



Item: AF I-5

## **BOT AUDIT AND FINANCE COMMITTEE**

**Tuesday, October 17, 2006**

**SUBJECT: FAU FOUNDATION, INC. FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION, JUNE 30, 2006 AND 2005.**

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### **PROPOSED BOARD ACTION**

Not Applicable.

### **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, 2006 were presented to the Foundation Executive Committee and approved on September 28, 2006.

### **IMPLEMENTATION PLAN/DATE**

Not Applicable

### **FISCAL IMPLICATIONS**

Not Applicable.

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**Supporting Documentation: FAUF Inc. Financial Statements and Additional Information, June 30, 2006 and 2005.**

**Presented by: Dr Kenneth A. Jessell, Vice President for Financial Affairs**

**Phone: 561-297-3266**

FLORIDA ATLANTIC UNIVERSITY  
FOUNDATION, INC.

FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

June 30, 2006 and 2005

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
June 30, 2006 and 2005

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# FINANCIAL STATEMENTS



**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.

6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmc CPA.com](mailto: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, 2006 and 2005, 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, 2006 and 2005, 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 August 17, 2006 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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, 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  
August 17, 2006

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2006 and 2005

A S S E T S

	<u>2006</u>	<u>2005</u>
ASSETS:		
Cash and cash equivalents	\$ 6,349,694	\$ 3,068,251
Pledges receivable, net of discount and allowance for uncollectibles of \$ 1,674,858 and \$ 2,462,726 in 2006 and 2005, respectively	7,709,776	7,469,168
Investments	173,876,763	156,048,468
Funds held in trust by others	3,446,411	2,932,387
Net investment in direct financing - type leases	11,140,000	11,395,000
Real property and improvements, net	5,010,326	5,015,142
Art and library collections	6,204,918	3,769,928
Other assets	<u>214,277</u>	<u>282,903</u>
Total assets	\$ <u>213,952,165</u>	\$ <u>189,981,247</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	\$ 1,593,659	\$ 1,693,719
Debt	4,866,254	5,693,671
Certificates of participation	<u>11,140,000</u>	<u>11,395,000</u>
Total liabilities	<u>17,599,913</u>	<u>18,782,390</u>
CONTINGENCIES (NOTE 16):	--	--
NET ASSETS:		
Unrestricted	13,302,675	11,225,492
Temporarily restricted	53,840,158	38,152,908
Permanently restricted	<u>129,209,419</u>	<u>121,820,457</u>
Total net assets	<u>196,352,252</u>	<u>171,198,857</u>
Total liabilities and net assets	\$ <u>213,952,165</u>	\$ <u>189,981,247</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, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT:								
Contributions, net	\$ 1,352,496	\$ 13,762,111	\$ 7,308,427	\$ 22,423,034	\$ 68,008	\$ 4,335,565	\$ 21,218,524	\$ 25,622,097
Net realized and unrealized gains on investments	1,167,208	13,440,434	80,535	14,688,177	1,348,579	13,456,737	--	14,805,316
Interest and dividends, net of fees	675,907	3,338,202	--	4,014,109	576,210	2,175,997	--	2,752,207
Other income	521,346	824,029	--	1,345,375	9,943	1,861,286	--	1,871,229
Rental income	<u>125,016</u>	<u>912,085</u>	<u>--</u>	<u>1,037,101</u>	<u>--</u>	<u>1,040,146</u>	<u>--</u>	<u>1,040,146</u>
Total revenues, gains and other support	3,841,973	32,276,861	7,388,962	43,507,796	2,002,740	22,869,731	21,218,524	46,090,995
Net assets released from restrictions	<u>16,589,611</u>	<u>(16,589,611)</u>	<u>--</u>	<u>--</u>	<u>16,091,109</u>	<u>(16,091,109)</u>	<u>--</u>	<u>--</u>
Total revenues, gains and other support and net assets released from restriction	<u>20,431,584</u>	<u>15,687,250</u>	<u>7,388,962</u>	<u>43,507,796</u>	<u>18,093,849</u>	<u>6,778,622</u>	<u>21,218,524</u>	<u>46,090,995</u>
EXPENSES:								
Program support	15,900,209	--	--	15,900,209	10,108,872	--	--	10,108,872
Supporting services:								
Fundraising	1,498,112	--	--	1,498,112	1,233,565	--	--	1,233,565
Management and general	941,721	--	--	941,721	1,802,971	--	--	1,802,971
Construction of facilities	<u>14,359</u>	<u>--</u>	<u>--</u>	<u>14,359</u>	<u>3,676,385</u>	<u>--</u>	<u>--</u>	<u>3,676,385</u>
Total expenses	<u>18,354,401</u>	<u>--</u>	<u>--</u>	<u>18,354,401</u>	<u>16,821,793</u>	<u>--</u>	<u>--</u>	<u>16,821,793</u>
Change in net assets	2,077,183	15,687,250	7,388,962	25,153,395	1,272,056	6,778,622	21,218,524	29,269,202
NET ASSETS, beginning of year	<u>11,225,492</u>	<u>38,152,908</u>	<u>121,820,457</u>	<u>171,198,857</u>	<u>9,953,436</u>	<u>31,374,286</u>	<u>100,601,933</u>	<u>141,929,655</u>
NET ASSETS, end of year	<u>\$ 13,302,675</u>	<u>\$ 53,840,158</u>	<u>\$ 129,209,419</u>	<u>\$ 196,352,252</u>	<u>\$ 11,225,492</u>	<u>\$ 38,152,908</u>	<u>\$ 121,820,457</u>	<u>\$ 171,198,857</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 25,153,395	\$ 29,269,202
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation	4,816	4,816
Provision for uncollectible pledges	(284,073)	971,616
Investment income, net of fees	(3,796,743)	(2,649,765)
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable, net	43,465	(933,973)
(Increase) decrease in art and library collections	(2,434,990)	(36,595)
(Increase) decrease in other assets	68,626	6,615
Increase (decrease) in annuities payable and other liabilities	<u>(100,060)</u>	<u>180,645</u>
Net cash provided by operating activities	<u>18,654,436</u>	<u>26,812,561</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales and maturities of investments	15,845,926	13,749,686
Collection of principal on direct financing-type leases	255,000	245,000
Unrealized gains in the fair value of investments	(366,535)	(8,881,002)
Realized gains on sales of investments	(14,322,337)	(5,772,041)
Purchases of investments	(15,702,630)	(26,170,764)
Disposals of real property and improvements	<u>--</u>	<u>6,241</u>
Net cash used in investing activities	<u>(14,290,576)</u>	<u>(26,822,880)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on certificates of participation	(255,000)	(245,000)
Principal payments on debt	<u>(827,417)</u>	<u>(826,244)</u>
Net cash used in financing activities	<u>(1,082,417)</u>	<u>(1,071,244)</u>
Net increase (decrease) in cash and cash equivalents	3,281,443	(1,081,563)
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,068,251</u>	<u>4,149,814</u>
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ <u><u>6,349,694</u></u>	\$ <u><u>3,068,251</u></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, 2006 and 2005

