



Item: AF: I-2

AUDIT AND FINANCE COMMITTEE

Wednesday, December 12, 2007

**SUBJECT: REVIEW OF THE FAU FOUNDATION INC. FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION, JUNE 30, 2007 AND 2006.**

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, 2007 were presented to the Foundation Board of Directors on October 16, 2007.

IMPLEMENTATION PLAN/DATE

Not applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: FAU Foundation Inc. Financial Statements and Additional Information, June 30, 2007 and 2006.

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, 2007 and 2006

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
June 30, 2007 and 2006

TABLE OF CONTENTS

	<u>PAGES</u>
FINANCIAL STATEMENTS	
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14
SUPPLEMENTAL INFORMATION AND SCHEDULES	
Schedule of Board of Directors and Executive Committee Members	15-16
Schedule of Receipts, Expenditures and Endowment Balances for Eminent Scholars Program	17
Schedule of Receipts, Expenditures and Endowment Balances for Ethics Scholars Program	18
Schedule of Receipts, Expenditures and Endowment Balances for Major Gifts Program	19-23
Schedule of Expenditures of State Financial Assistance	24
Notes to Schedule of Expenditures of State Financial Assistance	25
INTERNAL CONTROLS AND COMPLIANCE	
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 <u>Government Auditing Standards</u>	26-27
Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major State Project	28-29
Schedule of Findings and Questioned Costs	30



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A.
PAUL B. SNEIDER, C.P.A. (RETIRED)
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.

JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
BRIAN D. PINNELL, C.P.A. (RETIRED)
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.
CYNTHIA L. CALVERT, C.P.A.

CHARLES K. RUMPF, C.P.A.
ISRAEL J. GÓMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY
SUITE 410
FORT LAUDERDALE, FLORIDA 33308
(954) 771-0896
FAX: (954) 938-9353
E-MAIL: kmc@kmc CPA.com

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, 2007 and 2006, 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, 2007 and 2006, 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 October 12, 2007 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 the 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
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 12, 2007

FINANCIAL STATEMENTS

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

A S S E T S

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash and cash equivalents	\$ 3,289,148	\$ 6,349,694
Pledges receivable, net of discount and allowance for uncollectibles of \$ 5,720,160 and \$ 1,674,858 in 2007 and 2006, respectively	15,225,289	7,709,776
Investments	204,046,326	173,876,763
Funds held in trust by others	3,567,610	3,446,411
Net investment in direct financing - type leases	10,875,000	11,140,000
Real property and improvements, net	4,512,217	5,010,326
Art and library collections	6,389,509	6,204,918
Other assets	<u>166,325</u>	<u>214,277</u>
Total assets	\$ <u>248,071,424</u>	\$ <u>213,952,165</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	\$ 1,513,296	\$ 1,593,659
Debt	4,037,610	4,866,254
Certificates of participation	<u>10,875,000</u>	<u>11,140,000</u>
Total liabilities	<u>16,425,906</u>	<u>17,599,913</u>
CONTINGENCIES (NOTE 18)	--	--
NET ASSETS:		
Unrestricted	14,874,867	13,302,675
Temporarily restricted	76,896,577	53,840,158
Permanently restricted	<u>139,874,074</u>	<u>129,209,419</u>
Total net assets	<u>231,645,518</u>	<u>196,352,252</u>
Total liabilities and net assets	\$ <u>248,071,424</u>	\$ <u>213,952,165</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, 2007 and 2006

