



Item: AF: I-3

## **AUDIT AND FINANCE COMMITTEE**

**Wednesday, February 17, 2010**

**SUBJECT: REVIEW OF THE FAU FOUNDATION INC. FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION, JUNE 30, 2009 AND 2008.**

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### **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, 2009 were presented to the Foundation Board of Directors on October 8, 2009.

### **IMPLEMENTATION PLAN/DATE**

Not applicable.

### **FISCAL IMPLICATIONS**

Not Applicable.

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#### **Supporting Documentation:**

FAU Foundation Inc. Financial Statements and Additional Information,  
June 30, 2009 and 2008.

**Presented by:** Dr. Randy Talbot, Senior Vice President-University Advancement

**Phone:** 561-297-3010

FLORIDA ATLANTIC UNIVERSITY  
FOUNDATION, INC.

FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

June 30, 2009 and 2008

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
June 30, 2009 and 2008

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# FINANCIAL STATEMENTS



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Florida Atlantic University Foundation, Inc. (a non-profit organization) (the "Foundation") as of June 30, 2009 and 2008, 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 audit.

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. 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 audit provide a reasonable basis for our opinion.

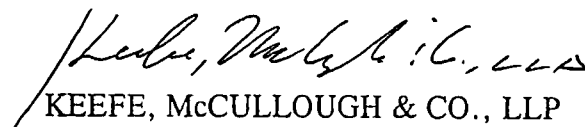
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Atlantic University Foundation, Inc. at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 15, 2009 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Florida Atlantic University Foundation, Inc.

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

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

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 15, 2009

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2009 and 2008

A S S E T S

|  | <u>2009</u>           | <u>2008</u>           |
|--|-----------------------|-----------------------|
| ASSETS:  |                       |                       |
| Cash and cash equivalents  | \$ 5,458,314          | \$ 17,286,322         |
| Deposits   | 631,009               | 604,839               |
| Pledges receivable, net of discount and allowance<br>for uncollectibles of \$ 1,254,213 and<br>\$ 2,285,009 in 2009 and 2008, respectively | 4,439,851             | 15,685,232            |
| Investments  | 157,182,347           | 189,287,513           |
| Funds held in trust by others  | 2,505,121             | 3,171,723             |
| Restricted cash  | 26,000                | 2,762                 |
| Net investment in direct financing -<br>type leases  | 10,310,000            | 10,600,000            |
| Real property and improvements, net  | 5,072,585             | 4,507,401             |
| Art and library collections  | 6,875,759             | 6,613,399             |
| Other assets   | <u>259,545</u>        | <u>196,424</u>        |
| Total assets   | <u>\$ 192,760,531</u> | <u>\$ 247,955,615</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:                           |                   |                   |
| Accounts payable and other liabilities | \$ 3,234,998      | \$ 1,741,800      |
| Liability to resource providers        | 4,801,031         | 5,514,084         |
| Refundable advances                    | 267,005           | 2,690             |
| Debt                                   | 2,450,104         | 3,271,125         |
| Certificates of participation          | <u>10,310,000</u> | <u>10,600,000</u> |
| Total liabilities                      | <u>21,063,138</u> | <u>21,129,699</u> |

COMMITMENTS AND  
CONTINGENCIES (NOTE 19)

-

-

NET ASSETS:

|                                  |                       |                       |
|----------------------------------|-----------------------|-----------------------|
| Unrestricted                     | 2,525,640             | 14,242,135            |
| Temporarily restricted           | 33,333,337            | 67,284,176            |
| Permanently restricted           | <u>135,838,416</u>    | <u>145,299,605</u>    |
| Total net assets                 | <u>171,697,393</u>    | <u>226,825,916</u>    |
| Total liabilities and net assets | <u>\$ 192,760,531</u> | <u>\$ 247,955,615</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, 2009 and 2008

|  | 2009                       |                             |                              |                              |
|--|----------------------------|-----------------------------|------------------------------|------------------------------|
|  | Unrestricted               | Temporarily<br>Restricted   | Permanently<br>Restricted    | Total                        |
| REVENUES, GAINS (LOSSES)<br>AND OTHER SUPPORT:   |                            |                             |                              |                              |
| Contributions, net   | \$ 2,146,926               | \$ 6,763,518                | \$ 2,075,621                 | \$ 10,986,065                |
| Interest and dividends,<br>net of fees   | 627,054                    | 2,661,271                   | -                            | 3,288,325                    |
| Rental income  | 88,949                     | 996,553                     | -                            | 1,085,502                    |
| Other income   | 2,512                      | 1,245,843                   | -                            | 1,248,355                    |
| Net realized and unrealized<br>gains (losses) on investments                                     | <u>(10,036,157)</u>        | <u>(29,823,868)</u>         | <u>-</u>                     | <u>(39,860,025)</u>          |
| Total revenues, gains<br>(losses) and other support  | <u>(7,170,716)</u>         | <u>(18,156,683)</u>         | <u>2,075,621</u>             | <u>(23,251,778)</u>          |
| Net assets released<br>from restrictions   | <u>27,471,586</u>          | <u>(15,934,776)</u>         | <u>(11,536,810)</u>          | <u>-</u>                     |
| Total revenues, gains<br>(losses), other support<br>and net assets released<br>from restrictions | <u>20,300,870</u>          | <u>(34,091,459)</u>         | <u>(9,461,189)</u>           | <u>(23,251,778)</u>          |
| EXPENSES:  |                            |                             |                              |                              |
| Write off and provision for<br>uncollectible pledges receivable                                  | 13,099,058                 | -                           | -                            | 13,099,058                   |
| Program services   | 10,433,483                 | -                           | -                            | 10,433,483                   |
| Supporting services:   |                            |                             |                              |                              |
| Fundraising  | 3,015,796                  | -                           | -                            | 3,015,796                    |
| Management and general   | 1,921,958                  | -                           | -                            | 1,921,958                    |
| Construction of facilities   | <u>3,406,450</u>           | <u>-</u>                    | <u>-</u>                     | <u>3,406,450</u>             |
| Total expenses   | <u>31,876,745</u>          | <u>-</u>                    | <u>-</u>                     | <u>31,876,745</u>            |
| Change in net assets   | (11,575,875)               | (34,091,459)                | (9,461,189)                  | (55,128,523)                 |
| NET ASSETS, beginning of year  | <u>14,242,135</u>          | <u>67,284,176</u>           | <u>145,299,605</u>           | <u>226,825,916</u>           |
| Change in beginning net<br>assets (Note 4)   | <u>(140,620)</u>           | <u>140,620</u>              | <u>-</u>                     | <u>-</u>                     |
| NET ASSETS, end of year  | \$ <u><u>2,525,640</u></u> | \$ <u><u>33,333,337</u></u> | \$ <u><u>135,838,416</u></u> | \$ <u><u>171,697,393</u></u> |

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



2008

| <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>          |
|----------------------|-----------------------------------|-----------------------------------|-----------------------|
| \$ 2,203,708         | \$ 6,470,534                      | \$ 5,800,602                      | \$ 14,474,844         |
| 878,406              | 2,898,678                         | -                                 | 3,777,084             |
| 213,965              | 964,692                           | -                                 | 1,178,657             |
| 7,615                | 952,951                           | -                                 | 960,566               |
| <u>(362,961)</u>     | <u>(6,467,060)</u>                | <u>-</u>                          | <u>(6,830,021)</u>    |
| <u>2,940,733</u>     | <u>4,819,795</u>                  | <u>5,800,602</u>                  | <u>13,561,130</u>     |
| <u>14,807,267</u>    | <u>(14,432,196)</u>               | <u>(375,071)</u>                  | <u>-</u>              |
| <u>17,748,000</u>    | <u>(9,612,401)</u>                | <u>5,425,531</u>                  | <u>13,561,130</u>     |
| 272,310              | -                                 | -                                 | 272,310               |
| 12,199,620           | -                                 | -                                 | 12,199,620            |
| 3,908,901            | -                                 | -                                 | 3,908,901             |
| 1,079,399            | -                                 | -                                 | 1,079,399             |
| 920,502              | -                                 | -                                 | 920,502               |
| <u>18,380,732</u>    | <u>-</u>                          | <u>-</u>                          | <u>18,380,732</u>     |
| (632,732)            | (9,612,401)                       | 5,425,531                         | (4,819,602)           |
| <u>14,874,867</u>    | <u>76,896,577</u>                 | <u>139,874,074</u>                | <u>231,645,518</u>    |
| <u>-</u>             | <u>-</u>                          | <u>-</u>                          | <u>-</u>              |
| \$ <u>14,242,135</u> | \$ <u>67,284,176</u>              | \$ <u>145,299,605</u>             | \$ <u>226,825,916</u> |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2009 and 2008

|   | <u>2009</u>         | <u>2008</u>          |
|---|---------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                      |
| Change in net assets  | \$ (55,128,523)     | \$ (4,819,602)       |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                     |                      |
| Net realized and unrealized (gains) losses on investments   | 39,860,025          | 6,830,021            |
| Write off for uncollectible pledges receivable  | 13,125,746          | 1,494,953            |
| Provision for uncollectible pledges receivable  | (26,688)            | (1,222,643)          |
| Provision for depreciation  | 4,816               | 4,816                |
| Contributions restricted for long-term purposes (restricted cash)                                     | (23,238)            | (2,762)              |
| Donations received of art and library collections   | (262,360)           | (223,890)            |
| Changes in assets and liabilities:  |                     |                      |
| (Increase) decrease in deposits   | (26,170)            | (2,179)              |
| (Increase) decrease in pledges receivable, net  | (1,853,677)         | (732,252)            |
| (Increase) decrease in other assets   | (63,121)            | (30,099)             |
| Increase (decrease) in accounts payable and other liabilities   | 1,493,197           | 228,504              |
| Increase (decrease) in liability to resource providers  | (713,053)           | 5,514,084            |
| Increase (decrease) in refundable advances  | 264,315             | 2,690                |
| Net cash provided by (used in) operating activities   | <u>(3,348,731)</u>  | <u>7,041,641</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                      |
| Sales and maturities of investments   | 53,612,216          | 149,152,369          |
| Collection of principal on direct financing-type leases   | 290,000             | 275,000              |
| Payments made for construction in progress (stadium)  | (570,000)           | -                    |
| Purchases of investments  | <u>(60,700,472)</u> | <u>(144,452,826)</u> |
| Net cash used in investing activities   | <u>(7,368,256)</u>  | <u>4,974,543</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |                      |
| Proceeds from debt  | -                   | 70,500               |
| Restricted contributions  | -                   | 2,762                |
| Principal payments on certificates of participation   | (290,000)           | (275,000)            |
| Principal payments on debt  | <u>(821,021)</u>    | <u>(836,986)</u>     |
| Net cash provided by financing activities   | <u>(1,111,021)</u>  | <u>(1,038,724)</u>   |
| Net increase (decrease) in cash and cash equivalents  | (11,828,008)        | 10,977,460           |
| CASH AND CASH EQUIVALENTS, beginning of year  | <u>17,286,322</u>   | <u>6,308,862</u>     |
| CASH AND CASH EQUIVALENTS, end of year  | <u>\$ 5,458,314</u> | <u>\$ 17,286,322</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, 2009 and 2008

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 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 restrictions.