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.

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. The Foundation received exceptional donations of 18<sup>th</sup> century Colonial-era imprints, artifacts, and Russian artwork during the

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

fiscal year, valued at approximately \$ 6.1 million. Donated goods and services of approximately \$ 7,610,730 and \$ 87,000 were recorded at their fair market value for the years ended June 30, 2006 and 2005, respectively.

Art and library collections:

We capitalize certain donated art and library collections at their appraised or fair value on the acquisition date. To preserve their condition, the Colonial-era imprints were immediately placed under the care of 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
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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.

Split Interest Agreements:

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 utilized 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, 2006 and 2005

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.

NOTE 3 - 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.

Investments at June 30, 2006 and 2005 consisted of the following at their fair value:

<u>Type</u>	<u>2006</u>	<u>2005</u>
United States large cap stocks	\$ 36,239,779	\$ 28,834,024
United States mid cap stocks	9,688,823	10,969,427
United States small cap stocks	<u>8,176,913</u>	<u>22,565,269</u>
Total United States stocks	54,105,515	62,368,720
International large cap	21,557,380	9,195,013
International emerging markets	10,206,958	13,152,735
International small cap	<u>8,553,086</u>	<u>11,975,099</u>
Total international stocks	<u>40,317,424</u>	<u>34,322,847</u>
Total equities	<u>94,422,939</u>	<u>96,691,567</u>
United States fixed income	39,911,867	33,289,688
International fixed income	2,916,579	2,770,811
Cash - money markets	<u>1,114,171</u>	<u>2,072,804</u>
Total fixed income securities	<u>43,942,617</u>	<u>38,133,303</u>
Real estate assets	18,117,173	9,412,382
Hedge funds	11,511,524	9,467,292
Private equity	3,632,510	2,343,924
Alternative	<u>2,250,000</u>	<u>--</u>
Total other investments	<u>35,511,207</u>	<u>21,223,598</u>
Total investments	\$ <u>173,876,763</u>	\$ <u>156,048,468</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006 and 2005

NOTE 3 - INVESTMENTS (continued)