	2007			2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT:							
Net realized and unrealized gains on investments	\$ 2,334,122	\$ 25,399,760	\$ --	\$ 1,167,208	\$ 13,440,434	\$ 80,535	\$ 14,688,177
Contributions, net	2,685,958	9,875,688	10,530,423	1,352,496	13,762,111	7,308,427	22,423,034
Interest and dividends, net of fees	868,067	3,236,315	--	675,907	3,338,202	--	4,014,109
Other income	1,228	1,119,124	134,232	521,346	824,029	--	1,345,375
Rental income	<u>125,016</u>	<u>962,741</u>	<u>--</u>	<u>125,016</u>	<u>912,085</u>	<u>--</u>	<u>1,037,101</u>
Total revenues, gains and other support	6,014,391	40,593,628	10,664,655	3,841,973	32,276,861	7,388,962	43,507,796
Net assets released from restrictions	<u>17,537,209</u>	<u>(17,537,209)</u>	<u>--</u>	<u>16,589,611</u>	<u>(16,589,611)</u>	<u>--</u>	<u>--</u>
Total revenues, gains and other support and net assets released from restriction	<u>23,551,600</u>	<u>23,056,419</u>	<u>10,664,655</u>	<u>20,431,584</u>	<u>15,687,250</u>	<u>7,388,962</u>	<u>43,507,796</u>
EXPENSES:							
Program services	13,398,258	--	--	15,900,209	--	--	15,900,209
Supporting services:							
Fundraising	4,039,060	--	--	1,498,112	--	--	1,498,112
Construction of facilities	3,396,500	--	--	14,359	--	--	14,359
Management and general	<u>1,145,590</u>	<u>--</u>	<u>--</u>	<u>941,721</u>	<u>--</u>	<u>--</u>	<u>941,721</u>
Total expenses	<u>21,979,408</u>	<u>--</u>	<u>--</u>	<u>18,354,401</u>	<u>--</u>	<u>--</u>	<u>18,354,401</u>
Change in net assets	1,572,192	23,056,419	10,664,655	2,077,183	15,687,250	7,388,962	25,153,395
NET ASSETS, beginning of year	<u>13,302,675</u>	<u>53,840,158</u>	<u>129,209,419</u>	<u>11,225,492</u>	<u>38,152,908</u>	<u>121,820,457</u>	<u>171,198,857</u>
NET ASSETS, end of year	<u>\$ 14,874,867</u>	<u>\$ 76,896,577</u>	<u>\$ 139,874,074</u>	<u>\$ 13,302,675</u>	<u>\$ 53,840,158</u>	<u>\$ 129,209,419</u>	<u>\$ 196,352,252</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 35,293,266	\$ 25,153,395
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for uncollectible pledges	1,861,090	(284,073)
Transfer of real property	493,293	--
Provision for depreciation	4,816	4,816
Unrealized gains in the fair value of investments	(19,698,385)	(366,535)
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable, net	(9,378,654)	43,465
(Increase) decrease in art and library collections	(184,591)	(2,434,990)
(Increase) decrease in other assets	50,001	68,626
Increase (decrease) in annuities payable and other liabilities	<u>(80,362)</u>	<u>(100,060)</u>
Net cash provided by operating activities	<u>8,360,474</u>	<u>22,084,644</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales and maturities of investments	32,818,337	15,845,926
Collection of principal on direct financing-type leases	265,000	255,000
Realized gains on sales of investments	(8,035,497)	(14,321,642)
Purchases of investments	<u>(35,375,217)</u>	<u>(19,500,068)</u>
Net cash used in investing activities	<u>(10,327,377)</u>	<u>(17,720,784)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on certificates of participation	(265,000)	(255,000)
Principal payments on debt	<u>(828,643)</u>	<u>(827,417)</u>
Net cash used in financing activities	<u>(1,093,643)</u>	<u>(1,082,417)</u>
Net increase (decrease) in cash and cash equivalents	(3,060,546)	3,281,443
 CASH AND CASH EQUIVALENTS, beginning of year	<u>6,349,694</u>	<u>3,068,251</u>
 CASH AND CASH EQUIVALENTS, end of year	\$ <u>3,289,148</u>	\$ <u>6,349,694</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, 2007 and 2006

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 statements of activities as net assets released from restriction.

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 6.25% 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. We receive donated services from certain employees of the University. The value of donated services is recorded in the financial statements as a revenue and expense. Donated goods and services of approximately \$ 3,348,000 and \$ 7,611,000 were recorded at their fair market value for the years ended June 30, 2007 and 2006, respectively.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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 on 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:

The Foundation utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

The Foundation's investments in hedging instruments helps to mitigate the risk of traditional asset investment fluctuations. These instruments are classified as fair value hedges. The Foundation had unrealized gains on these instruments at June 30, 2007, and 2006 of \$ 3,046,876 and \$ 1,310,273, respectively. These instruments are included in the Statements of Activities under net realized and unrealized gains on investments. All hedges were considered to be highly effective.

NOTE 3 - INVESTMENTS

Investments at June 30, 2007 and 2006 consisted of the following at their fair value:

<u>Type</u>	<u>2007</u>	<u>2006</u>
United States large cap stocks	\$ 44,194,869	\$ 36,239,779
United States mid cap stocks	8,720,046	9,688,823
United States small cap stocks	<u>6,104,389</u>	<u>8,176,913</u>
Total United States stocks	<u>59,019,304</u>	<u>54,105,515</u>
International large cap	24,191,523	21,557,380
International emerging markets	12,391,133	10,206,958
International small cap	<u>10,407,676</u>	<u>8,553,086</u>
Total international stocks	<u>46,990,332</u>	<u>40,317,424</u>
Total equities	<u>106,009,636</u>	<u>94,422,939</u>
United States fixed income	43,798,744	39,911,867
Cash - money markets	4,106,473	1,114,171
International fixed income	<u>3,622,374</u>	<u>2,916,579</u>
Total fixed income securities	<u>51,527,591</u>	<u>43,942,617</u>
Hedge funds	25,108,251	11,511,524
Real estate assets	16,619,557	18,117,173
Private equity	4,478,695	3,632,510

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 3 - INVESTMENTS (continued)

Alternative	<u>302,596</u>	<u>2,250,000</u>
Total other investments	<u>46,509,099</u>	<u>35,511,207</u>
Total investments	<u>\$ 204,046,326</u>	<u>\$ 173,876,763</u>

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

	<u>2007</u>		<u>2006</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Investment gains and losses:				
Net realized and unrealized gains	\$ 2,334,122	\$ 25,399,760	\$ 1,167,208	\$ 13,440,434
Interest and dividends (net of investment fees and expenses of \$ 260,048 and \$ 410,095)	<u>868,067</u>	<u>3,236,315</u>	<u>675,907</u>	<u>3,338,202</u>
Total return on investments	<u>\$ 3,202,189</u>	<u>\$ 28,636,075</u>	<u>\$ 1,843,115</u>	<u>\$ 16,778,636</u>