Pledges:

Unconditional pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. These amounts, less an allowance for potentially uncollectible pledges are reported on a net present value basis using the Federal Reserve discount rate in effect at year-end. 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated goods and services:

We receive donated goods and services, paying for most services requiring specific expertise. The value of donated goods is recorded in the financial statements as revenue and is either capitalized or expensed to the University. Donated goods, including art and library collections, and services other than in-kind resources contributed by the University were approximately \$ 382,000 and \$ 408,000 and were recorded at their fair market value for the years ended June 30, 2009 and 2008, respectively

Art and library collections:

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

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported 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 if greater than \$ 1,000. 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.

Funds held in trust 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint costs of fundraising appeals:

The Foundation conducts activities that include requests for contributions, as well as program and management and general components. Those activities included direct mailings, special events and award ceremonies. The costs of conducting those activities include a total of \$ 92,859 of joint costs in 2009 and \$ 371,537 in 2008, which are not specifically attributable to particular components of activities (joint costs). These joint costs were allocated as follows:

|                        | 2009             | 2008              |
|------------------------|------------------|-------------------|
| Fundraising            | \$ 19,675        | \$ 51,366         |
| Management and General | 61,194           | 118,537           |
| Program                | 11,990           | 201,634           |
| Total                  | \$ <u>92,859</u> | \$ <u>371,537</u> |

Refundable advances:

We record any cash collected on conditional pledges or grants as a refundable advance until such time as the condition has been met (Note 5). Refundable advances as of June 30, 2009 and 2008 were \$ 267,005 and \$ 2,690, respectively.

Advertising costs:

We invest in direct response solicitations through our annual fund program. Our expectation is to solicit an immediate response from our constituents. Therefore, all advertising costs are expensed immediately and are not capitalized. The total cost of advertising in 2009 and 2008 was \$ 69,493 and \$ 58,131, respectively. These costs include advertising for vacant positions, requests for proposals and events, as well as solicitations.

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 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, where applicable (Note 3). All investment securities are held in the Foundation's name or in custody ("for the benefit of") in the Foundation's name.

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

We had net unrealized losses of (\$ 38,855,222) and net realized losses of (\$ 1,004,803) at June 30, 2009 and net unrealized losses of (\$ 20,036,489) and net realized gains of \$ 13,206,468 at June 30, 2008. These amounts are included in the statements of activities under net realized and unrealized gains (losses) on investments.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 3 - INVESTMENTS AND INVESTMENTS RETURN

Investments at June 30, 2009 and 2008 consisted of the following at their fair value:

| <u>Type</u>                            | <u>2009</u>                  | <u>2008</u>                  |
|--|------------------------------|------------------------------|
| United States large cap stocks         | \$ 40,338,062                | \$ 50,696,390                |
| United States small cap stocks         | <u>77</u>                    | <u>291</u>                   |
| Total United States stocks             | <u>40,338,139</u>            | <u>50,696,681</u>            |
| International large and mid cap stocks | 19,238,731                   | 25,913,264                   |
| International emerging markets         | 6,112,598                    | 8,711,060                    |
| International small cap stocks         | <u>3,830,537</u>             | <u>5,089,391</u>             |
| Total international stocks             | <u>29,181,866</u>            | <u>39,713,715</u>            |
| Total equities                         | <u>69,520,005</u>            | <u>90,410,396</u>            |
| United States fixed income             | 31,415,445                   | 44,482,066                   |
| Certificates of deposit                | 14,999,000                   | -                            |
| International fixed income             | <u>2,889,835</u>             | <u>3,103,835</u>             |
| Total fixed income                     | <u>49,304,280</u>            | <u>47,585,901</u>            |
| Hedge funds                            | 19,509,873                   | 23,199,865                   |
| Real assets                            | 11,772,845                   | 20,904,100                   |
| Private equity                         | <u>7,075,344</u>             | <u>7,187,251</u>             |
| Total other                            | <u>38,358,062</u>            | <u>51,291,216</u>            |
| Total investments                      | \$ <u><u>157,182,347</u></u> | \$ <u><u>189,287,513</u></u> |

Funds held in trust by others at June 30, 2009 and 2008 consisted of the following at their fair value:

| <u>Type</u>                | <u>2009</u>                | <u>2008</u>                |
|----------------------------|----------------------------|----------------------------|
| United States equities     | \$ 1,469,408               | \$ 2,184,308               |
| International fixed income | 946,894                    | 878,974                    |
| Cash and cash equivalents  | <u>88,819</u>              | <u>108,441</u>             |
| Total investments          | \$ <u><u>2,505,121</u></u> | \$ <u><u>3,171,723</u></u> |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 3 – INVESTMENTS AND INVESTMENTS RETURN (continued)

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

|   | 2009                  |                                   | 2008                |                                   |
|---|-----------------------|-----------------------------------|---------------------|-----------------------------------|
|   | <u>Unrestricted</u>   | <u>Temporarily<br/>Restricted</u> | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> |
| Investment gains and losses:                  |                       |                                   |                     |                                   |
| Interest and dividends,<br>net of fees        | \$ 627,054            | \$ 2,661,271                      | \$ 878,406          | \$ 2,898,678                      |
| Net realized and unrealized<br>gains (losses) | <u>(10,036,157)</u>   | <u>(29,823,868)</u>               | <u>(362,961)</u>    | <u>(6,467,060)</u>                |
| Total return on investments                   | \$ <u>(9,409,103)</u> | \$ <u>(27,162,597)</u>            | \$ <u>515,445</u>   | \$ <u>(3,568,382)</u>             |

Investments in common stocks (equities) are carried at market value, as quoted on major stock exchanges. Investments in equity funds, fixed income funds, commodities and real estate investment trusts are valued at quoted prices as determined by the issuers. Mutual funds and common trust funds are carried at fair value, which are equal to quoted prices the last day of the fiscal year. Alternative investments consist of hedge funds, private equity and real assets. The estimated fair value of the alternative investments is based on valuations provided by the external investment managers as of the date of their most recent audited financial statements. Those valuations are then adjusted to include cash receipts, cash disbursements, and securities distributions between the date of their most recent audited financial statements and the year-end date of this report. Adjustments for hedge funds also include investments gains and losses provided by the investment managers on the underlying securities, through the year-end date of this report. The Foundation believes the method for providing estimated fair values on these financial instruments is reasonable. Alternative investments often do not have readily determinable market values and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

Investments in equities and domestic fixed income securities are highly liquid. The investments in international fixed income are donor restricted to remain in these investments. If liquidation were allowed, the sale would likely be discounted on a secondary market. Several hedge fund instruments require a lock-up period from one quarter to three years. The investment committee selects the shortest lock-up period available when initiating a purchase. Investments in real assets are through private equities, except for \$ 5,355,151 and \$ 9,871,569 as of June 30, 2009 and 2008, respectively in I-Shares S & P North American Natural Resources Sector Index Fund. Private equity investments may require a lock-up period of up to ten years, although distributions of capital are periodically made by the managing partners when a project completes.

In 2009, the Foundation invested approximately \$ 15 million in a certificate of deposit “CD” placement program. The CD’s were purchased in denominations of not more than \$ 250,000 in banks distributed across the United States. All funds related to these CD’s are insured by the Federal Deposit Insurance Corporation.

The Foundation’s investment advisor has reported that total investment expenses, including those of mutual funds, were approximately .86 basis points (.86 %) and .76 basis points (.76 %) of the total fair value of investments for years ending June 30, 2009 and 2008, respectively. The statements of activities for June 30, 2009 and 2008 reflect interest and dividend income which is net of the estimated investment manager fees of approximately \$ 1,235,400 and \$ 1,425,300, respectively.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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NOTE 3 – INVESTMENTS AND INVESTMENTS RETURN (continued)

We invest in hedging activities in order to mitigate the risk inherent with market fluctuations. Our hedge fund managers may invest in derivative instruments. At June 30, 2009 we invested 13.8% of our managed portfolio with hedge fund managers. The different strategies employed by each manager was allocated as follows: total absolute return strategies 6.5%, long/short credit 3%, long/short equity 2.5%, emerging markets 1.0%, and short credit 0.8%.

As of June 30, 2009 we have approximately \$ 8,500,000 in commitments related to investments in private equity and real assets.