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

	<u>2006</u>		<u>2005</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Income gains and losses:				
Net realized and unrealized gains	\$ 1,167,208	\$ 13,440,434	\$ 576,210	\$ 2,175,997
Interest and dividends (net of investment fees and expenses of \$ 260,048 and \$ 410,095)	<u>675,907</u>	<u>3,338,202</u>	<u>1,348,579</u>	<u>13,456,737</u>
Total return on investments	\$ <u>1,843,115</u>	\$ <u>16,778,636</u>	\$ <u>1,924,789</u>	\$ <u>15,632,734</u>

NOTE 4 - PLEDGES RECEIVABLE

The composition of unconditional pledges to give at June 30, 2006 and June 30, 2005, was as follows:

	<u>2006</u>	<u>2005</u>
In one year or less	\$ 3,936,091	\$ 2,398,591
Between one and five years	5,393,628	7,530,303
Greater than five years	<u>54,915</u>	<u>3,000</u>
Total unconditional pledges at face value	9,384,634	9,931,894
Less unamortized discount	(595,755)	(936,943)
Less allowance for uncollectibles	<u>(1,079,103)</u>	<u>(1,525,783)</u>
Net unconditional pledges	\$ <u>7,709,776</u>	\$ <u>7,469,168</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% (the current prime rate) was applied in 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, 2006, we had pledges conditional upon legislative appropriation from the Florida Department of Education's Major Gifts Program in the amount of \$ 2,048,037. The Florida Legislature appropriated \$ 1,998,037 for the 2007 fiscal year, and it has been included in the pledge receivable balance.

No major gifts receivable were recorded in fiscal 2005.

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2006 and 2005

NOTE 5 - REAL PROPERTY AND IMPROVEMENTS

Real property and improvements consist of the following at June 30, 2006 and June 30, 2005:

	<u>2006</u>	<u>2005</u>
Land	\$ 4,932,932	\$ 4,932,932
Buildings and improvements	<u>237,000</u>	<u>237,000</u>
	5,169,932	5,169,932
Less accumulated depreciation	<u>159,606</u>	<u>154,790</u>
 Real property and improvements, net	 \$ <u>5,010,326</u>	 \$ <u>5,015,142</u>

The provision for depreciation was \$ 4,816 for both 2006 and 2005 fiscal years.

NOTE 6 - DEBT

Debt as of June 30, 2006 and 2005, consists of the following:

	<u>2006</u>	<u>2005</u>
Note payable to a bank in semiannual installments of \$ 400,000 plus interest at 4.20% until May 2012.	\$ 4,800,000	\$ 5,600,000
Note payable to an individual in quarterly installments of \$ 7,772 including interest at 4.47% until December 2008.	<u>66,254</u>	<u>93,671</u>
	\$ <u>4,866,254</u>	\$ <u>5,693,671</u>

Future debt principal payments in the aggregate are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 828,644	\$ 198,399	\$ 1,027,043
2008	829,923	163,471	993,394
2009	807,687	127,905	935,592
2010	800,000	93,753	893,753
2011	800,000	59,687	859,687
2012	<u>800,000</u>	<u>25,337</u>	<u>825,337</u>
 Total	 \$ <u>4,866,254</u>	 \$ <u>668,552</u>	 \$ <u>5,534,806</u>

Interest expense on debt, was approximately \$ 228,000 and \$ 264,000 for the years ended June 30, 2006 and 2005, 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2006 and 2005

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

We previously raised \$ 6,230,000 and \$ 6,300,000 in exchange for issuing the 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 funds, which is \$ 13,302,675 as of June 30, 2006. 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, 2006, 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:

Year Ending June 30	1999 Certificates	2000 Certificates	Total Principal	Interest	Total
2007	\$ 140,000	\$ 120,000	\$ 265,000	\$ 589,100	\$ 854,100
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
Thereafter	<u>4,580,000</u>	<u>5,110,000</u>	<u>9,690,000</u>	<u>5,730,500</u>	<u>15,420,500</u>
	<u>\$ 5,365,000</u>	<u>\$ 5,775,000</u>	<u>\$ 11,140,000</u>	<u>\$ 8,550,600</u>	<u>\$ 19,690,600</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.

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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2006 and 2005

NOTE 9 - SUB-LEASING ARRANGEMENT (continued)

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 \$ 575 in revenues in the 2006 fiscal year. The percent of revenues will increase to 5% in 2046. We recognized total rental income of \$ 911,605 in 2006 relating to this agreement. The incentive payment of \$ 500,000 was included in unrestricted other revenues for 2006.