NOTE 4 - PLEDGES RECEIVABLE

The composition of unconditional pledges to give at June 30, 2007 and June 30, 2006, was as follows:

	<u>2007</u>	<u>2006</u>
In one year or less	\$ 5,356,147	\$ 3,936,091
Between one and five years	15,589,300	5,393,628
Greater than five years	<u>--</u>	<u>54,915</u>
Total unconditional pledges at face value	20,945,447	9,384,634
Less unamortized discount	(3,201,455)	(595,755)
Less allowance for uncollectibles	<u>(2,518,703)</u>	<u>(1,079,103)</u>
Net unconditional pledges	<u>\$ 15,225,289</u>	<u>\$ 7,709,776</u>

Management periodically reviews the pledges receivable balances and provides allowances for accounts and pledges which may be uncollectible. Additionally, pledges are recorded at present value. A discount rate of 6.25% was applied to future cash flows in 2007 and 2006.

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.

The Foundation participates in the State of Florida Challenge Grant and Grant program. State matching fund receivables are accrued as contributions receivable when a donor commitment is fulfilled and notice of appropriation is received from the state. At June 30, 2007, we had pledges conditional upon legislative appropriation from the Florida Department of Education's Major Gifts Program in the

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 4 - PLEDGES RECEIVABLE (continued)

amount of \$ 1,215,813. The Florida Legislature appropriated \$ 1,998,037 for the 2007 fiscal year, and this amount has been included in the pledge receivable balance.

No major gifts receivable were recorded in fiscal 2006.

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

NOTE 5 - REAL PROPERTY AND IMPROVEMENTS

Real property and improvements consist of the following at June 30, 2007 and June 30, 2006:

	2007	2006
Buildings and improvements	\$ 237,000	\$ 237,000
Less accumulated depreciation	164,422	159,606
	72,578	77,394
Land	4,439,639	4,932,932
 Real property and improvements, net	 \$ 4,512,217	 \$ 5,010,326

The provision for depreciation was \$ 4,816 for both 2007 and 2006 fiscal years.

NOTE 6 - DEBT

Debt as of June 30, 2007 and 2006, consists of the following:

	2007	2006
Note payable to a bank in semiannual installments of \$ 400,000 plus interest at 4.20% until May 2012.	\$ 4,000,000	\$ 4,800,000
Note payable to an individual in quarterly installments of \$ 7,772 including interest at 4.47% until December 2008.	37,610	66,254
	\$ 4,037,610	\$ 4,866,254

Future debt principal payments in the aggregate are as follows:

Year Ending June 30	Principal	Interest	Total
2008	\$ 829,924	\$ 163,471	\$ 993,395
2009	807,686	127,905	935,591
2010	800,000	93,753	893,753
2011	800,000	59,687	859,687
2012	800,000	25,337	825,337
 Total	 \$ 4,037,610	 \$ 470,153	 \$ 4,507,763

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 6 - DEBT (continued)

Interest expense on debt was approximately \$ 204,800 and \$ 228,000 for the years ended June 30, 2007 and 2006, 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 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 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 \$ 14,874,867 as of June 30, 2007. 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, 2007, the minimum lease payments to be received from the University as base rent and the principal payment due on the 2000 and 2001 Certificates for each of the five succeeding fiscal years and thereafter are as follows:

<u>Year Ending June 30</u>	<u>1999 Certificates</u>	<u>2000 Certificates</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 150,000	\$ 125,000	\$ 275,000	\$ 577,300	\$ 852,300
2009	155,000	135,000	290,000	564,800	854,800
2010	165,000	140,000	305,000	551,600	856,600
2011	170,000	145,000	315,000	537,300	852,300
2012	180,000	155,000	335,000	521,200	856,200
Thereafter	<u>4,440,000</u>	<u>4,955,000</u>	<u>9,355,000</u>	<u>5,209,300</u>	<u>14,564,300</u>
	<u>\$ 5,220,000</u>	<u>\$ 5,655,000</u>	<u>\$ 10,875,000</u>	<u>\$ 7,961,500</u>	<u>\$ 18,836,500</u>

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 the term of the lease.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 9 - SUB-LEASING ARRANGEMENT (continued)

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, 2030, as follows: \$ 848,000 per year for years 1 through 10; \$ 898,880 per year for years 11 through 20; \$ 952,813 per year for years 21 through 30; \$ 1,009,982 per year for years 31 through 40; \$ 1,134,816 for years 51 through 60; \$ 1,202,905 for years 61 through 70; and \$ 1,275,079 for years 71 through 73. 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 \$ 63,030 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 \$ 44,132 in revenues in the 2007 fiscal year. The percent of revenues will increase to 5% in 2046. We recognized total rental income of \$ 955,162 in 2007 relating to this agreement.