Fair Value Measurement:

Effective July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards NO. 157 (“FAS 157”). FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The inputs or methodology used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs are quoted market prices (unadjusted) in active markets for identical investments that the Foundation has the ability to access at the measurement date.
- Level 2 - inputs are other than quoted prices included within Level 1 that are observable for the investments either directly or indirectly (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 - inputs that are unobservable inputs for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

Foundation investments at fair value as of June 30, 2009 which include investments and funds held in trust by others on the statement of financial position are classified as follows:

| <u>Investments in:</u> | <u>Level (1)</u>     | <u>Level (2)</u>     | <u>Level (3)</u>     | <u>Total<br/>2009</u> |
|------------------------|----------------------|----------------------|----------------------|-----------------------|
| Equities               | \$ 48,996,253        | \$ 21,993,160        | \$ -                 | \$ 70,989,413         |
| Fixed income           | 16,670,525           | 33,580,649           | -                    | 50,251,174            |
| Other                  | <u>5,355,151</u>     | <u>88,819</u>        | <u>33,002,911</u>    | <u>38,446,881</u>     |
| Total Investments      | \$ <u>71,021,929</u> | \$ <u>55,662,628</u> | \$ <u>33,002,911</u> | \$ <u>159,687,468</u> |

The following table includes a roll forward of the amounts for the year ended June 30, 2009 for investments classified within level 3. The classification of an investment within level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.



FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 3 – INVESTMENTS AND INVESTMENTS RETURN (continued)

|  | Investments<br>in<br><u>Hedge Funds</u> | Investments<br>in Real<br>Assets and<br><u>Private Equity</u> | <u>Total</u>         |
|--|---|---|----------------------|
| Beginning Balance as of<br>July 1, 2008                      | \$ 23,199,865                           | \$ 18,219,782   | \$ 41,419,647        |
| Net purchases, sales, issuances<br>and settlements           | (1,354,265)                             | 1,162,185   | (192,080)            |
| Net realized and unrealized gains<br>(losses) on investments | (2,335,727)                             | (5,888,929)   | (8,224,656)          |
| Transfers in and/or out of Level 3                           | <u>-</u>                                | <u>-</u>  | <u>-</u>             |
| Ending Balance as of<br>June 30, 2009                        | \$ <u>19,509,873</u>                    | \$ <u>13,493,038</u>  | \$ <u>33,002,911</u> |

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. An investment's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The determination of what constitutes "observable" requires significant judgment by the investment managers. Investments may include limited partnerships, common and preferred equity securities, corporate debt and other privately issued securities. If observable prices are not available for investments, the investment managers would generally employ valuation techniques as prescribed by FAS 157, such as the market approach or the income approach, for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consist of using comparable market transactions or values provided by the respective manager, while the use of the income approach generally consist of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

NOTE 4 – ENDOWMENTS

The Foundation has approximately 340 fully endowed funds established for the support of the students, programs and faculty of the various colleges at Florida Atlantic University. Our endowment includes both donor restricted endowment funds and funds designated by the Foundation or college to function as endowments. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

We interpret the State of Florida's Uniform Management of Institutional Funds Act (FUMIFA), as requiring the Board to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment, management, and expenditures of endowment funds. Our spending policy is set with the goal of the preservation of the long term purchasing power of the endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 4 – ENDOWMENTS (continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUMIFA. In accordance with FUMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The purposes of the Foundation and the donor-restricted endowment fund
- (2) The duration and preservation of the fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment and spending policies of the Foundation.

Endowment Net Asset Composition by Type of Fund as of June 30, 2009:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>          |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------|
| Donor-restricted endowment funds | \$ (5,861,676)      | \$ 7,765,044                      | \$ 134,670,812                    | \$ 136,574,180        |
| Board-designated endowment funds | <u>5,699,802</u>    | <u>-</u>                          | <u>-</u>                          | <u>5,699,802</u>      |
| Total endowment funds            | \$ <u>(161,874)</u> | \$ <u>7,765,044</u>               | \$ <u>134,670,812</u>             | \$ <u>142,273,982</u> |

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009:

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>          |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------|
| Endowment net assets, beginning of year    | \$ <u>9,103,762</u> | \$ <u>39,948,372</u>              | \$ <u>133,740,849</u>             | \$ <u>182,792,983</u> |
| Investment return:                         |                     |                                   |                                   |                       |
| Interest and dividend income, net of fees  | 138,458             | 2,654,370                         | -                                 | 2,792,828             |
| Net depreciation (realized and unrealized) | <u>(7,744,355)</u>  | <u>(29,867,782)</u>               | <u>-</u>                          | <u>(37,612,137)</u>   |
| Total investment return                    | (7,605,897)         | (27,213,412)                      | -                                 | (34,819,309)          |
| Contributions                              | -                   | -                                 | 1,605,315                         | 1,605,315             |
| Expenditures                               | (1,659,739)         | (5,403,893)                       | -                                 | (7,063,632)           |
| Other transfers                            | <u>-</u>            | <u>433,977</u>                    | <u>(675,352)</u>                  | <u>(241,375)</u>      |
| Total change in endowment funds            | <u>(9,265,636)</u>  | <u>(32,183,328)</u>               | <u>929,963</u>                    | <u>(40,519,001)</u>   |
| Endowment net assets, end of year          | \$ <u>(161,874)</u> | \$ <u>7,765,044</u>               | \$ <u>134,670,812</u>             | \$ <u>142,273,982</u> |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 4 – ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2008:

|                                  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>          |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------|
| Donor-restricted endowment funds | \$ (140,620)        | \$ 39,948,372                     | \$ 133,740,849                    | \$ 173,548,601        |
| Board-designated endowment funds | <u>9,244,382</u>    | <u>-</u>                          | <u>-</u>                          | <u>9,244,382</u>      |
| Total endowment funds            | \$ <u>9,103,762</u> | \$ <u>39,948,372</u>              | \$ <u>133,740,849</u>             | \$ <u>182,792,983</u> |

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008:

|  | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>          |
|--|----------------------|-----------------------------------|-----------------------------------|-----------------------|
| Endowment net assets, beginning of year    | \$ <u>10,325,922</u> | \$ <u>50,651,249</u>              | \$ <u>128,835,718</u>             | \$ <u>189,812,889</u> |
| Investment return:                         |                      |                                   |                                   |                       |
| Interest and dividend income, net of fees  | 170,831              | 2,924,471                         | -                                 | 3,095,302             |
| Net depreciation (realized and unrealized) | <u>(514,659)</u>     | <u>(6,159,946)</u>                | <u>-</u>                          | <u>(6,674,605)</u>    |
| Total investment return                    | (343,828)            | (3,235,475)                       | -                                 | (3,579,303)           |
| Contributions                              | -                    | -                                 | 4,905,131                         | 4,905,131             |
| Expenditures                               | (878,332)            | (7,467,402)                       | -                                 | (8,345,734)           |
| Other transfers                            | <u>-</u>             | <u>-</u>                          | <u>-</u>                          | <u>-</u>              |
| Total change in endowment funds            | <u>(1,222,160)</u>   | <u>(10,702,877)</u>               | <u>4,905,131</u>                  | <u>(7,019,906)</u>    |
| Endowment net assets, end of year          | \$ <u>9,103,762</u>  | \$ <u>39,948,372</u>              | \$ <u>133,740,849</u>             | \$ <u>182,792,983</u> |

|  | <u>2009</u>           | <u>2008</u>           |
|--|-----------------------|-----------------------|
| Permanently Restricted Net Assets:   |                       |                       |
| Required to be retained permanently  | \$ <u>134,670,812</u> | \$ <u>133,740,849</u> |
| Temporarily Restricted Net Assets:   |                       |                       |
| The portion of perpetual endowment funds subject to a time restriction under FUMIFA: |                       |                       |
| With purpose restrictions  | \$ <u>7,765,044</u>   | \$ <u>39,948,372</u>  |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 4 - ENDOWMENTS (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted or temporarily restricted net assets were 45% of our endowment funds totaling (\$ 5,861,676) as of June 30, 2009 and 6% of our endowment funds totaling (\$ 140,620) as of June 30, 2008.

Return objectives and risk parameters

The goal of the investment program for the endowment assets is to provide a total return equivalent to or greater than the endowment's financial requirements over the "Time Horizon." The endowment's financial requirements are the sum of the spending rate, the long-term inflation rate, the aggregate costs of portfolio management, and any growth factor, which the Foundation's Investment Committee may, from time to time, determine appropriate. We expect our endowment funds over time, to provide an average rate of return of approximately 8.3% annually.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, we rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Because the endowment funds of the Foundation are expected to endure into perpetuity, and because inflation is a key component in the performance objective, the long-term risk of not investing in securities offering real growth potential outweighs the short-term volatility risk. We target a diversified asset allocation that places a greater emphasis on equity based investments to achieve our long-term return objective within prudent risk constraints. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity markets. Alternative assets are used to mitigate the risk of traditional asset classes. Other asset classes are included to provide diversification, e.g. international equities and incremental return.

Spending policy and how the investment objectives relate to policy

We implemented a spending policy focused on protecting the corpus; the policy is a three pronged approach to determining and endowment's spending distribution.

- (1) Hibernation - The endowment must generate earnings for one year before spending is distributed.
- (2) Cash balance carry-forward limitations - A limited or fully restricted spending distribution if the fund has adequate cash balance to accommodate operations.
- (3) Prohibition - The fund receives no spending distribution and the Foundation assesses no administration fees on endowments with a total balance less than the original gift's fair market value.

We typically distribute 3.9% (spending rate) of the average fair value of the prior 20 quarters of an endowment that has satisfied the three criteria for corpus protection. The Foundation calculates spending at the end of the third quarter prior to the new fiscal year. Administrative and investment fees are assessed on a quarterly basis on funds that are not deficient. In 2009 and 2008, our fees were set at 1.7% and amounted to \$ 1,611,565 and \$ 2,957,037 respectively.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 5 - PLEDGES RECEIVABLE

The composition of unconditional pledges to give at June 30, 2009 and June 30, 2008, was as follows:

|   | <u>2009</u>                | <u>2008</u>                 |
|---|----------------------------|-----------------------------|
| In one year or less                       | \$ 1,304,701               | \$ 5,001,077                |
| Between one and five years                | 4,294,561                  | 12,540,831                  |
| Greater than five years                   | <u>94,802</u>              | <u>428,333</u>              |
| Total unconditional pledges at face value | 5,694,064                  | 17,970,241                  |
| Less unamortized discount                 | (37,802)                   | (988,949)                   |
| Less allowance for uncollectibles         | <u>(1,216,411)</u>         | <u>(1,296,060)</u>          |
| Net unconditional pledges                 | \$ <u><u>4,439,851</u></u> | \$ <u><u>15,685,232</u></u> |

Management periodically reviews the pledges balances and estimates allowances for accounts and pledges which may be uncollectible. Any past due pledge that has not been written off at June 30, 2009, has been included in the allowance for uncollectible pledges. Outstanding pledges from the annual phon-a-thon program are written off at the beginning of the following fiscal year. All other pledges are written off if they are (a) delinquent for one year and (b) the remaining pledge balance is determined uncollectible. We wrote off \$ 13,125,746 in pledges receivable in 2009 with a single pledge making up the majority of this amount. We negotiated a restructuring of the pledge which resulted in a write off of \$ 12,100,000 that had previously been recorded as a contribution. All terms and conditions of the restructured pledge have been met. In 2008, we wrote off \$ 1,494,953 in pledges receivable. Write-offs are recorded under program services on the accompanying Statements of Activities. Twenty-one percent of all current and future pledges are included in the allowance, seven percent was included in the 2008 allowance. Additionally, pledges are recorded at their present value. The current Federal Reserve discount rate of 0.5% was applied to future cash flows in 2009 and 2.25% was applied in 2008.

