



Item: AF: I-1a

**AUDIT AND FINANCE COMMITTEE**

Tuesday, February 24, 2015

**SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS FOR FAU DIRECT SUPPORT ORGANIZATIONS: FAU FOUNDATION INC. FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION, JUNE 30, 2014 AND 2013.**

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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, 2014 were presented to the Foundation Board of Directors on October 16, 2014.

**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, 2014 and 2013.

**Presented by:**  
Ms. Dorothy Russell, Vice President for Financial Affairs and CFO

**Phone:** 561-297-3267

**FLORIDA ATLANTIC UNIVERSITY  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**June 30, 2014 and 2013**

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
June 30, 2014 and 2013

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# FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Florida Atlantic University Foundation, Inc.  
Boca Raton, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Florida Atlantic University Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of receipts, expenditures, and endowment balances for eminent scholars program, ethics scholars program, and major gifts program are for purposes of additional analysis and are not a required part of the financial statement. The accompanying schedule of expenditures of state financial assistance, as required by Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Further, the schedule of the Board of Directors and Executive Committee Members is presented for informational purposes only and is not a part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
October 9, 2014

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2014 and 2013

ASSETS

	2014	2013
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 21,697,538	\$ 18,799,460
Deposits	608,962	607,020
Pledges receivable, net of discount and allowance for uncollectibles of \$ 441,537 and \$ 484,967 in 2014 and 2013, respectively	4,266,068	4,704,702
Investments	212,233,118	192,604,872
Funds held in trust by others	3,398,263	3,084,120
Restricted cash and cash equivalents	859,763	937,431
Net investment in direct financing - type lease	7,871,719	8,276,630
Real property and improvements, net	4,478,505	4,483,321
Art and library collections	4,532,743	4,505,351
Other assets	194,519	166,508
Total assets	\$ 260,141,198	\$ 238,169,415

LIABILITIES AND NET ASSETS

<b>LIABILITIES:</b>		
Accounts payable and other liabilities	\$ 1,865,297	\$ 1,499,356
Liability to resource providers	200,127	171,951
Deferred revenues	1,118,221	1,180,765
Certificates of participation	8,675,000	9,149,000
Total liabilities	11,858,645	12,001,072
<b>COMMITMENTS AND CONTINGENCIES (NOTE 17)</b>		
	-	-
<b>NET ASSETS:</b>		
Unrestricted	10,406,234	8,036,251
Temporarily restricted	91,678,058	73,156,471
Permanently restricted	146,198,261	144,975,621
Total net assets	248,282,553	226,168,343
Total liabilities and net assets	\$ 260,141,198	\$ 238,169,415

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, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT:				
Contributions	\$ 2,442,182	\$ 9,116,135	\$ 1,074,632	\$ 12,632,949
Interest and dividends, net of fees	312,336	2,494,660	-	2,806,996
Rental income	-	1,152,301	-	1,152,301
Other income	1,511	2,387,640	-	2,389,151
Net realized and unrealized gains (losses) on investments	<u>2,175,336</u>	<u>22,689,537</u>	<u>-</u>	<u>24,864,873</u>
Total revenues, gains and other support	<u>4,931,365</u>	<u>37,840,273</u>	<u>1,074,632</u>	<u>43,846,270</u>
Net assets released from restrictions	<u>19,170,678</u>	<u>(19,318,686)</u>	<u>148,008</u>	<u>-</u>
Total revenues, gains, other support and net assets released from restrictions	<u>24,102,043</u>	<u>18,521,587</u>	<u>1,222,640</u>	<u>43,846,270</u>
EXPENSES:				
Provision for uncollectible pledges receivable, net	218,623	-	-	218,623
Program services	12,235,446	-	-	12,235,446
Supporting services:				
Fundraising	4,175,943	-	-	4,175,943
Management and general	2,168,174	-	-	2,168,174
Funding of University's infrastructure	<u>2,933,874</u>	<u>-</u>	<u>-</u>	<u>2,933,874</u>
Total expenses	<u>21,732,060</u>	<u>-</u>	<u>-</u>	<u>21,732,060</u>
Change in net assets	2,369,983	18,521,587	1,222,640	22,114,210
NET ASSETS, beginning of year	<u>8,036,251</u>	<u>73,156,471</u>	<u>144,975,621</u>	<u>226,168,343</u>
NET ASSETS, end of year	<u>\$ 10,406,234</u>	<u>\$ 91,678,058</u>	<u>\$ 146,198,261</u>	<u>\$ 248,282,553</u>

