Loss)	Expenditures	Interfund Transfer	Balance at June 30, 2008
ENDOWED SCHOLARSHIPS AND FELLOWSHIPS (continued):							
Libby Dodson Endowment for Nursing Excellence	2,189,682	--	--	(35,683)	(60,039)	--	2,093,960
Daniel B. and Aurel B. Newell Doctoral Fellowships	1,012,083	--	--	(16,588)	(49,416)	--	946,079
Mary Fraser Scholastic Endowment Trust-Estate of Jerome Fraser	847,837	--	--	(13,845)	(44,258)	--	789,734
William Fabricant Scholarship	677,006	--	--	(10,994)	(41,948)	--	624,064
James and Zita Hayes and Zita W. DePan Edward E. Shoaf Scholarship Fund	570,959	--	70,000	(9,433)	(26,389)	--	605,137
Helen Shoaf Memorial Scholarship	617,576	--	8,000	(10,573)	(21,645)	--	593,358
Memorial Scholarship	471,983	--	--	(7,734)	(21,053)	--	443,196
Founders Honors Scholarship	443,439	--	--	(7,346)	(20,336)	--	415,757
Edgewater Pointe Estates Scholarship	417,821	--	10,100	(6,921)	(8,033)	--	412,967
David Neil Krinzman Memorial Scholarship Fund	397,671	--	--	(6,573)	(19,692)	--	371,406
Nathan and Marion Crosby Holocaust and Judaic Studies Scholarship Fund	378,608	--	--	(6,004)	(7,062)	--	365,542
Goizueta Foundation Scholars Fund	387,278	--	--	(6,288)	(16,781)	--	364,209
Milton and Gladys Meisner Scholarship Fund	340,104	--	--	(5,480)	(17,843)	--	316,781
Virginia and Douglas Stewart Ethics Scholarship Endowment	331,692	--	--	(5,425)	(18,848)	--	307,419
M. Brenn Green Scholarship in Social Science	300,026	--	--	(4,812)	(11,122)	--	284,092
Christine E. Lynn Endowed Nursing Assistance Program	278,167	--	--	(4,041)	(4,696)	--	269,430
James P. and Eloise M. Latham Scholarship in Geography	279,337	--	--	(4,570)	(6,699)	--	268,068
Annette Van Howe Womens Studies Scholarship Fund	266,774	--	--	(4,405)	(9,406)	--	252,963
Fanjul Academic and Community Excellence Award	260,661	--	--	(4,150)	(7,323)	--	249,188
Ernest O. Malby Endowed Professorship in Community Education	253,407	--	--	(4,061)	(14,753)	--	234,593
James Woodruff, Jr. Scholarship in Memory of Hazel Gates Woodruff	251,931	--	--	(4,047)	(17,305)	--	230,579
Angelos Langadas Endowed Scholarship	240,154	--	--	(3,940)	(12,112)	--	224,102

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF RECEIPTS, EXPENDITURES AND
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**

(continued)

For the Year Ended June 30, 2008

<u>Fund Name</u>	<u>Balance at July 1, 2007</u>	<u>Matching State Funds</u>	<u>Contributions</u>	<u>Investment Income (Loss)</u>	<u>Expenditures</u>	<u>Interfund Transfer</u>	<u>Balance at June 30, 2008</u>
ENDOWED SCHOLARSHIPS AND FELLOWSHIPS (continued):							
The FAU Alumni Association Scholarship	238,071	--	--	(3,975)	(14,100)	2,000	221,996
Howard Guggenheim Endowed Scholarship	234,069	--	--	(3,860)	(12,117)	--	218,092
Mrs. Charles "Binny" Foster Scholarship	231,525	--	--	(3,813)	(12,163)	--	215,549
Cindy and Stuart Markowitz, MD End Fund for Biomed Science	219,799	--	5,100	(5,610)	(3,821)	--	215,468
Frances and Victor Ginsberg Scholarship Fund	235,502	--	--	(3,773)	(17,914)	--	213,815
Genesis Belle Glade Teacher Scholarship	216,147	--	--	(3,404)	(3,956)	--	208,787
Joseph Conway Undergraduate Theater Scholarship	220,485	--	--	(3,592)	(10,789)	--	206,104
Eleanor R. Baldwin Genesis Scholarship Fund	210,196	--	--	(3,534)	(6,620)	--	200,042
Fields Genesis Scholarship	220,590	--	--	(3,528)	(17,100)	--	199,962
Joshua Logan Graduate Scholarship Endowment	205,334	--	--	(3,368)	(5,142)	--	196,824
Toppel Family Foundation Endowed Genesis Scholarship	203,476	--	--	(3,193)	(3,711)	--	196,572
Blue Cross/Blue Shield Health Scholars Lee J. and Esther S. Steindel Scholarship Fund	202,940	--	--	(3,314)	(3,851)	--	195,775
Dorothy and Marshall Anderson Scholarship Endowment	201,403	--	--	(3,248)	(12,551)	--	185,604
Marian Altman Memorial Honors Scholarship	195,698	--	--	(3,256)	(7,303)	--	185,139
Dr. Floyd F. Koch Honors Scholarship Fund	193,774	--	--	(3,206)	(7,749)	--	182,819
Mildred and Rudy Reis Endowed Scholarship	193,831	--	--	(3,212)	(9,157)	--	181,462
Dr. Floyd F. Koch Graduate Scholarship in Science/Medicine	192,035	--	--	(3,160)	(10,396)	--	178,479
The Marsh Scholarship Fund	185,036	--	--	(3,032)	(3,547)	(4,000)	174,457
Hank Watson Scholarship Fund	171,871	--	--	(4,222)	(6,447)	--	161,202
PROGRAM ENDOWED:							
Ann C. Kunkel Endowment for Pine Jog Environmental Center	14,037,799	--	--	(228,047)	(274,618)	(454,500)	13,080,634
Charles E. Schmidt Biomedical Endowed Fund	12,301,753	--	--	(197,990)	(714,285)	4,808	11,394,286
Christine Lynn Endowment Fund	6,026,719	--	--	(96,682)	(215,198)	--	5,714,839
Barry Kaye Endowed Fund	5,311,911	--	--	(21,162)	(25,618)	--	5,265,131