We are the beneficiary of numerous conditional promises to give. A conditional promise is one that requires an event in the future to take place before the promise becomes binding to the donor. At June 30, 2009, we had pledges conditional upon legislative appropriation from the Florida Department of Education's Major Gifts Program of approximately \$ 5,222,000. The Florida Legislature did not appropriate funding for the 2009 fiscal year. Accordingly, we have not included these pledges in our receivables.

At the request of the University, we have embarked on a campaign to raise funds for the construction of an on-campus stadium. The University plans to issue bonds for the project as soon as adequate resources have been identified. Because pledges toward the stadium are conditioned upon the building of the stadium, SFAS No. 116, Accounting for Contributions Received and Contributions Made, requires that no pledges be recorded until the condition is met. We have a total of \$ 225,000 and \$ 509,368 in conditioned pledges at June 30, 2009 and 2008. Cash received toward this goal has been recorded as restricted cash in the amount of \$ 26,000 and \$ 2,762 for June 30, 2009 and 2008 respectively until it is used for its intended purpose. Preliminary engineering and inscribed bricks for the stadium walkways have been purchased and related fees were incurred. Gifts have been recognized to the extent of these costs.

No receivable was recorded for bequests and conditional pledges, nor was the future support recognized. As of June 30, 2009 the Foundation was aware of approximately \$ 26.5 million in potential bequests.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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NOTE 6 - REAL PROPERTY AND IMPROVEMENTS

Real property and improvements consist of the following at June 30, 2009 and June 30, 2008:

|                                     | <u>2009</u>                | <u>2008</u>                |
|-------------------------------------|----------------------------|----------------------------|
| Buildings and improvements          | \$ 237,000                 | \$ 237,000                 |
| Less accumulated depreciation       | <u>174,054</u>             | <u>169,238</u>             |
|                                     | 62,946                     | 67,762                     |
| Land                                | 4,439,639                  | 4,439,639                  |
| Construction in progress (stadium)  | <u>570,000</u>             | <u>-</u>                   |
| Real property and improvements, net | \$ <u><u>5,072,585</u></u> | \$ <u><u>4,507,401</u></u> |

The provision for depreciation was \$ 4,816 for both 2009 and 2008 fiscal years.

The Foundation will transfer the construction in progress related to the stadium to the University during the next fiscal year. Although the Foundation will support the construction of the stadium, it will be owned and capitalized by the University.

Approximately 25 percent of the 150 acres known as Pine Jog (included in land) have reverter clauses that revert to the donor or the County if the land does not remain in its natural state. Other parcels of the land have deed restrictions with the same intent to preserve this land as a nature area.

NOTE 7 - DEBT

Debt as of June 30, 2009 and 2008, consists of the following:

|   | <u>2009</u>                | <u>2008</u>                |
|---|----------------------------|----------------------------|
| Note payable to a bank in semiannual installments of \$ 400,000 plus interest at 4.20% until May 2012.  | \$ 2,400,000               | \$ 3,200,000               |
| Note payable to a bank for the purchase of a piano in quarterly installments of \$ 3,793, including interest at 3.15% until October 2012. The note is collateralized by the piano, which was contributed to the University. | 50,104                     | 63,437                     |
| Note payable to an individual in quarterly installments of \$ 7,772 including interest at 4.47% until December 2008.  | <u>--</u>                  | <u>7,688</u>               |
|   | \$ <u><u>2,450,104</u></u> | \$ <u><u>3,271,125</u></u> |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 7 - DEBT (continued)

| Year Ending<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2010                   | \$ 813,759          | \$ 95,170         | \$ 908,929          |
| 2011                   | 814,197             | 60,665            | 874,862             |
| 2012                   | 814,650             | 26,192            | 840,842             |
| 2013                   | <u>7,498</u>        | <u>89</u>         | <u>7,587</u>        |
| Total                  | \$ <u>2,450,104</u> | \$ <u>182,116</u> | \$ <u>2,632,220</u> |

Interest expense on debt was approximately \$ 121,000 and \$ 146,300 for the years ended on debt as of June 30, 2009 and 2008, respectively. Loan covenants exist and remain in effect until the note payable is paid off in May 2012. The covenants require, among other requirements, that the Foundation furnish the bank with audited financial statements annually and unaudited financial statements quarterly.

Financial covenants require that the Foundation maintain as of the last day of each June and December a ratio of current assets to total liabilities of not less than 3 to 1. Current assets shall include pooled cash and investments and pledged receivables aged less than thirty-six months. Also, net assets must show an average increase of \$ 5 million each year from the initial \$ 100 million base net assets in 2001. The Foundation was in compliance with all debt covenants as of June 30, 2009 and 2008.

NOTE 8 - 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. We have evaluated the unrelated business income tax implications and believe that the effects, if any, are immaterial to the Foundation's financial statements. Accordingly, no provision for income taxes is required.

NOTE 9 - DIRECT FINANCING-TYPE LEASES AND CERTIFICATES OF PARTICIPATION

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

We also entered into master lease agreements with the Florida Board of Education (the "Board"), whereby we are obligated to pay the Board \$ 1 per year for each dormitory until the later of May 2029 or the date that the certificates are paid in full. We further entered into agreements to lease the buildings to the University, in exchange for the University's paying all amounts due under the Certificates.

We guarantee the Certificates unconditionally; the only limit is the expendable portion of our unrestricted net assets, which is \$ 2,525,640 as of June 30, 2009. 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.

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NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 9 - DIRECT FINANCING-TYPE LEASES AND CERTIFICATES OF PARTICIPATION (continued)

At June 30, 2009, the minimum lease payments to be received from the University as base rent and the principal payment due on the 1999 and 2000 Certificates for each of the five succeeding fiscal years and thereafter are as follows:

| <u>Year Ending<br/>June 30</u> | <u>1999<br/>Certificates</u> | <u>2000<br/>Certificates</u> | <u>Total<br/>Principal</u> | <u>Interest</u>     | <u>Total</u>         |
|--------------------------------|------------------------------|------------------------------|----------------------------|---------------------|----------------------|
| 2010                           | \$ 165,000                   | \$ 140,000                   | \$ 305,000                 | \$ 551,558          | \$ 856,558           |
| 2011                           | 170,000                      | 145,000                      | 315,000                    | 537,340             | 852,340              |
| 2012                           | 180,000                      | 155,000                      | 335,000                    | 521,171             | 856,171              |
| 2013                           | 185,000                      | 165,000                      | 350,000                    | 503,785             | 853,785              |
| 2014                           | 195,000                      | 175,000                      | 370,000                    | 484,841             | 854,841              |
| Thereafter                     | <u>4,020,000</u>             | <u>4,615,000</u>             | <u>8,635,000</u>           | <u>4,220,697</u>    | <u>12,855,697</u>    |
| Total                          | \$ <u>4,915,000</u>          | \$ <u>5,395,000</u>          | \$ <u>10,310,000</u>       | \$ <u>6,819,392</u> | \$ <u>17,129,392</u> |

NOTE 10- SPLIT INTEREST AGREEMENTS

We accept gifts subject to split interest agreements. These gifts are in form of Charitable Gift Annuities or Charitable Remainder Annuities. At the time of agreement, we record the gift at the fair market value of the asset received net of any applicable liability. Split interest agreements are recorded as temporarily restricted or permanently restricted depending on donor designations. We hold qualifying assets in excess of the minimum gift annuity reserves required by Florida law.

NOTE 11 - SUB-LEASING ARRANGEMENT

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

We then entered into a ground lease agreement with a developer whereby the developer agreed to construct a retail complex on the site and lease the space to various entities. Pursuant to the ground lease agreement, the developer is to provide us with a monthly base rent from the commencement of the ground lease through its expiration on May 31, 2073. The base rent increases by 6% every ten years. The lease also provides for an additional \$ 5 per square foot in excess of 152,000 square feet of consumer services area during years 1 through 10, and shall be adjusted upward by 6% every ten years. The square footage provision in the contract increased the rental income by \$ 82,400 annually.

In December 2005, the lease was renewed and extended until the year 2073. The renewed lease included an incentive payment of \$ 500,000 and provided for an additional 1% of revenues to be added to the base rental amount. This provision yielded an additional \$ 47,858 in revenues in the 2009 fiscal year and \$ 47,312 in 2008. The percent of revenues will increase to 5% in 2046. We recognized total rental income of \$ 978,288 in 2009 and \$ 963,192 in 2008 relating to this agreement.



FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 11 - SUB-LEASING ARRANGEMENT (continued)

Future minimum rentals to be received under this sub-leasing arrangement at June 30, 2009 are approximately as follows:

| <u>Year Ending<br/>June 30</u> | <u>Amount</u> |
|--------------------------------|---------------|
| 2010                           | \$ 993,400    |
| 2011                           | \$ 1,053,000  |
| 2012                           | \$ 1,053,000  |
| 2013                           | \$ 1,053,000  |
| 2014                           | \$ 1,053,000  |
| 2015-2024                      | \$ 10,782,900 |
| 2025-2034                      | \$ 11,429,900 |
| 2035-2044                      | \$ 12,115,700 |
| 2045-2054                      | \$ 12,842,700 |
| 2055-2064                      | \$ 13,613,200 |
| 2065-2073                      | \$ 12,936,300 |

NOTE 12 - 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 investments (Note 3). We maintain our cash and cash equivalents with quality financial institutions. We further manage our market exposure through professional management and by diversifying our investments.