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

	2006	2005
Cash received during the year for - Interest and dividend income	\$ 3,712,988	\$ 2,752,207
Cash paid during the year for - Interest expense	\$ 233,789	\$ 268,687

NOTE 12 - RESTRICTED NET ASSETS

At June 30, 2006, temporarily restricted net assets consisted of cash, pledges, investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 71,204,358 less annuities payable and other liabilities and debt of \$ 17,364,200 restricted by donors for the following purposes:

	2006	2005
Student financial support	\$ 16,683,797	\$ 12,210,619
Faculty and staff support	14,557,261	11,261,699
Academic divisions	11,855,031	7,115,004
Operation and maintenance of plant	5,072,428	3,859,915
Other	2,622,645	1,150,795
Library resources	1,876,142	1,265,302
Research	<u>1,172,854</u>	<u>1,289,574</u>
Total temporarily restricted net assets	\$ <u>53,840,158</u>	\$ <u>38,152,908</u>



FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2006 and 2005

NOTE 12 - RESTRICTED NET ASSETS (continued)

At June 30, 2006, permanently restricted net assets consist of pledges and investments of \$ 129,209,419 restricted by donors for the following purposes:

	2006	2005
Academic divisions	\$ 47,584,497	\$ 45,202,166
Student financial support	41,259,045	37,727,405
Faculty and staff support	35,008,494	34,732,378
Other	2,581,256	1,016,734
Research	1,522,742	1,289,562
Library resources	1,025,113	1,623,940
Operations and maintenance of plant	228,272	228,272
Total permanently restricted net assets	\$ 129,209,419	\$ 121,820,457

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 \$ 1,232,880. 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 \$ 2,475,000 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 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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006 and 2005

NOTE 15 - RELATED PARTY TRANSACTIONS (continued)

interest of the Foundation and follow established procedures. In the interest of full disclosure, the following business transactions existed as of June 30, 2006.

Board member Thomas E. Lynch is the president of Plastrige Insurance Company, which is the chosen insurance broker for the Foundation. Board member James A. Cummings is the founder and chief financial officer of James Cummings, Inc., which has a working contract with the University. Board member Michael Kaufman is owner and president of Kaufman Lynn, Inc., General Contractors, which has a working contract with the University.

Board Chairman, Ira Gelb, M.D., holds a courtesy appointment in the University's College of Bio Medicine.

NOTE 16 - 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 organization.

**SUPPLEMENTAL INFORMATION  
AND SCHEDULES**

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF BOARD OF DIRECTORS AND  
 EXECUTIVE COMMITTEE MEMBERS  
 June 30, 2006

At June 30, 2006, 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>
Scott H. Adams	April 2007
Albert Allister	April 2007
John P. Bauer	April 2007
Barry S. Berg	April 2009
Daniel Craig Chabot	April 2009
Leslie M. Corley*	April 2008
James A. Cummings	April 2007
Richard H. Davimos	April 2007
Michael Davis	April 2009
Jorge Dominicis	April 2008
Dr. Ira J. Gelb*	April 2008
Suheyla F. Gencsoy	April 2008
Herbert Gimelstob	April 2008
Michael B. Groskin	April 2007
Armand W. Grossman	April 2007
Cecelia James	April 2009
Michael Kaufman	April 2009
Charna Larkin	April 2009
Pete LoBello	April 2008
Thomas E. Lynch*	April 2008
Miles A. McGrane	April 2007
Frederick V. Miller	April 2007
Virginia Miller	April 2009
William E. Morris*	April 2007
Richard A. Murdoch*	April 2007
Willard B. Soper, II*	April 2008
John Tinnemeyer	April 2008
Erwin M. Vasquez	April 2007
Christopher C. Wheeler*	April 2008
Thomas Workman*	April 2008
Betty S. Zinman*	April 2007
Frank T. Brogan*	University President
Dr. Lawrence Davenport*	Executive Director
Alene W. Brewer	University Club
Anthony Barber	Alumni President
Roy Levow	Faculty Senate Representative
To be announced	Student Government President
Armand W. Grossman*	Board of Trustees Representative
Warren Winston	LLS Representative
Kathleen Assaf	Director Emeritus
Ronald Assaf	Director Emeritus

\* Indicates Executive Committee Member

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF BOARD OF DIRECTORS AND  
EXECUTIVE COMMITTEE MEMBERS  
(continued)  
June 30, 2006

Eleanor R. Baldwin  
Herman Becker  
Jackie Becker  
William French  
Frank Gorell  
Marjorie Pearlson  
Lois Pope  
Berkeley Schaub  
Brian Utley

Director Emeritus  
Director Emeritus  
Director Emeritus  
Director Emeritus  
Director Emeritus  
Director Emeritus  
Director Emeritus  
Director Emeritus