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF RECEIPTS, EXPENDITURES AND
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM

(continued)

For the Year Ended June 30, 2008

Fund Name	Balance at July 1, 2007	Matching State Funds	Contributions	Investment Income (Loss)	Expenditures	Interfund Transfer	Balance at June 30, 2008
PROGRAM ENDOWED (continued):							
Abacoa Fund	5,249,702	--	--	(84,776)	(214,265)	--	4,950,661
Carl DeSantis Business and Economic Center for the Study and Development of the Motion Picture and Entertainment Industry Endowment	5,293,011	--	2,500	(84,911)	(302,218)	(2,500)	4,905,882
Adams Center for IT Product Management and Entrepreneurship	3,345,258	--	--	(1,011,321)	(69,240)	(2,000)	2,262,697
Janice and Julian Weiss Endowment	1,896,064	--	--	(38,101)	(27,277)	--	1,830,686
Christine E. Lynn Center for Caring Endowed Fund	1,806,518	--	--	(27,684)	(127,977)	--	1,650,857
Pine Jog Endowment Fund	1,434,652	--	--	(23,322)	(28,071)	(45,800)	1,337,459
Lawrence P. and Dorothy E. DeLisle Memorial Scholarship Fund	--	--	1,206,604	(5,215)	(832)	--	1,200,557
Esther Saylor Rothenberger Scholarship	1,254,019	--	--	(30,218)	(35,002)	(6,076)	1,182,723
Lucille B. and Jacob Friedland Art Endowment	933,016	--	--	(3,631)	(9,235)	--	920,150
June and Ira Gelb M.D. Scholarship Fund	862,286	--	55,900	(22,037)	(22,935)	--	873,214
Carole and Barry Key/Integrative Art Education Outreach	908,464	--	--	(15,060)	(30,411)	(11,000)	851,993
Sir Richard Doll Chair	--	--	600,000	(19,854)	(706)	--	579,440
Mark Swiato Judaica Library Acquisition Fund	426,068	--	--	(5,974)	(9,442)	--	410,652
Chastain-Johnson Middle East Studies Enhancement Project Endowment	394,042	--	--	(6,302)	(12,906)	(300)	374,534
Kresge Foundation Science Initiative Challenge Fund	357,642	--	--	(5,875)	(19,915)	--	331,852
Center for Study of Values and Violence	329,602	--	--	(5,288)	(11,330)	(500)	312,484
LLS Distinguished Professorship in Current Affairs	329,763	--	--	(5,251)	(12,403)	--	312,109
University Club Library Endowment Fund	313,266	--	--	(4,866)	(5,654)	--	302,746
LLS Distinguished Professorship in Arts and Humanities	295,182	--	--	(4,876)	(5,800)	--	284,506
Pine Jog Friends	259,977	--	43,983	44,601	(561,541)	496,567	283,587
LLS College of Nursing Graduate Stipend Endowment	--	--	250,000	(4,082)	(351)	--	245,567
Lawrence A. Sanders Writer in Residence George and Wilma Elmore Scientific and Technical Equipment Endowment	180,789	--	10,000	68,687	(13,975)	--	245,501
Lawrence A. Sanders Memorial Fellowship In Creative Writing	252,309	--	--	(3,954)	(11,769)	--	236,586
	233,802	--	--	(2,780)	(1,017)	--	230,005

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
 SCHEDULE OF RECEIPTS, EXPENDITURES AND
 ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM

(continued)