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Cash Flow Information:

|  | <u>2009</u>  | <u>2008</u>  |
|--|--------------|--------------|
| Cash received during the year for -                  |              |              |
| Interest and dividend income                         | \$ 3,551,355 | \$ 4,177,791 |
| Interest income - direct finance type lease (Note 9) | \$ 564,805   | \$ 577,274   |
| Cash paid during the year for -                      |              |              |
| Interest expense                                     | \$ 129,746   | \$ 163,996   |
| Interest expense (Note 9)                            | \$ 564,805   | \$ 577,274   |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 14 - RESTRICTED NET ASSETS

At June 30, 2009, temporarily restricted net assets consisted of cash, pledges, investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 54,061,382 less annuities payable and other liabilities and debt of \$ 20,728,045 restricted by donors for the following purposes:

|  | <u>2009</u>              | <u>2008</u>              |
|--|--------------------------|--------------------------|
| Academic divisions                             | \$ 9,025,502             | \$ 17,864,135            |
| Student financial support                      | 7,556,470                | 19,565,255               |
| Plant, equipment and maintenance               | 7,299,280                | 6,606,051                |
| Faculty and staff support                      | 6,709,013                | 18,825,797               |
| Library resources                              | 1,639,511                | 1,933,835                |
| Other  | 814,101                  | 1,745,512                |
| Research                                       | <u>289,460</u>           | <u>743,591</u>           |
| <br>Total temporarily restricted<br>net assets | <br>\$ <u>33,333,337</u> | <br>\$ <u>67,284,176</u> |

At June 30, 2009, permanently restricted net assets consist of pledges and investments of \$ 135,838,416 restricted by donors for the following purposes:

|  | <u>2009</u>               | <u>2008</u>               |
|--|---------------------------|---------------------------|
| Academic divisions                             | \$ 48,672,753             | \$ 56,667,442             |
| Faculty and staff support                      | 47,230,200                | 36,371,269                |
| Student financial support                      | 35,263,012                | 47,848,180                |
| Library resources                              | 1,782,498                 | 1,394,050                 |
| Plant, equipment and maintenance               | 1,658,411                 | 598,623                   |
| Other  | 795,777                   | 761,630                   |
| Research                                       | <u>435,765</u>            | <u>1,658,411</u>          |
| <br>Total permanently restricted<br>net assets | <br>\$ <u>135,838,416</u> | <br>\$ <u>145,299,605</u> |

NOTE 15 - IN-KIND TRANSACTIONS

The Foundation is supported in its goals by the University's Departments of Advancement and the FAU Alumni Affairs. Support from the University includes payroll processing, human resources, office space, equipment and operating expenses and salaries for advancement personnel who are critical in the operations of the Foundation. We have estimated the cost of operational support from the University to be approximately \$ 2,056,000 in 2009 and \$ 2,129,400 in 2008. This support appears on the statements of activities as contributions and expenses.

We are a direct support organization of Florida Atlantic University, and as such transfer funds to support the academic programs, scholarships and salaries of faculty members on a monthly basis. At June 30, 2009, the total amount due to the University was \$ 2,510,516 which is reflected in accounts payable and the amount due from the University was \$ 631,009. At June 30, 2008 the amount due to and from the University was \$ 2,213,159 and \$ 604,839, respectively.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 16 - RELATED PARTY TRANSACTIONS

The Foundation has committed \$ 500,000 to the University in fiscal year 2011 for tuition waivers from earnings from the University Commons rent revenues.

We adhere to a conflict of interest policy with our board members. During the course of business, we may purchase supplies and/or services at fair market value from companies which have affiliations with our board members. All such transactions are undertaken in the best interest of the Foundation and follow established procedures. In the interest of full disclosure, the following business transactions existed as of June 30, 2009:

Former Board Member *Mr. Thomas Lynch* is the President of Plastridge Insurance Company which is the chosen insurance broker for the Foundation. A total amount of \$12,202 and \$ 36,792 was paid to Plastridge in 2009 and 2008, respectively. Although Mr. Lynch's term expired last year, a request for proposal was issued in search of quotes for insurance coverage. Plastridge retained the majority of our insurance coverage, but a separate agent was selected to cover our collections. Vendor selections were made based on costs and were performed at arm's length.

Board member *Mr. Bruce H. Allen* is a Senior Vice President of US Trust, Bank of America Private Wealth Management. The Foundation has an affinity contract with Bank of America, which was in place prior to Mr. Allen's becoming a Board member, as well as, several trusts held by others are managed by Bank of America. *Mr. Michael I. Kaufman* is the owner and President of Kaufman Lynn, Inc. General Contractors, which has a working contract with the University and has a small interest (½%) in the partnership of the limited liability company that has the ground lease at the University Commons. Former board member, *Mr. M.J. Arts* is a Boca Raton City Councilman and a board member for the FAU Research and Development Corporation. *Mr. Joseph W. Collard* invests in technology and patents developed by the University and Mr. Collard's wife contracts with the University to provide continuing education in Project Management. *Mr. Michael L. Davis* is a Vice President and Principal Partner with Keith and Schnars, P.A., an engineering and planning consulting firm, which has contracted with the University in the past. *Mr. Rhys L. Williams* is an advisor and agent for Leadership Florida, which was a vendor contracted with the University to produce the 2008 Presidential debates on campus. This contract was paid by the Foundation in the amount of \$ 111,045. Mr. Williams also invests in University technology licenses. *Ms. Louise Grant*, a newly inducted member of the Foundation's board is the chief executive officer of an organization that grants to our Foundation. *Mr. J. Randy Justice*, *Mr. David L. Gury*, and *Mr. Peter LoBello* are on various advisory boards at the University. *Ms. Cecilia James*, chief financial officer of C & C International Computers and Consultants, is a vendor of the University performing technology equipment repair services.

NOTE 17 - LEAVE LIABILITY

We record liabilities for annual sick leave payments that would be paid at the resignation or termination of an employee. For the year ended June 30, 2009 we recognized a liability of \$ 147,307 for the leave payments that we are obligated to reimburse the University, and \$ 143,505 as an in-kind revenue and expense for the liability that would be paid through the University funds. For the year ended June 30, 2008 we recognized a liability of \$ 102,379 for leave and \$ 5,317 as an in-kind revenue and expense.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009 and 2008

NOTE 18 - HARBOR BRANCH OCEANOGRAPHIC INSTITUTE FOUNDATION

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

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

In accordance with this agreement, a total of \$ 7,746,805 was transferred from HBOIF to the Foundation in 2008 for the support of HBOI activities. A total of \$ 2,229,161 was immediately transferred to the University as directed by HBOIF and the remaining \$ 5,517,644 was held and recorded as a liability. The liability is decreased as funds are spent or sent to the University for the benefit of HBOIF. The amount remaining at June 30, 2009 and 2008 was \$ 4,801,031 and \$ 5,514,084 respectively, which is reflected as a liability to a resource provider on the statements of financial position. We do not report revenues or expenses for these transactions; however, we do recognize any income earned from the investment of these monies.

NOTE 19 - COMMITMENTS AND CONTINGENCIES

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

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

# SUPPLEMENTAL INFORMATION AND SCHEDULES

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF BOARD OF DIRECTORS AND  
EXECUTIVE COMMITTEE MEMBERS  
June 30, 2009

At June 30, 2009, the membership of the Foundation's Board of Directors was comprised of the following individuals, along with their respective terms:

| MEMBER                | Term Expires                     |
|-----------------------|----------------------------------|
| Bruce H. Allen**      | April 2010                       |
| Barry S. Berg*        | April 2012                       |
| Joseph W. Collard     | April 2011                       |
| Brian J. Cooke        | April 2011                       |
| Howard R. Cooper      | April 2011                       |
| Michael L. Davis*     | April 2012                       |
| Louise Grant          | April 2012                       |
| David J. Gury         | April 2010                       |
| Cecelia James**       | April 2012                       |
| J. Randy Justice**    | April 2011                       |
| Michael I. Kaufman*** | April 2012                       |
| Judith T. Kaye        | April 2011                       |
| Peter LoBello*        | April 2011                       |
| Patricia McKay        | April 2012                       |
| William Morris        | April 2011                       |
| Neale J. Poller       | April 2011                       |
| Robert Rubin          | April 2011                       |
| Charles E. Rutherford | April 2011                       |
| Steven R. Sponder     | April 2011                       |
| Rhys L. Williams      | April 2011                       |
| Frank T. Brogan*      | University President             |
| Randy Talbot**        | Executive Director FAUF          |
| Marlis Hadeed         | University Club President        |
| Gloria Branch         | Alumni President                 |
| Timothy Lenz, Ph.D    | Faculty Senate President         |
| Tiffany Weimar        | Student Government President     |
| Rajendra Gupta, M.D.  | Board of Trustees Representative |
| Donna Grubman         | Lifelong Learning Representative |
| EMERITUS              |                                  |
| Kathleen Assaf        | Director Emeritus                |
| Ronald Assaf          | Director Emeritus                |
| Eleanor R. Baldwin    | Director Emeritus                |
| Herman Becker         | Director Emeritus                |
| Marjorie Pearlson     | Director Emeritus                |
| Lois Pope             | Director Emeritus                |
| Brian Utley           | Director Emeritus                |
| Elizabeth S. Zinman   | Director Emeritus                |