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 high 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:

	2007	2006
Cash received during the year for - Interest and dividend income	\$ 4,041,763	\$ 3,712,988
Cash paid during the year for - Interest expense	\$ 197,885	\$ 233,789

NOTE 12 - RESTRICTED NET ASSETS

At June 30, 2007, temporarily restricted net assets consisted of cash, pledges, investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 93,027,062 less annuities payable and other liabilities and debt of \$ 16,130,485 restricted by donors for the following purposes:

	2007	2006
Academic divisions	\$ 24,764,635	\$ 11,855,031
Faculty and staff support	23,430,422	14,557,261
Student financial support	23,174,521	16,683,797

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 12 - RESTRICTED NET ASSETS (continued)

Library resources	2,162,811	1,876,142
Operation and maintenance of plant	1,647,011	5,072,428
Research	984,028	1,172,854
Other	<u>733,149</u>	<u>2,622,645</u>
Total temporarily restricted net assets	\$ <u>76,896,577</u>	\$ <u>53,840,158</u>

At June 30, 2007, permanently restricted net assets consist of pledges and investments of \$ 139,874,074 restricted by donors for the following purposes:

	<u>2007</u>	<u>2006</u>
Academic divisions	\$ 53,965,530	\$ 47,584,497
Student financial support	45,126,055	41,259,045
Faculty and staff support	35,049,094	35,008,494
Other	2,896,568	2,581,256
Research	1,522,892	1,522,742
Library resources	1,025,213	1,025,113
Operations and maintenance of plant	<u>288,722</u>	<u>228,272</u>
Total permanently restricted net assets	\$ <u>139,874,074</u>	\$ <u>129,209,419</u>

NOTE 13 - IN-KIND TRANSACTIONS

The Foundation is supported in its goals by University Departments of Advancement and 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 \$ 2,568,000. This support appears on the statements of activities as contributions and expenses.

Several decades ago, the Foundation 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 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 \$ 125,016. This amount appears on the statements of activities as rental income and a contribution to the University.

NOTE 14 - PINE JOG PROPERTY TRANSFER

In December 2005, the Florida Atlantic University Foundation Board of Directors agreed to transfer to Florida Atlantic University, 15 acres of land on the Pine Jog site (Note 13), which has a fair market value of \$ 1,900,000 and a book value of \$ 493,293. The University has entered into an agree-

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 14 - PINE JOG PROPERTY TRANSFER (continued)

ment 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 elementary school and environmental complex is scheduled to open August 2008. The transfer of land to the University was finalized in July 2006.

NOTE 15 - RELATED PARTY TRANSACTIONS

The Foundation adheres to a conflict of interest policy with its board members. During the course of business, the Foundation may purchase supplies and/or services at fair market value from companies which have affiliations with 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, 2007:

Board Member Thomas Lynch is the President of Plastrige Insurance Company which is the chosen insurance broker for the Foundation. 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%) in the partnership of the LLC that has the ground lease at the University Commons. Richard Murdoch is a shareholder in the law firm that provides legal services to the Foundation. M.J. Arts is a Board member for the FAU Research and Development Corporation. Michael Davis is a Vice President and Principal partner with Keith and Schnars, Engineering and Planning Consulting firm, which has contracted with the University in the past. Ira Gelb, M.D. is the Assistant Dean and Clinic's Professor in the University's College of Bio Medicine. David Gury, Peter LoBello and Virginia Miller are on various advisory boards at the University.

NOTE 16 - LEAVE LIABILITY

In 2007, the Foundation recorded the accumulated liability for annual and sick leave payments that would be paid at the resignation or termination of an employee. The Foundation recognized a liability of \$ 124,672 for the leave payments that the Foundation is obligated to reimburse the University, and \$ 169,683 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 FAU Foundation, whereby a severance of approximately \$ 521,000 would be paid to the former employee. The University has made provisions for this obligation using their own funding sources. The Foundation was not a party to the contract and has recognized no expense or liability for this agreement.

NOTE 18 - CONTINGENCIES

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

**SUPPLEMENTAL INFORMATION
AND SCHEDULES**

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
 SCHEDULE OF BOARD OF DIRECTORS AND
 EXECUTIVE COMMITTEE MEMBERS
 June 30, 2007

At June 30, 2007, 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 C. Allen	April 2010
M.J. Arts	April 2010
Barry S. Berg	April 2009
Daniel Craig Chabot	April 2009
Leslie M. Corley**	April 2008
Michael Davis	April 2009
Jorge Dominicis	April 2008
Dr. Ira J. Gelb	April 2008
Suheyyla F. Gencsoy	April 2008
David L. Gury	April 2010
Cecelia James	April 2009
Michael Kaufman	April 2009
Barry Kaye	April 2010
Charna Larkin	April 2009
Pete LoBello	April 2008
Thomas E. Lynch*	April 2008
Luis J. Mago	April 2010
Paul B. Milhous	April 2010
Virginia Miller	April 2009
Richard A. Murdoch*	April 2008
Willard B. Soper, II*	April 2008
John Tinnemeyer	April 2008
Christopher C. Wheeler*	April 2008
Thomas Workman*	April 2008
Frank T. Brogan*	University President
Ken Jessell, Ph.D*	Interim Executive Director
Marlis Hadeed	University Club
Anthony Barber	Alumni President
Eric H. Shaw, Ph.D	Faculty Senate Representative
Tony Teixeira	Student Government President
Rajendra Gupta, M.D.	Board of Trustees Representative
Walter Lipkin	LLS Representative
Kathleen Assaf	Director Emeritus
Ronald Assaf	Director Emeritus

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF BOARD OF DIRECTORS AND
EXECUTIVE COMMITTEE MEMBERS
(continued)
June 30, 2007