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
ENDOWMENT BALANCES FOR EMINENT SCHOLARS PROGRAM  
For the Year Ended June 30, 2006

<u>Fund Name</u>	<u>Balance at July 1, 2005</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, 2006</u>
<b>FULLY ENDOWED:</b>							
Dorothy F. Schmidt Eminent Scholar Chair in Humanities	\$ 6,864,773	\$ --	\$ 5,000	\$ 807,199	\$ (305,690)	\$ --	\$ 7,371,282
Dorothy F. Schmidt Distinguished Eminent Scholar Chair in Performing Arts	6,504,436	--	--	791,648	(347,219)	--	6,948,865
John M. DeGrove Eminent Scholar Chair in Growth Management and Development	2,892,526	--	--	309,254	(52,546)	--	3,149,234
Helen Karpelenia Persson Eminent Scholar Chair in Community Caring	2,029,270	--	--	228,628	(38,847)	--	2,219,051
Eugene and Christine E. Lynn Eminent Scholar Chair in Business	1,827,107	--	--	213,407	(147,651)	--	1,892,863
Charles E. Schmidt Eminent Scholar Chair in Engineering	1,657,518	--	9,242	196,631	(136,307)	--	1,727,084
Glenwood and Martha Creech Eminent Scholar Chair in Science	1,447,078	--	--	156,790	(59,390)	4,808	1,549,286
Raddock Family Eminent Scholar Chair in Holocaust Studies	1,453,549	--	5,500	175,528	(93,559)	(273)	1,540,745
John Thomas Ladue McGinty Eminent Scholar Chair in Biology	1,455,953	--	--	164,131	(89,188)	--	1,530,896
Dr. Robert J. Morrow Eminent Scholar Chair in Social Science	1,437,168	--	--	158,953	(67,050)	--	1,529,071
Christine E. Lynn Eminent Scholar Chair in Nursing	1,327,891	--	--	170,951	(115,932)	--	1,382,910
Office Depot Eminent Scholar Chair in Business Research	1,293,834	--	--	152,934	(57,189)	(15,408)	1,374,171
Charles Stewart Mott Eminent Scholar Chair in Community Education	1,306,828	--	--	153,804	(89,935)	(1,570)	1,369,127
Herbert and Elaine Gimelstob Eminent Scholar Chair in Judaic Studies	1,263,097	--	10,000	137,656	(58,961)	873	1,352,665
William F. Dietrich Eminent Scholar Chair in Philosophy	1,276,807	--	--	154,614	(81,736)	--	1,349,685
Dorothy F. Schmidt Eminent Scholar Chair in Performing Arts	1,269,517	--	--	151,957	(79,559)	--	1,341,915
Eminent Scholar Chair in Turkish Studies	<u>1,176,017</u>	<u>--</u>	<u>--</u>	<u>129,165</u>	<u>(12,859)</u>	<u>--</u>	<u>1,292,323</u>
<b>Total</b>	<b>\$ <u>36,483,369</u></b>	<b>\$ <u>--</u></b>	<b>\$ <u>29,742</u></b>	<b>\$ <u>4,253,250</u></b>	<b>\$ <u>(1,833,618)</u></b>	<b>\$ <u>(11,570)</u></b>	<b>\$ <u>38,921,173</u></b>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF RECEIPTS, EXPENDITURES AND  
 ENDOWMENT BALANCES FOR ETHICS SCHOLARS PROGRAM  
 For the Year Ended June 30, 2006

<u>Fund Name</u>	<u>Balance at July 1, 2005</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, 2006</u>
<b>FULLY ENDOWED:</b>							
Dr. Floyd Koch Business Ethics Scholarship	\$ 537,255	\$ --	\$ --	\$ 87,046	\$ (31,156)	\$ --	\$ 593,145
Edward E. Shoaf Honors College Ethics Scholarship	356,428	--	--	41,962	(21,783)	--	376,607
J. M. Rubin Foundation Honors College Ethics Scholarship	231,203	--	--	27,533	(7,712)	--	251,024
Hilda A. Krinzman Ethics Scholarship	220,455	--	--	33,801	(9,746)	--	244,510
Mildred A. Becker Ethics Scholarship	215,425	--	--	34,124	(13,439)	--	236,110
Edward E. Shoaf Ethics Scholarship	<u>213,302</u>	<u>--</u>	<u>--</u>	<u>25,407</u>	<u>(8,364)</u>	<u>--</u>	<u>230,345</u>
 Total	 \$ <u>1,774,068</u>	 \$ <u>--</u>	 \$ <u>--</u>	 \$ <u>249,873</u>	 \$ <u>(92,200)</u>	 \$ <u>--</u>	 \$ <u>1,931,741</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM  
For the Year Ended June 30, 2006