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
ENDOWMENT BALANCES FOR EMINENT SCHOLARS PROGRAM  
For the Year Ended June 30, 2009

| Fund Name  | Balance<br>at<br>July 1,<br>2008 | Matching<br>State<br>Funds | Contributions | Investment<br>Income<br>(Loss) | Expenditures   | Interfund<br>Transfer | Balance<br>at<br>June 30,<br>2009 |
|--|----------------------------------|----------------------------|---------------|--------------------------------|----------------|-----------------------|-----------------------------------|
| <b>FULLY ENDOWED:</b>  |                                  |                            |               |                                |                |                       |                                   |
| Dorothy F. Schmidt Eminent Scholar Schmidt Chair in Humanities             | \$ 7,864,016                     | \$ -                       | \$ -          | \$ (1,450,077)                 | \$ (301,789)   | \$ (200)              | \$ 6,111,950                      |
| Dorothy F. Schmidt Eminent Scholar Chair in Performing Arts                | 7,400,768                        | -                          | -             | (1,381,824)                    | (335,612)      | (250)                 | 5,683,082                         |
| John M. DeGrove Eminent Scholar Chair in Growth Management and Development | 3,392,821                        | -                          | -             | (585,117)                      | (181,649)      | -                     | 2,626,055                         |
| Helen Karpelenia Persson Eminent Scholar Chair in Community Caring         | 2,311,919                        | -                          | -             | (427,812)                      | (91,788)       | -                     | 1,792,319                         |
| Eugene and Christine E. Lynn Eminent Scholar Chair in Business             | 1,971,790                        | -                          | -             | (369,401)                      | (68,625)       | -                     | 1,533,764                         |
| Eminent Scholar Chair in Turkish Studies                                   | 1,615,438                        | -                          | -             | (101,934)                      | (72,563)       | -                     | 1,440,941                         |
| John Thomas Ladue McGinty Eminent Scholar Chair in Biology                 | 1,662,108                        | -                          | -             | (296,516)                      | (42,884)       | -                     | 1,322,708                         |
| Charles E. Schmidt Eminent Scholar Chair in Engineering                    | 1,756,562                        | -                          | -             | (328,415)                      | (106,808)      | -                     | 1,321,339                         |
| Glenwood and Martha Creech Eminent Scholar Chair in Science                | 1,599,078                        | -                          | -             | (292,337)                      | (40,803)       | -                     | 1,265,938                         |
| Dr. Robert J. Morrow Eminent Scholar Chair in Social Science               | 1,604,057                        | -                          | -             | (288,127)                      | (65,239)       | -                     | 1,250,691                         |
| Raddock Family Eminent Scholar Chair in Holocaust Studies                  | 1,586,619                        | -                          | -             | (298,960)                      | (79,365)       | -                     | 1,208,294                         |
| Charles Stewart Mott Eminent Scholar Chair in Community Education          | 1,452,944                        | -                          | -             | (268,117)                      | (28,648)       | -                     | 1,156,179                         |
| Office Depot Eminent Scholar Chair Small Business Research                 | 1,463,571                        | -                          | -             | (270,839)                      | (52,119)       | -                     | 1,140,613                         |
| Herbert and Elaine Gimelstob Eminent Scholar Chair in Judaic Studies       | 1,461,566                        | -                          | (5,000)       | (261,267)                      | (60,045)       | -                     | 1,135,254                         |
| Dorothy F. Schmidt Distinguished Eminent Scholar Chair of Arts             | 1,421,212                        | -                          | 1,485         | (262,881)                      | (33,887)       | -                     | 1,125,929                         |
| Christine E. Lynn Eminent Scholar in Nursing                               | 1,426,697                        | -                          | -             | (265,225)                      | (67,403)       | -                     | 1,094,069                         |
| William F. Dietrich Eminent Scholar Chair in Philosophy                    | 1,398,988                        | -                          | -             | (263,592)                      | (78,979)       | 12,500                | 1,068,917                         |
| Total  | \$ 41,390,154                    | \$ -                       | \$ (3,515)    | \$ (7,412,441)                 | \$ (1,708,206) | \$ 12,050             | \$ 32,278,042                     |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF RECEIPTS, EXPENDITURES AND  
ENDOWMENT BALANCES FOR ETHICS SCHOLARS PROGRAM  
For the Year Ended June 30, 2009

| Fund Name  | Balance<br>at<br>July 1,<br>2008 | Matching<br>State<br>Funds | Contributions | Investment<br>Income<br>(Loss) | Expenditures       | Interfund<br>Transfer | Balance<br>at<br>June 30,<br>2009 |
|--|----------------------------------|----------------------------|---------------|--------------------------------|--------------------|-----------------------|-----------------------------------|
| <b>FULLY ENDOWED:</b>  |                                  |                            |               |                                |                    |                       |                                   |
| Dr. Floyd Koch Business Ethics Scholarship Fund              | \$ 619,332                       | \$ -                       | \$ -          | \$ (113,433)                   | \$ (23,404)        | \$ -                  | \$ 482,495                        |
| Edward E. Shoaf Honors College Ethics Scholarship Fund       | 395,165                          | -                          | -             | (72,238)                       | (14,233)           | -                     | 308,694                           |
| J.M. Rubin Foundation Honors College Ethics Scholarship Fund | 260,333                          | -                          | -             | (47,170)                       | (14,456)           | -                     | 198,707                           |
| Mildred A. Becker Ethics Scholarship Endowment Fund          | 246,423                          | -                          | -             | (45,117)                       | (7,348)            | -                     | 193,958                           |
| Hilda A.Krinzman Ethics Scholarship Fund                     | 251,232                          | -                          | -             | (45,801)                       | (12,384)           | -                     | 193,047                           |
| Edward E. Shoaf Ethics Scholarship Fund                      | 246,167                          | -                          | -             | (43,788)                       | (16,319)           | -                     | 186,060                           |
|  | <u>2,018,652</u>                 | <u>-</u>                   | <u>-</u>      | <u>(367,547)</u>               | <u>(88,144)</u>    | <u>-</u>              | <u>1,562,961</u>                  |
| Total  | \$ <u>2,018,652</u>              | \$ <u>-</u>                | \$ <u>-</u>   | \$ <u>(367,547)</u>            | \$ <u>(88,144)</u> | \$ <u>-</u>           | \$ <u>1,562,961</u>               |



**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
For the Year Ended June 30, 2009

| <u>Fund Name</u>   | <u>Balance<br/>at<br/>July 1,<br/>2008</u> | <u>Matching<br/>State<br/>Funds</u> | <u>Contributions</u> | <u>Investment<br/>Income<br/>(Loss)</u> | <u>Expenditures</u> | <u>Interfund<br/>Transfer</u> | <u>Balance<br/>at<br/>June 30,<br/>2009</u> |
|--|--|-------------------------------------|----------------------|---|---------------------|-------------------------------|---|
| <b>ENDOWED PROFESSORSHIPS:</b>   |  |                                     |                      |   |                     |                               |   |
| Lucy Henderson Edmondson Professorship in Elementary Education           | \$ 3,845,470                               | \$ -                                | \$ -                 | \$ (698,074)                            | \$ (108,402)        | \$ -                          | \$ 3,038,994                                |
| Alan B. Larkin Endowed Fund  | 2,057,083                                  | -                                   | -                    | (378,000)                               | (60,576)            | -                             | 1,618,507                                   |
| Ronald and Elizabeth Blake Professorship in Nursing                      | 324,245                                    | -                                   | -                    | (58,082)                                | (4,036)             | -                             | 262,127                                     |
| Henry Epstein Professorship in Urban and Regional Planning               | 317,870                                    | -                                   | -                    | (43,008)                                | (15,645)            | -                             | 259,217                                     |
| Lifelong Learning Society Professorship in Social Science                | 313,369                                    | -                                   | -                    | (51,572)                                | (4,981)             | -                             | 256,816                                     |
| Nona and Peter Gordon Endowed Professorship in Early Childhood Education | 307,436                                    | -                                   | -                    | (55,251)                                | (8,823)             | -                             | 243,362                                     |
| John Wymer Endowed Professorship in Nursing                              | 252,592                                    | -                                   | -                    | (43,787)                                | (2,243)             | -                             | 206,562                                     |
| Bingham Professorship in Creative Writing                                | 246,990                                    | -                                   | -                    | (45,864)                                | (9,836)             | -                             | 191,290                                     |
| Lifelong Learning Society Professorship in Science                       | 249,229                                    | -                                   | -                    | (47,110)                                | (12,587)            | -                             | 189,532                                     |
| Charles E. Schmidt Professorship in Engineering                          | 234,841                                    | -                                   | -                    | (42,212)                                | (3,906)             | -                             | 188,723                                     |
| Sharon Phillips Raddock Professorship in Holistic Nursing                | 218,204                                    | -                                   | -                    | (34,941)                                | (1,790)             | -                             | 181,473                                     |
| SunTrust/South Florida Professorship in Finance                          | 233,093                                    | -                                   | -                    | (42,529)                                | (13,333)            | -                             | 177,231                                     |
| Adelaide R. Snyder Professorship in Ethics                               | 227,928                                    | -                                   | -                    | (42,115)                                | (8,209)             | (500)                         | 177,104                                     |
| Lifelong Learning Society Professorship in Arts and Humanities           | 224,488                                    | -                                   | -                    | (41,233)                                | (8,425)             | -                             | 174,830                                     |
| Rabbi Ario S. Hyams Library Professorship                                | 228,014                                    | -                                   | -                    | (41,923)                                | (12,104)            | -                             | 173,987                                     |
| Sensormatic Professorship in Marketing                                   | 213,714                                    | -                                   | -                    | (38,284)                                | (6,717)             | -                             | 168,713                                     |
| Motorola Endowed Professorship for Electrical and Computer Engineering   | 207,792                                    | -                                   | -                    | (38,996)                                | (4,249)             | -                             | 164,547                                     |
| William F. Dietrich Professorship in Philosophy                          | 205,067                                    | -                                   | -                    | (38,331)                                | (3,831)             | -                             | 162,905                                     |
| Frances and Milton Levenson Professorship in Japanese Studies            | 213,477                                    | -                                   | -                    | (39,778)                                | (11,156)            | -                             | 162,543                                     |
| J.M. Rubin Foundation Professorship in Engineering                       | 173,150                                    | -                                   | -                    | (32,263)                                | (6,033)             | -                             | 134,854                                     |
| Subtotal   | 10,294,052                                 | -                                   | -                    | (1,853,353)                             | (306,882)           | (500)                         | 8,133,317                                   |
| <b>ENDOWED SCHOLARSHIPS AND FELLOWSHIPS:</b>                             |  |                                     |                      |   |                     |                               |   |
| Harriet L. Wilkes College Fund   | 24,158,648                                 | -                                   | -                    | (4,380,101)                             | (956,737)           | -                             | 18,821,810                                  |
| Henry Morrison Flagler Scholarship Fund                                  | 6,539,704                                  | -                                   | 1,950                | (1,209,665)                             | (239,930)           | -                             | 5,092,059                                   |
| Essie C. Crain Nursing Scholarship Fund                                  | 2,907,722                                  | -                                   | -                    | (522,684)                               | (171,271)           | -                             | 2,213,767                                   |
| Davimos Family Endowment for Excellence in Science                       | 2,316,651                                  | -                                   | -                    | (409,972)                               | (90,049)            | -                             | 1,816,630                                   |
| Libby Dodson Endowment for Nursing Excellence                            | 2,093,960                                  | -                                   | -                    | (381,460)                               | (19,924)            | -                             | 1,692,576                                   |
| Daniel B. and Aurel B. Newell Doctoral Fellowships                       | 946,079                                    | -                                   | -                    | (172,482)                               | (49,984)            | -                             | 723,613                                     |
| Mary Fraser Scholastic Trust Fund  | 789,734                                    | -                                   | -                    | (143,850)                               | (13,740)            | -                             | 632,144                                     |
| William Fabricant Scholarship  | 624,064                                    | -                                   | -                    | (114,145)                               | (10,027)            | -                             | 499,892                                     |
| Helen Shoaf Memorial Scholarships  | 593,358                                    | -                                   | -                    | (108,181)                               | (33,126)            | -                             | 452,051                                     |