<u>Member</u>	<u>Term Expires/Title</u>
Eleanor R. Baldwin	Director Emeritus
Herman Becker	Director Emeritus
Jackie Becker	Director Emeritus
William French	Director Emeritus
Frank Gorell	Director Emeritus
Marjorie Pearlson	Director Emeritus
Lois Pope	Director Emeritus
Berkeley Schaub	Director Emeritus
Brian Utley	Director Emeritus

- * Indicates members of the Executive Committee
** Indicated 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, 2007

Fund Name	Balance at July 1, 2006	Matching State Funds	Contributions	Investment Income	Expenditures	Interfund Transfer	Balance at June 30, 2007
FULLY ENDOWED:							
Dorothy F. Schmidt Eminent Scholar Chair in Humanities	\$ 7,371,282	--	\$ --	\$ 1,262,078	\$ (320,674)	\$ 200	\$ 8,312,886
Dorothy F. Schmidt Distinguished Eminent Scholar Chair in Performing Arts	6,948,865	--	--	1,210,768	(312,790)	--	7,846,843
John M. DeGrove Eminent Scholar Chair in Growth Management and Development	3,149,234	--	--	489,560	(55,375)	--	3,583,419
Helen Karpelena Persson Eminent Scholar Chair in Community Caring	2,219,051	--	--	361,927	(98,768)	--	2,482,210
Eugene and Christine E. Lynn Eminent Scholar Chair in Business	1,892,863	--	--	325,179	(123,193)	--	2,094,849
Charles E. Schmidt Eminent Scholar Chair in Engineering	1,727,084	--	--	296,937	(127,631)	429	1,896,819
John Thomas Ladue McGinty Eminent Scholar Chair in Biology	1,530,896	--	--	254,274	(57,042)	--	1,728,128
Glenwood and Martha Creech Eminent Scholar Chair in Science	1,549,286	--	--	247,485	(84,993)	(180)	1,711,598
Raddock Family Eminent Scholar Chair in Holocaust Studies	1,540,745	--	--	266,277	(99,716)	4,000	1,711,306
Dr. Robert J. Morrow Eminent Scholar Chair in Social Science	1,529,071	--	--	247,572	(74,860)	--	1,701,783
Office Depot Eminent Scholar Chair in Business Research	1,374,171	--	--	236,320	(58,932)	--	1,551,559
Christine E. Lynn Eminent Scholar Chair in Nursing	1,382,910	--	--	236,874	(81,259)	--	1,538,525
Herbert and Elaine Gimmelstob Eminent Scholar Chair in Judaic Studies	1,352,665	--	10,000	245,067	(70,696)	101	1,537,137
Eminent Scholar Chair in Turkish Studies	1,292,323	--	--	340,454	(20,314)	--	1,612,463
Charles Stewart Mott Eminent Scholar Chair in Community Education	1,369,127	--	--	236,468	(81,945)	--	1,523,650
Dorothy F. Schmidt Eminent Scholar Chair in Performing Arts	1,341,915	--	--	232,075	(61,546)	(702)	1,511,742
William F. Dietrich Eminent Scholar Chair in Philosophy	1,349,685	--	--	233,944	(78,027)	--	1,505,602
Total	<u>\$ 38,921,173</u>	<u>--</u>	<u>\$ 10,000</u>	<u>\$ 6,723,259</u>	<u>\$ (1,807,761)</u>	<u>\$ 3,848</u>	<u>\$ 43,850,519</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
 SCHEDULE OF RECEIPTS, EXPENDITURES AND
 ENDOWMENT BALANCES FOR ETHICS SCHOLARS PROGRAM
 For the Year Ended June 30, 2007

Fund Name	Balance at July 1, 2006	Matching State Funds	Contributions	Investment Income	Expenditures	Interfund Transfer	Balance at June 30, 2007
FULLY ENDOWED:							
Dr. Floyd Koch Business Ethics Scholarship	\$ 593,145	\$ --	\$ --	\$ 101,441	\$ (31,561)	\$ --	\$ 663,025
Edward E. Shoaf Honors College Ethics Scholarship	376,607	--	--	64,623	(19,675)	--	421,555
J. M. Rubin Foundation Honors College Ethics Scholarship	251,024	--	--	42,227	(12,810)	--	280,441
Hilda A. Krinzman Ethics Scholarship	244,510	--	--	40,956	(17,168)	--	268,298
Mildred A. Becker Ethics Scholarship	236,110	--	--	40,321	(13,344)	--	263,087
Edward E. Shoaf Ethics Scholarship	<u>230,345</u>	<u>--</u>	<u>--</u>	<u>38,880</u>	<u>(8,594)</u>	<u>--</u>	<u>260,631</u>
Total	<u>\$ 1,931,741</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 328,448</u>	<u>\$ (103,152)</u>	<u>\$ --</u>	<u>\$ 2,157,037</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF RECEIPTS, EXPENDITURES AND
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM
For the Year Ended June 30, 2007