<u>Fund Name</u>	<u>Balance at July 1, 2005</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, 2006</u>
<b>ENDOWED PROFESSORSHIPS:</b>							
Lucy Henderson Edmondson Professorship in Elementary Education	\$ 3,463,053	\$ --	\$ --	\$ 399,834	\$ (222,421)	\$ --	\$ 3,640,466
Alan B. Larkin Endowed Fund	1,018,545	750,000	--	179,906	(23,485)	--	1,924,966
Henry Epstein Professorship in Urban and Regional Planning	275,782	--	--	22,700	(3,857)	--	294,625
Nona and Peter Gordon Professorship in Early Childhood Education	279,013	--	--	33,244	(19,183)	--	293,074
Ronald and Elizabeth Blake Professorship in Nursing	266,793	--	--	31,125	(5,289)	--	292,629
Lifelong Learning Society Professorship in Social Science	269,887	--	--	27,220	(7,850)	--	289,257
Lifelong Learning Society Professorship in Science	226,935	--	--	27,382	(15,113)	--	239,204
Bingham Professorship in Creative Writing	224,326	--	--	26,644	(14,560)	--	236,410
SunTrust/South Florida Professorship in Finance	206,295	--	--	22,651	(15,078)	15,408	229,276
Adelaide R. Snyder Professorship in Ethics	217,711	--	2,700	23,091	(17,941)	350	225,911
Charles E. Schmidt Professorship in Engineering	209,873	--	--	23,595	(11,735)	--	221,733
Lifelong Learning Society Professorship in Arts and Humanities	208,216	--	--	22,675	(9,366)	--	221,525
Rabbi Ario S. Hyams Library Professorship	209,333	--	--	22,651	(11,931)	--	220,053
Frances and Milton Levenson Professorship in Japanese Studies	193,898	--	--	22,635	(11,635)	--	204,898
John Wymer Endowed Professorship in Nursing	183,443	--	4,675	20,033	(3,397)	--	204,754
Motorola Endowed Professorship for Electrical and Computer Engineering	192,390	--	--	22,294	(12,478)	--	202,206
Sensormatic Professorship in Marketing	184,335	--	--	22,199	(7,017)	--	199,517
William F. Dietrich Professorship in Philosophy	188,774	--	--	22,272	(11,561)	--	199,485
Sharon Phillips Raddock Professorship in Holistic Nursing	182,509	--	--	18,433	(1,653)	--	199,289
J. M. Rubin Foundation Professorship in Engineering	157,403	--	--	18,313	(8,200)	--	167,516
<b>ENDOWED SCHOLARSHIPS AND FELLOWSHIPS:</b>							
Harriet L. Wilkes College Scholarship Fund	20,762,796	--	--	2,394,641	(766,152)	--	22,391,285
Henry Morrison Flagler Scholarship Fund	5,790,176	--	1,050	626,650	(311,525)	(653)	6,105,698
Essie C. Crain Nursing Scholarship Fund	2,522,365	--	--	275,878	(134,527)	--	2,663,716
Davimos Eminent Scholar Chair in Brain Science	1,989,856	--	--	216,732	(54,679)	--	2,151,909



FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM  
For the Year Ended June 30, 2006