For the Year Ended June 30, 2008

Fund Name	Balance at July 1, 2007	Matching State Funds	Contributions	Investment Income (Loss)	Expenditures	Interfund Transfer	Balance at June 30, 2008
PROGRAM ENDOWED (continued):							
University Club Library Galaxy Endowment Fund	240,139	--	--	(3,934)	(4,600)	(9,400)	222,205
Emanuel Erwin Halpern Fund	224,739	--	--	(3,565)	(4,143)	--	217,031
Herbert and Elaine Gimmelstob Judaic Studies Lawrence A. Sanders Memorial Fellowship in English	227,833	--	--	(3,636)	(10,348)	--	213,849
James M. Cox, Jr./Palm Beach Post Scholarship in Journalism	226,177	--	--	(3,670)	(11,287)	2,000	213,220
J. M. Rubin Foundation Ocean Engineering Endowment	212,276	--	--	(3,508)	(7,097)	--	201,671
Margaret S. Kramer Chemistry Endowment May Smith Lecture Series on Post-Holocaust Christian-Jewish	212,620	--	--	(3,118)	(8,623)	--	200,879
Fields Music Equipment Endowed Fund The FAU National Alumni Association Library Endowment	205,033	--	--	(3,415)	(8,414)	--	193,204
Robin B. Smith Honors Innovation Fund Lawrence and Florence A. DeGeorge Trust Honors Scholarship	202,525	--	6,900	(4,684)	(12,632)	--	192,109
	200,381	--	--	(3,230)	(10,060)	--	187,091
	158,700	--	--	(2,541)	(2,953)	--	153,206
	--	--	135,518	(1,737)	(234)	--	133,547
	107,811	--	--	(1,861)	(1,189)	--	104,761
Total	<u>\$ 130,452,829</u>	<u>\$ --</u>	<u>\$ 2,404,605</u>	<u>\$ (2,915,738)</u>	<u>\$ (5,361,284)</u>	<u>\$ (31,701)</u>	<u>\$ 124,548,711</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2008

<u>Grantor/Project Title</u>	<u>State CSFA Number</u>	<u>Contract Grant Number</u>	<u>Expenditures</u>
STATE AGENCY NAME:			
Direct Project:			
State of Florida			
Department of Education			
University Major Gift Challenge Grant Program	48.074	--	\$ <u>2,917,727</u>
Total expenditures of state financial assistance			\$ <u>2,917,727</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
June 30, 2008

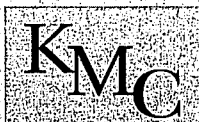
NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state project activity of Florida Atlantic University Foundation, Inc. (the "Foundation") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General. In connection with this grant program, the Foundation recorded contribution revenues of \$ 1,215,813, which is permanently restricted, and has been placed in an endowment fund, and \$ 67,339, which is temporarily restricted.

NOTE 2 - CONTINGENCY

Grant expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the Foundation. In the opinion of management, all grant expenditures included on the accompanying schedule are in compliance with the terms of the grant agreements and applicable laws and regulations.

INTERNAL CONTROLS AND COMPLIANCE



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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and the Members of the Audit Committee
Florida Atlantic University Foundation, Inc.
Boca Raton, Florida

We have audited the financial statements of Florida Atlantic University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 10, 2008. 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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization'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.

Florida Atlantic University Foundation, Inc.

Compliance and Other Matters

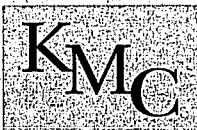
As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 noted certain matters which we have reported to the management of Florida Atlantic University Foundation, Inc. in a separate letter dated September 10, 2008.

This report is intended solely for the information and use of the Board of Directors, members of the Audit Committee, management, Board of Trustees, the Auditor General for the State of Florida, and the State of Florida Department of Education and is not intended to be and should not be used by anyone other than those specified parties.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
September 10, 2008



KEEFE, McCULLOUGH & CO., LLP
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR STATE PROJECT**

To the Board of Directors and the Members of the Audit Committee
Florida Atlantic University Foundation, Inc.
Fort Lauderdale, Florida

We have audited the compliance of Florida Atlantic University Foundation, Inc. (the "Foundation") with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to its major state project for the year ended June 30, 2008. The Foundation's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America, and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended June 30, 2008.

Internal Control over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state projects. In planning and performing our audit, we considered the Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

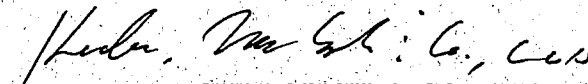
Florida Atlantic University Foundation, Inc.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, members of the Audit Committee, management, Board of Trustees, the Auditor General of the State of Florida and the State of Florida Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
September 10, 2008

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

A. Summary of Auditor's Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Florida Atlantic University Foundation, Inc. (the "Foundation").
2. There were no significant deficiencies or material weaknesses reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Foundation were disclosed during the audit.
4. There were no significant deficiencies or material weaknesses relating to the audit of the major state project reported in the Independent Auditors' Report on Compliance and Internal Control over Compliance with Requirements Applicable to Each Major State Project.
5. The auditors' report on compliance for the major state project for the Foundation expresses an unqualified opinion.
6. There were no audit findings relative to the major state project for the Foundation reported in Parts B and C of this schedule.
7. The project tested as a major project is as follows:

<u>State Project</u>	<u>State CSFA No.</u>
State of Florida Department of Education University Major Gift Challenge Grant Program	48.074

8. The threshold for distinguishing Type A and Type B projects was \$ 300,000 for major state projects.

B. Findings - Financial Statements

No matters were reported.

C. Findings and Questioned Costs - Major State Project

No matters were reported.

D. Other Issues

A separate report to management, dated September 10, 2008, was issued to report certain matters.

No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.

No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.