Fund Name	Balance at July 1, 2006	Matching State Funds	Contributions	Investment Income	Expenditures	Interfund Transfer	Balance at June 30, 2007
ENDOWED PROFESSORSHIPS:							
Lucy Henderson Edmondson Professorship in Elementary Education	\$ 3,640,466	--	\$ --	\$ 619,453	\$ (213,682)	\$ --	\$ 4,046,237
Alan B. Larkin Endowed Fund	1,924,966	--	--	335,329	(87,438)	400	2,173,257
Henry Epstein Professorship in Urban and Regional Planning	294,625	--	--	35,935	(4,065)	--	326,495
Nona and Peter Gordon Professorship in Early Childhood Education	293,074	--	--	47,566	(17,835)	--	322,805
Ronald and Elizabeth Blake Professorship in Nursing	292,629	--	--	48,823	(5,542)	--	335,910
Lifelong Learning Society Professorship in Social Science	289,257	--	--	43,090	(7,401)	--	324,946
Lifelong Learning Society Professorship in Science	239,204	--	--	41,527	(12,801)	--	267,930
Bingham Professorship in Creative Writing	236,410	--	--	40,435	(10,149)	--	266,696
SunTrust/South Florida Professorship in Finance	229,276	--	--	35,857	(13,744)	--	251,389
Adelaide R. Snyder Professorship in Ethics	225,911	--	--	41,962	(18,416)	(4,500)	244,957
Charles E. Schmidt Professorship in Engineering	221,733	--	--	36,561	(11,690)	--	246,604
Lifelong Learning Society Professorship in Arts and Humanities	221,525	--	--	35,895	(7,247)	--	250,173
Rabbi Ario S. Hyams Library Professorship	220,053	--	--	35,857	(11,780)	--	244,130
Frances and Milton Levenson Professorship in Japanese Studies	204,898	--	--	35,064	(12,174)	--	227,788
John Wymer Endowed Professorship in Nursing	204,754	--	25,000	35,528	(3,894)	--	261,388
Motorola Endowed Professorship for Electrical and Computer Engineering	202,206	--	--	34,398	(14,872)	--	221,732
Sensormatic Professorship in Marketing	199,517	--	--	33,651	(7,607)	--	225,561
William F. Dietrich Professorship in Philosophy	199,485	--	--	33,834	(10,433)	--	222,886
Sharon Phillips Raddock Professorship in Holistic Nursing	199,289	--	--	29,241	(3,307)	--	225,223
J. M. Rubin Foundation Professorship in Engineering	167,516	--	--	28,370	(9,762)	--	186,124
ENDOWED SCHOLARSHIPS AND FELLOWSHIPS:							
Harriet L. Wilkes College Scholarship Fund	22,391,285	--	--	3,856,415	(740,563)	--	25,507,137
Henry Morrison Flagler Scholarship Fund	6,105,698	--	50	1,051,807	(226,513)	2,880	6,933,922
Essie C. Crain Nursing Scholarship Fund	2,663,716	--	--	436,725	(71,974)	89,659	3,118,126
Davimos Eminent Scholar Chair in Brain Science	2,151,909	--	--	343,095	(49,559)	--	2,445,445

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

(continued)

For the Year Ended June 30, 2007

Fund Name	Balance at July 1, 2006	Matching State Funds	Contributions	Investment Income	Expenditures	Interfund Transfer	Balance at June 30, 2007
ENDOWED SCHOLARSHIPS AND FELLOWSHIPS (continued):							
Libby Dodson Endowment for Nursing Excellence	1,907,857	--	--	313,359	(31,534)	--	2,189,682
Daniel B. and Aurel B. Newell Doctoral Fellowships	905,396	--	--	154,277	(47,590)	--	1,012,083
Mary Fraser Scholastic Endowment Trust-Estate of Jerome Fraser	765,936	--	--	128,627	(46,726)	--	847,837
William Fabricant Scholarship	606,214	--	--	102,267	(31,475)	--	677,006
James and Zita Hayes and Zita W. DePan Memorial Scholarship	422,252	--	--	71,932	(22,201)	--	471,983
Edward E. Shoaf Scholarship Fund	404,843	--	--	185,285	(19,169)	--	570,959
Founders Honors Scholarship	394,817	--	--	67,887	(18,725)	(540)	443,439
Edgewater Pointe Estates Scholarship	355,749	--	100	62,176	(14,034)	13,830	417,821
David Neil Krinzman Memorial Scholarship Fund	355,159	--	--	61,072	(18,560)	--	397,671
Goizueta Foundation Scholars Fund	348,001	--	--	59,333	(20,056)	--	387,278
Nathan and Marion Crosby Holocaust and Judaic Studies Scholarship Fund	329,363	--	--	55,583	(6,338)	--	378,608
Milton and Gladys Meisner Scholarship Fund	303,589	--	--	50,931	(14,416)	--	340,104
Virginia and Douglas Stewart Ethics Scholarship Endowment	295,540	--	--	50,395	(14,243)	--	331,692
Helen Shoaf Memorial Scholarship	295,264	--	--	94,680	(37,153)	264,785	617,576
Edward E. Shoaf Honors Scholarship Program	264,785	--	--	--	--	(264,785)	--
M. Brenn Green Scholarship in Social Science	264,701	--	--	44,384	(9,059)	--	300,026
Christine E. Lynn Endowed Nursing Assistance Program	245,885	--	--	36,399	(4,117)	--	278,167
James P. and Eloise M. Latham Scholarship in Geography	242,785	--	100	42,255	(5,803)	--	279,337
Annette Van Howe Womens Studies Scholarship Fund	241,272	--	--	40,973	(15,471)	--	266,774
Fanjul Academic and Community Excellence Award	230,037	--	--	37,386	(6,762)	--	260,661
Ernest O. Malby Endowed Professorship in Community Education	219,945	--	--	37,768	(4,306)	--	253,407
James Woodruff, Jr. Scholarship in Memory of Hazel Gates Woodruff	219,553	--	--	36,544	(4,166)	--	251,931
Angelos Langadas Endowed Scholarship	213,687	--	--	36,645	(10,178)	--	240,154