<u>Fund Name</u>	<u>Balance at July 1, 2005</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, 2006</u>
<b>ENDOWED SCHOLARSHIPS AND FELLOWSHIPS (continued):</b>							
Libby Dodson Endowment for Nursing Excellence	1,045,168	--	2,000	882,673	(21,984)	--	1,907,857
Daniel B. and Aurel B. Newell Doctoral Fellowships	861,792	--	--	100,920	(57,316)	--	905,396
Mary Fraser Scholastic Endowment Trust- Estate of Jerome Fraser	677,021	--	--	109,339	(20,424)	--	765,936
William Fabricant Scholarship	566,563	--	--	68,274	(28,623)	--	606,214
James and Zita Hayes and Zita W. DePan Memorial Scholarship	397,021	--	--	47,053	(21,822)	--	422,252
Edward E. Shoaf Scholarship Fund	374,233	--	--	53,374	(22,764)	--	404,843
Founders Honors Scholarship	370,338	--	--	43,999	(19,520)	--	394,817
Edgewater Pointe Estates Scholarship	310,163	--	26,350	38,857	(19,621)	--	355,749
David Neil Krinzman Memorial Scholarship Fund	320,493	--	--	52,988	(18,322)	--	355,159
Goizueta Foundation Scholars Fund	320,818	--	--	38,854	(11,671)	--	348,001
Nathan and Marion Crosby Holocaust and Judaic Studies Scholarship Fund	288,768	--	--	46,294	(5,699)	--	329,363
Milton and Gladys Meisner Scholarship Fund	285,196	--	--	33,290	(14,897)	--	303,589
Virginia and Douglas Stewart Ethics Scholarship Endowment	270,762	--	--	42,828	(18,050)	--	295,540
Helen Shoaf Memorial Scholarship	270,430	--	--	31,782	(6,948)	--	295,264
Edward E. Shoaf Honors Scholarship Program	245,898	--	--	29,673	(10,786)	--	264,785
M. Brenn Green Scholarship in Social Science	247,637	--	--	29,007	(11,943)	--	264,701
Christine E. Lynn Endowed Nursing Assistance Program	224,099	--	--	22,882	(1,096)	--	245,885
James P. and Eloise M. Latham Scholarship in Geography	224,068	--	--	27,270	(8,553)	--	242,785
Annette Van Howe Womens Studies Scholarship Fund	225,573	--	--	26,796	(11,097)	--	241,272
Fanjul Academic and Community Excellence Award	209,774	--	--	24,451	(4,188)	--	230,037
Ernest O. Malby Endowed Professorship in Community Education	210,732	--	--	25,209	(15,996)	--	219,945
James Woodruff, Jr. Scholarship in Memory of Hazel Gates Woodruff	203,239	--	--	23,886	(7,572)	--	219,553
Angelos Langadas Endowed Scholarship	204,416	--	--	23,972	(14,701)	--	213,687

**SCHEDULE OF RECEIPTS, EXPENDITURES AND  
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**

(continued)

For the Year Ended June 30, 2006

<u>Fund Name</u>	<u>Balance at July 1, 2005</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, 2006</u>
<b>ENDOWED SCHOLARSHIPS AND FELLOWSHIPS (continued):</b>							
FAU Alumni Association Scholarship	201,653	--	20	23,915	(13,104)	452	212,936
Frances and Victor Ginsberg Scholarship Fund	196,006	--	--	22,906	(6,929)	--	211,983
Howard Guggenheim Endowed Scholarship	200,828	--	--	23,453	(13,999)	--	210,282
Mrs. Charles "Binny" Foster Scholarship	195,393	--	--	23,208	(11,982)	--	206,619
Joseph Conway Undergraduate Theater Scholarship	187,450	--	--	22,432	(15,759)	7,802	201,925
Joshua Logan Graduate Scholarship Endowment	182,981	--	--	20,014	(3,409)	--	199,586
Eleanor R. Baldwin Genesis Scholarship Fund	182,383	--	--	21,093	(6,984)	--	196,492
Fields Genesis Scholarship	178,177	--	--	20,774	(6,537)	--	192,414
Genesis Belle Glade Teacher Scholarship	172,357	--	--	20,058	(3,435)	--	188,980
Toppel Family Foundation Endowed Genesis Scholarship	161,188	--	--	18,335	(1,643)	--	177,880
Lee J. and Esther S. Steindel Scholarship Fund	167,745	--	--	19,699	(9,619)	--	177,825
Blue Cross/Blue Shield Health Scholars	112,140	--	--	67,198	(2,854)	--	176,484
Dr. Floyd F. Koch Honors Scholarship Fund	153,767	10,000	--	18,960	(10,278)	--	172,449
Dorothy and Marshall Anderson Scholarship Endowment	112,519	50,701	--	17,026	(8,135)	--	172,111
Marian Altman Memorial Honors Scholarship	154,825	--	--	23,859	(7,217)	--	171,467
Mildred and Rudy Reis Endowed Scholarship	160,075	--	--	17,010	(7,423)	--	169,662
Cindy and Stuart Markowitz, MD End Fund for Biomed Science	--	--	126,000	8,381	(99)	--	134,282
Hank Watson Scholarship Fund	109,422	--	--	17,407	(4,265)	--	122,564
Dr. Floyd F. Koch Graduate Scholarship in Science/Medicine	--	--	100,000	10,490	(268)	--	110,222
The Marsh Scholarship Fund	--	--	100,000	3,420	--	--	103,420
<b>PROGRAM ENDOWED:</b>							
Ann C. Kunkel Endowment for Pine Jog Environmental Center	12,345,173	--	5,095	1,473,488	(253,482)	(1,020,400)	12,549,874
Charles E. Schmidt Biomedical Endowed Fund	10,149,667	--	25	1,194,518	(403,478)	(4,808)	10,935,924
Christine Lynn Endowment Fund	4,926,009	--	--	590,409	(168,308)	--	5,348,110
Barry Kaye Endowed Fund	5,000,001	--	--	13,817	(988)	--	5,012,830