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

For the Year Ended June 30, 2009

| Fund Name   | Balance<br>at<br>July 1,<br>2008 | Matching<br>State<br>Funds | Contributions | Investment<br>Income<br>(Loss) | Expenditures | Interfund<br>Transfer | Balance<br>at<br>June 30,<br>2009 |
|---|----------------------------------|----------------------------|---------------|--------------------------------|--------------|-----------------------|-----------------------------------|
| <b>ENDOWED SCHOLARSHIPS AND FELLOWSHIPS</b><br>(continued):               |                                  |                            |               |                                |              |                       |                                   |
| Edward E. Shoaf Scholarship Fund  | \$ 605,137                       | \$ -                       | \$ -          | \$ (98,559)                    | \$ (88,287)  | \$ -                  | \$ 418,291                        |
| James and Zita Hayes and Zita W. DePan Memorial Scholarship               | 443,196                          | -                          | -             | (80,424)                       | (17,987)     | -                     | 344,785                           |
| Edgewater Pointe Estates Scholarship                                      | 412,967                          | -                          | 350           | (73,781)                       | (12,819)     | -                     | 326,717                           |
| Founders Honors Scholarship   | 415,757                          | -                          | -             | (76,677)                       | (17,286)     | -                     | 321,794                           |
| David Neil Krinzman Memorial Scholarship Fund                             | 371,406                          | -                          | -             | (68,296)                       | (12,554)     | -                     | 290,556                           |
| Nathan and Marion Crosby Holocaust and Judaic Studies<br>Scholarship Fund | 365,542                          | -                          | -             | (64,957)                       | (12,957)     | -                     | 287,628                           |
| Goizueta Foundation Scholars Fund   | 364,209                          | -                          | -             | (66,266)                       | (14,697)     | -                     | 283,246                           |
| Milton and Gladys Meisner Scholarships                                    | 316,781                          | -                          | -             | (57,002)                       | (11,975)     | -                     | 247,804                           |
| Virginia and Douglas Stewart Ethics Scholarship Endowment                 | 307,419                          | -                          | -             | (56,365)                       | (12,934)     | -                     | 238,120                           |
| Christine E. Lynn Nursing Assistance Program                              | 269,430                          | -                          | -             | (43,494)                       | (2,228)      | -                     | 223,708                           |
| M. Brenn Green Scholarship in Social Science                              | 284,092                          | -                          | -             | (50,723)                       | (9,890)      | -                     | 223,479                           |
| James P. and Eloise M. Latham Scholarship in Geography                    | 268,068                          | -                          | -             | (48,119)                       | (6,962)      | -                     | 212,987                           |
| Annette Van Howe Women's Studies Scholarship                              | 252,963                          | -                          | -             | (45,727)                       | (7,381)      | -                     | 199,855                           |
| Fanjul Academic and Community Excellence Award                            | 249,188                          | -                          | -             | (44,504)                       | (7,584)      | -                     | 197,100                           |
| Ernest O. Melby Fellowships   | 234,593                          | -                          | -             | (42,127)                       | (3,669)      | -                     | 188,797                           |
| James A. Woodruff, Jr. Scholarship in Memory of Hazel Gates<br>Woodruff   | 230,579                          | -                          | -             | (42,130)                       | (13,454)     | -                     | 174,995                           |
| Angelos Langadas Scholarship  | 224,102                          | -                          | -             | (40,902)                       | (11,876)     | -                     | 171,324                           |
| FAU National Alumni Association Scholarship                               | 221,996                          | -                          | 340           | (40,912)                       | (10,554)     | -                     | 170,870                           |
| Cindy & Stuart Markowitz MD End Fund for Biomed Science                   | 215,468                          | -                          | -             | (40,114)                       | (5,714)      | -                     | 169,640                           |
| Howard Guggenheim Endowed Scholarship                                     | 218,092                          | -                          | -             | (40,152)                       | (11,088)     | -                     | 166,852                           |
| Mrs. Charles "Binny" Foster Scholarship                                   | 215,549                          | -                          | -             | (39,647)                       | (9,119)      | -                     | 166,783                           |
| Frances and Victor Ginsberg Scholarship                                   | 213,815                          | -                          | -             | (39,183)                       | (10,255)     | -                     | 164,377                           |
| Joseph Conaway Undergraduate Theater Scholarship                          | 206,104                          | -                          | -             | (38,879)                       | (6,349)      | -                     | 160,876                           |
| Toppel Family Foundation Endowed Genesis Scholarship                      | 196,572                          | -                          | -             | (34,369)                       | (1,761)      | -                     | 160,442                           |
| Josua Logan Graduate Scholarship  | 196,824                          | -                          | -             | (34,990)                       | (1,821)      | -                     | 160,013                           |
| Eleanor R. Baldwin Genesis Scholarship Fund                               | 200,042                          | -                          | -             | (36,749)                       | (4,383)      | -                     | 158,910                           |
| Blue Cross Blue Shield Health Scholars                                    | 195,775                          | -                          | -             | (35,437)                       | (1,821)      | -                     | 158,517                           |
| Genesis Belle Glade Teachers Scholarship                                  | 208,787                          | -                          | -             | (36,648)                       | (16,346)     | -                     | 155,793                           |
| Fields Genesis Scholarship  | 199,962                          | -                          | -             | (36,680)                       | (9,778)      | -                     | 153,504                           |
| Helen Shoaf Memorial Nursing Scholarship                                  | -                                | -                          | 100,000       | 539                            | (152)        | 50,000                | 150,387                           |
| Dorothy & Marshall Andersen Scholarship Endowment                         | 185,139                          | -                          | -             | (34,112)                       | (6,269)      | -                     | 144,758                           |
| Lee J. and Esther Steindel Scholarship                                    | 185,604                          | -                          | -             | (33,733)                       | (9,256)      | -                     | 142,615                           |
| Dr. Floyd F. Koch Graduate Scholarship in Science/Medicine                | 174,457                          | -                          | -             | (31,732)                       | (953)        | -                     | 141,772                           |