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

For the Year Ended June 30, 2007

<u>Fund Name</u>	<u>Balance at July 1, 2006</u>	<u>Matching State Funds</u>	<u>Contributions</u>	<u>Investment Income</u>	<u>Expenditures</u>	<u>Interfund Transfer</u>	<u>Balance at June 30, 2007</u>
ENDOWED SCHOLARSHIPS AND FELLOWSHIPS (continued):							
FAU Alumni Association Scholarship Frances and Victor Ginsberg Scholarship Fund	212,936	--	45	36,558	(12,918)	1,450	238,071
Howard Guggenheim Endowed Scholarship	211,983	--	--	35,011	(11,492)	--	235,502
Mrs. Charles "Binny" Foster Scholarship Joseph Conway Undergraduate Theater Scholarship	210,282	--	--	35,877	(12,090)	--	234,069
Joshua Logan Graduate Scholarship Endowment	206,619	--	--	35,470	(10,564)	--	231,525
Eleanor R. Baldwin Genesis Scholarship Fund	201,925	--	--	34,308	(17,786)	2,038	220,485
Fields Genesis Scholarship	199,586	--	--	31,296	(23,510)	(2,038)	205,334
Genesis Belle Glade Teacher Scholarship Toppel Family Foundation Endowed Genesis Scholarship	196,492	--	--	32,284	(18,580)	--	210,196
Lee J. and Esther S. Steindel Scholarship Fund	192,414	--	--	31,799	(3,623)	--	220,590
Blue Cross/Blue Shield Health Scholars	188,980	--	--	30,663	(3,496)	--	216,147
Dr. Floyd F. Koch Honors Scholarship Fund Dorothy and Marshall Anderson Scholarship Endowment	177,880	--	--	28,871	(3,275)	--	203,476
Marian Altman Memorial Honors Scholarship	177,825	--	--	30,393	(6,815)	--	201,403
Mildred and Rudy Reis Endowed Scholarship Cindy and Stuart Markowitz, MD End Fund for Biomed Science	176,484	--	--	29,848	(3,392)	--	202,940
Hank Watson Scholarship Fund Dr. Floyd F. Koch Graduate Scholarship in Science/Medicine	172,449	--	--	29,770	(8,388)	--	193,831
The Marsh Scholarship Fund	172,111	--	--	29,995	(6,408)	--	195,698
PROGRAM ENDOWED:	171,467	--	--	29,685	(7,378)	--	193,774
Ann C. Kunkel Endowment for Pine Jog Environmental Center	169,662	--	--	29,310	(6,937)	--	192,035
Charles E. Schmidt Biomedical Endowed Fund	134,282	--	--	87,015	(1,498)	--	219,799
Christine Lynn Endowment Fund	122,564	--	--	20,855	(5,277)	--	138,142
Barry Kaye Endowed Fund	110,222	50,000	--	27,115	(2,301)	--	185,036
	103,420	--	--	68,604	(153)	--	171,871
Ann C. Kunkel Endowment for Pine Jog Environmental Center	12,549,874	--	--	2,181,300	(248,875)	(444,500)	14,037,799
Charles E. Schmidt Biomedical Endowed Fund	10,935,924	--	250	1,860,266	(494,687)	--	12,301,753
Christine Lynn Endowment Fund	5,348,110	--	--	903,068	(134,800)	(89,659)	6,026,719
Barry Kaye Endowed Fund	5,012,830	--	1	306,977	(7,897)	--	5,311,911