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



## 2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,424,339	\$ 8,168,690	\$ 3,545,406	\$ 14,138,435
328,030	2,460,994	-	2,789,024
-	1,139,011	-	1,139,011
2,066	2,266,996	-	2,269,062
<u>1,695,934</u>	<u>17,005,389</u>	<u>-</u>	<u>18,701,323</u>
<u>4,450,369</u>	<u>31,041,080</u>	<u>3,545,406</u>	<u>39,036,855</u>
<u>17,835,875</u>	<u>(17,750,213)</u>	<u>(85,662)</u>	<u>-</u>
<u>22,286,244</u>	<u>13,290,867</u>	<u>3,459,744</u>	<u>39,036,855</u>
414,242	-	-	414,242
11,224,231	-	-	11,224,231
3,439,754	-	-	3,439,754
2,273,761	-	-	2,273,761
<u>3,038,823</u>	<u>-</u>	<u>-</u>	<u>3,038,823</u>
<u>20,390,811</u>	<u>-</u>	<u>-</u>	<u>20,390,811</u>
1,895,433	13,290,867	3,459,744	18,646,044
<u>6,140,818</u>	<u>59,865,604</u>	<u>141,515,877</u>	<u>207,522,299</u>
<u>\$ 8,036,251</u>	<u>\$ 73,156,471</u>	<u>\$ 144,975,621</u>	<u>\$ 226,168,343</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 22,114,210	\$ 18,646,044
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Transfer of construction projects to FAU	444,023	1,290,835
Provision for uncollectible pledges receivable, net	218,623	414,242
Provision for depreciation	4,816	4,816
Donations received of art and library collections, net	(27,392)	(20,921)
Net realized and unrealized losses (gains) on investments	(24,864,873)	(18,701,323)
Changes in assets and liabilities:		
(Increase) decrease in deposits	(1,942)	1,845
(Increase) decrease in pledges receivable, net	243,027	(187,661)
(Increase) decrease in restricted cash and cash equivalents	77,668	(830,898)
(Increase) decrease in other assets	(51,027)	91,455
Increase (decrease) in accounts payable and other liabilities	365,941	(488,101)
Increase (decrease) in liability to resource providers	28,176	(4,557,492)
Increase (decrease) in deferred revenues	(62,544)	(158,293)
	<u>(1,511,294)</u>	<u>(4,495,452)</u>
Net cash provided by (used in) operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales and maturities of investments	39,198,028	52,066,891
Collections of principal on direct financing-type lease	474,000	391,000
Transfer of debt service reserve funds, net of expenses, related to direct financing-type lease	(69,089)	687,370
Payments made for construction projects (FAU)	(444,023)	(1,290,835)
Purchases of investments	(34,275,544)	(33,043,399)
Proceeds from sale of land	-	1,074,089
	<u>4,883,372</u>	<u>19,885,116</u>
Net cash provided by (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on certificates of participation	(474,000)	(391,000)
Issuance of Certificates of Participation (2012)	-	9,540,000
Retirement of Certificates of Participation (1999 and 2000)	-	(9,355,000)
	<u>(474,000)</u>	<u>(206,000)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	2,898,078	15,183,664
CASH AND CASH EQUIVALENTS, beginning of year	<u>18,799,460</u>	<u>3,615,796</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 21,697,538</u>	<u>\$ 18,799,460</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, 2014 and 2013

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity:

Florida Atlantic University Foundation, Inc. (the "Foundation") is organized under Florida Law as a direct support organization to the Florida Atlantic University (the "University" or "FAU"). The Foundation's mission is to receive, hold, invest and administer private gifts on behalf of the University. The Foundation operates independently from the University, and has 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.

(b) Basis of accounting:

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

(c) Basis of presentation:

The Foundation follows the recommendation of the Financial Accounting Standards Board's (FASB) standards of accounting and financial reporting for not-for-profit organizations. Under the Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities; Presentation of Financial Statements*, net assets and revenues, expenses, gains, and losses are classified depending on the existence and/or nature of any donor-imposed restrictions. Accordingly, the Foundation reports information regarding its financial position and activities based on three classes of net assets as follows:

Unrestricted net assets: Net assets without donor-imposed stipulations that are available for use by the Foundation.

Temporarily restricted net assets: Net assets whose use by the Foundation are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation according to those stipulations or by the passage of time.