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM  
(continued)  
For the Year Ended June 30, 2006

<u>Fund Name</u>	<u>Balance at July 1, 2005</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, 2006</u>
<b>PROGRAM ENDOWED: (continued)</b>							
Carl DeSantis Business and Economic Center for the Study and Development of the Motion Picture and Entertainment Industry Endowment	4,694,622	--	--	524,332	(375,647)	(8,946)	4,834,361
Abacoa Fund	4,116,371	--	--	655,714	(185,319)	--	4,586,766
Adams Center for IT Product Management and Entrepreneurship	2,853,259	--	--	276,520	(53,642)	--	3,076,137
Christine E. Lynn Center for Caring Endowed Fund	1,563,849	--	--	157,525	(59,346)	--	1,662,028
Pine Jog Endowment Fund	1,211,236	--	--	147,038	(25,090)	(51,100)	1,282,084
Lucille B. and Jacob Friedland Art Endowment	887,059	--	--	20,660	(3,710)	--	904,009
Carole and Barry Key/Integrative Art Education Outreach	--	--	500,200	41,001	(561)	--	540,640
Mark Swiatlo Judaica Library Acquisition Fund	350,064	--	75	33,981	(5,774)	--	378,346
Chastain-Johnson Middle East Studies Enhancement Project Endowment	341,272	--	--	38,595	(24,289)	--	355,578
Kresge Foundation Science Initiative Challenge Fund	296,164	--	--	34,683	(7,805)	--	323,042
Center for Study of Values and Violence LLS Distinguished Professorship in Current Affairs	270,010	--	1,000	32,245	(16,645)	(100)	286,510
	--	--	253,100	37,020	(4,587)	--	285,533
University Club Library Endowment Fund LLS Distinguished Professorship in Arts and Humanities	245,896	--	--	28,769	(4,903)	4,308	274,070
	--	--	250,000	1,727	(123)	--	251,604
Pine Jog Friends	(198,947)	--	--	100,164	(745,845)	1,074,000	229,372
George and Wilma Elmore Scientific and Technical Equipment Endowment	201,976	--	--	22,585	(3,838)	--	220,723
University Club Library Galaxy Endowment Fund	199,734	--	--	23,672	(4,040)	(8,616)	210,750
Herbert and Elaine Gimelstob Judaic Studies	183,250	--	--	22,356	(6,209)	--	199,397
Margaret S. Kramer Chemistry Endowment	185,515	--	--	20,002	(9,408)	--	196,109
Emanuel Erwin Halpern Fund	178,530	--	--	21,094	(3,594)	--	196,030
J. M. Rubin Foundation Ocean Engineering Endowment	175,905	--	--	17,654	(845)	--	192,714

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF RECEIPTS, EXPENDITURES AND  
 ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM  
 (continued)  
 For the Year Ended June 30, 2006

<u>Fund Name</u>	<u>Balance at July 1, 2005</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, 2006</u>
<b>PROGRAM ENDOWED (continued):</b>							
Fields Music Equipment Endowed Fund	166,740	--	--	19,862	(10,433)	--	176,169
FAU National Alumni Association Library Endowment	<u>125,366</u>	<u>--</u>	<u>570</u>	<u>14,771</u>	<u>(2,514)</u>	<u>--</u>	<u>138,193</u>
 Total	 <u>\$ 101,075,539</u>	 <u>\$ 810,701</u>	 <u>\$ 1,372,860</u>	 <u>\$ 12,330,309</u>	 <u>\$ (4,588,588)</u>	 <u>\$ 7,697</u>	 <u>\$ 111,008,518</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 For the Year Ended June 30, 2006

<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>2,742,130</u>
Total expenditures of state financial assistance			\$ <u>2,742,130</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
June 30, 2006

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. IEO, C.P.A.  
WILLIAM G. BENSON, C.P.A.  
BRIAN D. PINNELL, C.P.A. (RETIRED)  
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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.

6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmccpa.com](mailto:kmc@kmccpa.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, 2006, and have issued our report thereon dated August 17, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements 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 financial reporting and its operation that we consider to be material weaknesses.

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.



Florida Atlantic University Foundation, Inc.

We noted certain matters which we have reported to the management of Florida Atlantic University Foundation, Inc. in a separate letter dated August 17, 2006.

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  
August 17, 2006



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SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmccpa.com](mailto:kmc@kmccpa.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, 2006. 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. These 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, 2006..

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  
August 17, 2006

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2006

**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 reportable conditions 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 August 17, 2006, 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.