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

For the Year Ended June 30, 2007

Fund Name	Balance at July 1, 2006	Matching State Funds	Contributions	Investment Income	Expenditures	Interfund Transfer	Balance at June 30, 2007
PROGRAM ENDOWED (continued):							
Carl DeSantis Business and Economic Center for the Study and Development of the Motion Picture and Entertainment Industry Endowment	4,834,361	--	--	812,272	(359,635)	6,013	5,293,011
Abacoa Fund	4,586,766	--	--	798,721	(135,785)	--	5,249,702
Adams Center for IT Product Management and Entrepreneurship	3,076,137	--	--	358,903	(89,782)	--	3,345,258
Christine E. Lynn Center for Caring Endowed Fund	1,662,028	--	--	249,368	(104,878)	--	1,806,518
Pine Jog Endowment Fund	1,282,084	--	--	222,897	(25,429)	(44,900)	1,434,652
Esther Saylor Rothenberger Scholarship	1,092,093	--	--	175,072	(19,222)	6,076	1,254,019
Lucille B. and Jacob Friedland Art Endowment	904,009	--	--	32,706	(3,699)	--	933,016
Carole and Barry Key/Integrative Art Education Outreach	540,640	250,000	--	133,148	(11,291)	(4,033)	908,464
June and Ira Gelb M.D. Scholarship Fund	417,812	--	145,280	312,281	(13,087)	--	862,286
Mark Swiatlo Judaica Library Acquisition Fund	378,346	--	--	53,808	(6,086)	--	426,068
Chastain-Johnson Middle East Studies Enhancement Project Endowment	355,578	--	--	59,900	(12,436)	(9,000)	394,042
Kresge Foundation Science Initiative Challenge Fund	323,042	--	--	53,878	(19,278)	--	357,642
Center for Study of Values and Violence	286,510	--	150	48,555	(5,613)	--	329,602
LLS Distinguished Professorship in Current Affairs	285,533	--	--	49,896	(5,666)	--	329,763
University Club Library Endowment Fund	274,070	--	50	44,172	(5,026)	--	313,266
LLS Distinguished Professorship in Arts and Humanities	251,604	--	--	45,199	(1,621)	--	295,182
George and Wilma Elmore Scientific and Technical Equipment Endowment	220,723	--	--	35,618	(4,032)	--	252,309
University Club Library Galaxy Endowment Fund	210,750	--	--	36,437	(4,148)	(2,900)	240,139
Lawrence A. Sanders Memorial Fellowship in English	201,201	--	--	33,817	(8,841)	--	226,177
Herbert and Elaine Gimelstob Judaic Studies	199,397	--	--	34,345	(5,909)	--	227,833
Margaret S. Kramer Chemistry Endowment	196,109	--	--	31,067	(22,143)	--	205,033
Emanuel Erwin Halpern Fund	196,030	--	--	32,398	(3,689)	--	224,739

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
 SCHEDULE OF RECEIPTS, EXPENDITURES AND
 ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM
 (continued)
 For the Year Ended June 30, 2007

Fund Name	Balance at July 1, 2006	Matching State Funds	Contributions	Investment Income	Expenditures	Interfund Transfer	Balance at June 30, 2007
PROGRAM ENDOWED (continued):							
J. M. Rubin Foundation Ocean Engineering Endowment	192,714	--	--	28,082	(8,176)	--	212,620
James M. Cox, Jr./Palm Beach Post Scholarship in Journalism	186,660	--	--	32,281	(6,665)	--	212,276
Fields Music Equipment Endowed Fund	176,169	--	--	30,637	(6,425)	--	200,381
Lawrence A. Sanders Writer in Residence	158,357	--	10,000	25,189	(12,757)	--	180,789
FAU National Alumni Association Library Endowment	138,193	--	50	23,085	(2,628)	--	158,700
May Smith Lecture Series on Post-Holocaust Christian-Jewish	135,765	--	1,810	72,984	(7,564)	(470)	202,525
Janice and Julian Weiss Endowment Lawrence and Florence A. DeGeorge Trust Honors Scholarship	60,405	--	1,001,000	841,400	(6,741)	--	1,896,064
Lawrence A. Sanders Memorial Fellowship In Creative Writing	--	--	100,000	7,890	(79)	--	107,811
	--	--	--	233,870	(68)	--	233,802
Pine Jog Friends	<u>229,372</u>	<u>--</u>	<u>64,137</u>	<u>90,722</u>	<u>(546,154)</u>	<u>421,900</u>	<u>259,977</u>
Total	<u>\$ 113,260,811</u>	<u>\$ 300,000</u>	<u>\$ 1,348,023</u>	<u>\$ 20,093,512</u>	<u>\$ (4,491,223)</u>	<u>\$ (58,294)</u>	<u>\$ 130,452,829</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2007

<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			
Program Challenge Grant	48.063	--	\$ <u>2,516,670</u>
Total expenditures of state financial assistance			\$ <u>2,516,670</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
June 30, 2007

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. The Foundation recorded revenues of \$ 2,985,702 which is permanently restricted, and has been placed in an endowment fund.

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



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A.
PAUL B. SNEIDER, C.P.A. (RETIRED)
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.

JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
BRIAN D. PINNELL, C.P.A. (RETIRED)
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.
CYNTHIA L. CALVERT, C.P.A.

CHARLES K. RUMPF, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY
SUITE 410
FORT LAUDERDALE, FLORIDA 33308
(954) 771-0896
FAX: (954) 938-9353
E-MAIL: kmc@kmc CPA.com

**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, 2007, and have issued our report thereon dated October 12, 2007. 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 grants, 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 October 12, 2007.

This report is intended solely for the information and use of the Board of Directors, 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
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 12, 2007



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A.
PAUL B. SNEIDER, C.P.A. (RETIRED)
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.

JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
BRIAN D. PINNELL, C.P.A. (RETIRED)
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.
CYNTHIA L. CALVERT, C.P.A.

CHARLES K. RUMPF, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JAMES R. LARAWAY, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.
HILLARY B. DAIGLE, C.P.A.

6550 NORTH FEDERAL HIGHWAY
SUITE 410
FORT LAUDERDALE, FLORIDA 33308
(954) 771-0896
FAX: (954) 938-9353
E-MAIL: kmc@kmc CPA.com

**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, 2007. 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 grant agreements 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, 2007.

Internal Control over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to state projects. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General.

Florida Atlantic University Foundation, Inc.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements, caused by error or fraud, that would be material in relation to a major state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, 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
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 12, 2007

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

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 reportable conditions 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 Program Challenge Grant	48.063

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 management letter, dated October 12, 2007, 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.