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

For the Year Ended June 30, 2009

| Fund Name  | Balance<br>at<br>July 1,<br>2008 | Matching<br>State<br>Funds | Contributions | Investment<br>Income<br>(Loss) | Expenditures | Interfund<br>Transfer | Balance<br>at<br>June 30,<br>2009 |
|--|----------------------------------|----------------------------|---------------|--------------------------------|--------------|-----------------------|-----------------------------------|
| <b>ENDOWED SCHOLARSHIPS AND FELLOWSHIPS</b>  |                                  |                            |               |                                |              |                       |                                   |
| <b>(continued):</b>  |                                  |                            |               |                                |              |                       |                                   |
| Dr. Floyd F. Koch Honors Scholarship   | \$ 181,462                       | \$ -                       | \$ -          | \$ (33,429)                    | \$ (7,739)   | \$ -                  | \$ 140,294                        |
| Marian Altman Memorial Honors Scholarship  | 182,819                          | -                          | -             | (33,383)                       | (9,236)      | -                     | 140,200                           |
| Mildred and Rudy Reis Endowed Scholarship  | 178,479                          | -                          | -             | (32,899)                       | (7,511)      | -                     | 138,069                           |
| The Marsh Scholarship Fund   | 161,202                          | -                          | -             | (29,945)                       | (5,298)      | -                     | 125,959                           |
| Reid Nix Endowed Scholarship Fund  | -                                | -                          | 123,000       | 327                            | (125)        | 2,672                 | 125,874                           |
| Hank Watson Scholarship Fund   | 127,051                          | -                          | -             | (23,185)                       | (6,206)      | -                     | 97,660                            |
| Edward E. Shoaf Honors Scholarship Fund  | -                                | -                          | -             | -                              | -            | -                     | -                                 |
| Subtotal   | 50,450,548                       | -                          | 225,640       | (9,147,905)                    | (1,991,062)  | 52,672                | 39,589,893                        |
| <b>PROGRAM ENDOWED:</b>  |                                  |                            |               |                                |              |                       |                                   |
| Ann C. Kunkel Endowment for the Pine Jog Environmental Center  | 13,080,634                       | -                          | 719           | (2,468,192)                    | (126,816)    | (475,700)             | 10,010,645                        |
| Charles E. Schmidt Biomedical Endowment  | 11,394,286                       | -                          | -             | (2,114,699)                    | (355,552)    | -                     | 8,924,035                         |
| Christine Lynn Endowment Fund  | 5,714,839                        | -                          | -             | (1,035,502)                    | (201,562)    | -                     | 4,477,775                         |
| Abacoa Fund  | 4,950,661                        | -                          | -             | (915,427)                      | (143,665)    | -                     | 3,891,569                         |
| Carl DeSantis Business and Economics Center for the Study and<br>Development of the Motion Picture and Entertainment Industry<br>Endowment | 4,905,882                        | -                          | 625           | (913,868)                      | (221,419)    | -                     | 3,771,220                         |
| Adams Center for IT Product Management and Entrepreneurship  | 2,262,697                        | -                          | -             | (412,346)                      | (109,147)    | -                     | 1,741,204                         |
| Janice and Julian Weiss Endowment  | 1,830,686                        | -                          | -             | (347,396)                      | (11,928)     | -                     | 1,471,362                         |
| Lawrence P. and Dorothy E. DeLisle Memorial Scholarship Fund   | 1,200,557                        | -                          | 319,537       | (222,707)                      | (1,735)      | -                     | 1,295,652                         |
| Christine E. Lynn Center for Caring Endowed Fund   | 1,650,857                        | -                          | -             | (296,460)                      | (81,567)     | -                     | 1,272,830                         |
| Pine Jog Endowment Fund  | 1,337,459                        | -                          | -             | (252,406)                      | (12,968)     | (47,900)              | 1,024,185                         |
| Barry Kaye Endowed Fund  | 5,265,131                        | -                          | (4,000,000)   | (229,363)                      | (11,788)     | -                     | 1,023,980                         |
| Esther Saylor Rothenberger Scholarship   | 1,182,723                        | -                          | -             | (221,678)                      | (23,385)     | -                     | 937,660                           |
| Edward W. and Lee Hill Snowden Harbor Branch Manned Submersi   | -                                | -                          | 881,371       | -                              | -            | -                     | 881,371                           |
| Lucille B. and Jacob Friedland Art Endowment   | 920,150                          | -                          | 550           | (39,075)                       | (6,718)      | -                     | 874,907                           |
| June and Ira Gelb M.D. Scholarship Fund  | 873,214                          | -                          | 8,250         | (162,606)                      | (16,729)     | -                     | 702,129                           |
| Carole & Barry Kaye/Integrative Art Education Outreach   | 851,993                          | -                          | -             | (161,222)                      | (14,324)     | -                     | 676,447                           |
| Sir Richard Doll Chair   | 579,440                          | -                          | -             | (111,153)                      | (740)        | -                     | 467,547                           |
| Mark Swiatlo Judaica Library Acquisition Fund  | 410,652                          | -                          | -             | (64,399)                       | (9,565)      | -                     | 336,688                           |
| Chastain-Johnston Middle East Studies Enhancement Project<br>Endowment   | 374,534                          | -                          | -             | (68,145)                       | (10,829)     | -                     | 295,560                           |
| Pine Jog Friends   | 283,587                          | -                          | 50,419        | 36,985                         | (524,099)    | 433,600               | 280,492                           |
| Kresge Foundation Science Initiative Challenge Fund  | 331,852                          | -                          | -             | (62,657)                       | (3,219)      | -                     | 265,976                           |

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

For the Year Ended June 30, 2009

| Fund Name   | Balance<br>at<br>July 1,<br>2008 | Matching<br>State<br>Funds | Contributions         | Investment<br>Income<br>(Loss) | Expenditures          | Interfund<br>Transfer | Balance<br>at<br>June 30,<br>2009 |
|---|----------------------------------|----------------------------|-----------------------|--------------------------------|-----------------------|-----------------------|-----------------------------------|
| <b>PROGRAM ENDOWED (continued):</b>                                     |                                  |                            |                       |                                |                       |                       |                                   |
| Center for Study of Values and Violence                                 | \$ 312,484                       | \$ -                       | \$ -                  | \$ (56,622)                    | \$ (2,908)            | \$ -                  | \$ 252,954                        |
| LLS Distinguished Professorship in Current Affaris                      | 312,109                          | -                          | -                     | (56,739)                       | (11,214)              | -                     | 244,156                           |
| University Club Library Endowment                                       | 302,746                          | -                          | -                     | (52,401)                       | (6,488)               | -                     | 243,857                           |
| Lawrence A. Sanders Writer in Residence                                 | 245,501                          | -                          | 6,500                 | (5,603)                        | (9,385)               | -                     | 237,013                           |
| LLS Distinguished Professorship in Arts & Humanities                    | 284,506                          | -                          | -                     | (52,732)                       | (1,553)               | -                     | 230,221                           |
| LLS College of Nursing Graduate Stipend Endowment                       | 245,567                          | -                          | -                     | (47,107)                       | (313)                 | -                     | 198,147                           |
| George and Wilma Elmore Scientific and Technical Equipment<br>Endowment | 236,586                          | -                          | -                     | (42,629)                       | (10,979)              | -                     | 182,978                           |
| Emanuel Erwin Halpern Fund  | 217,031                          | -                          | -                     | (38,382)                       | (2,667)               | -                     | 175,982                           |
| University Club Library Galaxy Endowment                                | 222,205                          | -                          | -                     | (40,944)                       | (2,130)               | (7,300)               | 171,831                           |
| Herbert and Elaine Gimelstob Judaic Studies                             | 213,849                          | -                          | -                     | (39,288)                       | (5,018)               | -                     | 169,543                           |
| Lawrence A. Sanders Memorial Fellowship in English                      | 213,220                          | -                          | -                     | (38,347)                       | (9,691)               | -                     | 165,182                           |
| J.M. Rubin Foundation Ocean Engineering Endowment                       | 200,879                          | -                          | -                     | (33,556)                       | (4,219)               | -                     | 163,104                           |
| James M. Cox, Jr./Palm Beach Post Scholarship in Journalism             | 201,671                          | -                          | -                     | (36,598)                       | (2,574)               | -                     | 162,499                           |
| Margaret S.Kramer Chemistry Endowment                                   | 193,204                          | -                          | -                     | (36,430)                       | (1,871)               | -                     | 154,903                           |
| May Smith Lecture Series on Post-Holocaust Christian-Jewish             | 192,109                          | -                          | -                     | (28,901)                       | (10,226)              | -                     | 152,982                           |
| Filed's Music Equipment Endowment                                       | 187,091                          | -                          | -                     | (34,921)                       | (7,407)               | -                     | 144,763                           |
| Lawrence A. Sanders Memorial Fellowship in Creative Writing             | 230,005                          | -                          | -                     | (28,937)                       | (76,849)              | -                     | 124,219                           |
| FAU National Alumni Association Library Endowment                       | 153,206                          | -                          | -                     | (27,393)                       | (11,379)              | -                     | 114,434                           |
| Robin B. Smith Honors Innovation Fund                                   | 133,547                          | -                          | -                     | (25,618)                       | (170)                 | -                     | 107,759                           |
| Lawrence and Florence A. DeGeorge C.Trust Honors Scholarship            | 104,761                          | -                          | -                     | (19,434)                       | (3,282)               | -                     | 82,045                            |
| Subtotal  | <u>63,804,111</u>                | <u>-</u>                   | <u>(2,732,029)</u>    | <u>(10,804,898)</u>            | <u>(2,068,078)</u>    | <u>(97,300)</u>       | <u>48,101,806</u>                 |
| Total   | <u>\$ 124,548,711</u>            | <u>\$ -</u>                | <u>\$ (2,506,389)</u> | <u>\$ (21,806,156)</u>         | <u>\$ (4,366,022)</u> | <u>\$ (45,128)</u>    | <u>\$ 95,825,016</u>              |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2009

| <u>Grantor/Project Title</u>   | <u>State<br/>CSFA Number</u> | <u>Contract<br/>Grant Number</u> | <u>Expenditures</u>        |
|--|------------------------------|----------------------------------|----------------------------|
| State Agency Name:<br>Direct Project:<br>State of Florida<br>Department of Education |                              |                                  |                            |
| University Major Gift<br>Challenge Grant Program                                     | 48.074                       | --                               | \$ 2,370,979               |
| State of Florida<br>Department of Highway Safety<br>and Motor Vehicles               |                              |                                  |                            |
| Specialty License Plate<br>Fund  | 76.031                       | --                               | <u>74,383</u>              |
| Total expenditures of state financial assistance                                     |                              |                                  | \$ <u><u>2,445,362</u></u> |

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state project activity of Florida Atlantic University Foundation, Inc. (the "Foundation") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General. In connection with these grant programs, the Foundation recorded contribution revenues of \$ 75,548, which is temporarily restricted.

NOTE 2 - CONTINGENCY

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



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

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

We have audited the financial statements of Florida Atlantic University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

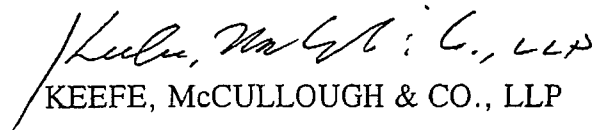
Florida Atlantic University Foundation, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters which we have reported to the management of Florida Atlantic University Foundation, Inc. in a separate letter dated October 15, 2009.

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

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 15, 2009



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

To the Board of Directors and the Members of the Audit Committee  
Florida Atlantic University Foundation, Inc.  
Boca Raton, 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, 2009. The Foundation's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

Compliance

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

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended June 30, 2009.

Internal Control over Compliance

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



Florida Atlantic University Foundation, Inc.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 15, 2009

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009

**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. No material weaknesses relating to the audit of the financial statements are 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. No material weaknesses relating to the audit of the major state project are 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 are no audit findings relative to the major state project for the Foundation reported in Part 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<br>Department of Education<br>University Major Gift Challenge<br>Grant Program | 48.074                |

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

**B. Findings - Financial Statements Audit**

No matters were reported.

**C. Findings and Questioned Costs - Major State Financial Assistance Project Audit**

No matters were reported.

**D. Other Issues**

A separate report to management, dated October 15, 2009, 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.