Permanently restricted net assets: Net assets subject to irrevocable donor restrictions requiring that the assets be maintained by the Foundation in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the investment earnings for general or specific purposes.

(d) 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Cash and cash equivalents:

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less. The Foundation routinely maintains balances with a financial institution in excess of federally insured amounts (FDIC). As of June 30, 2014, cash equivalents include short-term investments in money market mutual funds and money market deposit accounts through the Insured Cash Sweep program of approximately \$ 11,995,000 and \$ 7,643,000, respectively. As of June 30, 2013, cash equivalents include short-term investments in money market mutual funds and money market deposit accounts through the Insured Cash Sweep program of approximately \$ 10,627,000 and \$ 5,049,000, respectively.

(f) Pledges:

Unconditional promises to give are recorded as revenue in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises that are expected to be collected in future years are recorded at net present value using the Federal Reserve discount rate. The Foundation estimates an allowance for uncollectible, to absorb the uncollectible portion of the pledges. Conditional pledges are promises contingent on the occurrence of some other event. Conditional pledges are not recorded in the financial statements until the condition has been met.

(g) Donated goods and property:

The value of donated goods is recorded in the financial statements as revenue and is either capitalized or expensed to the University. Donated goods, other than in-kind resources contributed by the University, including art and library collections, were approximately \$ 529,000 and \$ 101,000 and were recorded at their estimated fair value for the years ended June 30, 2014 and 2013, respectively.

Donated real property and improvements are recorded at the estimated fair value on the date of the donation. During the fiscal year ended June 30, 2012, the Foundation was the beneficiary of 156 acres of unimproved land in Indiantown, Florida. The land was capitalized and recorded by the Foundation at \$ 1,280,000, representing the average of the fair value of two appraisals. During the fiscal year ended June 30, 2013, the Foundation sold the donated property, net of expenses, at approximately \$ 1,074,000.

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. The Foundation reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. The title of the donated property and equipment is generally transferred to the recipient college or school. Examples of gifts-in-kind that the Foundation may retain as property are real estate, certain art and library collections, and property that are held for future sale.

(h) Investments:

The Foundation's investment policy provides for the 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 asset funds, 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 the name of its bank custodian "for the benefit of the Foundation."

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investments (continued):

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. Investment income (including realized and unrealized gains and losses) is reflected in the statements of activities.

(i) Contributed services (Note 13):

The value of certain support services provided to the Foundation by its volunteer Board Members has not been reflected in the accompanying financial statements.

(j) Real property and improvements:

Real property and improvements are carried at cost if purchased, or if donated, at their estimated fair value at the date of the donation, less accumulated depreciation. The Foundation depreciates real property and improvements using the straight-line method over the estimated life of the asset. Useful lives range from 45 to 50 years for buildings and improvements.

Additions and major renewals to real 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.

(k) Art and library collections:

Donated art and library collections are capitalized at their estimated fair value on the acquisition date. Subsequently, if an asset becomes impaired because the carrying amount is not recoverable and exceeds its estimated fair value, the Foundation records an impairment loss in the accompanying statements of activities. Because of the particular purpose of the donation, some collections are transferred immediately to the University. Management recorded no write-down for collections during the years ended June 30, 2014 and 2013.

(l) Split interest agreements:

The Foundation accepts gifts subject to split interest agreements. A split interest agreement is created when a donor contributes assets to the Foundation or places them in a trust for the benefit of the Foundation, but the Foundation is not the sole beneficiary of the assets economic value. These gifts are in the form of Charitable Gift Annuities or Charitable Remainder Annuities which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. At the time of agreement, gifts are recorded at the estimated fair market value of the asset received net of any applicable liability. Liabilities include the present value of projected future distributions to the annuity or trust beneficiaries and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift. The present value of the estimated future payments is approximately \$ 324,000 and \$ 357,000 at June 30, 2014 and 2013, respectively, using discount rates ranging from 2.2% to 11.8% and applicable mortality tables. On an annual basis, the Foundation reevaluates the amount of estimated future payments. For the years ended June 30, 2014 and 2013, the Foundation reported an increase in the estimated obligation for split-interest agreements of approximately \$ 37,000 and \$ 52,000, respectively. Split interest agreements are recorded as temporarily restricted or permanently restricted depending on donor imposed stipulations. The Foundation holds qualifying assets in excess of the minimum gift annuity reserves required by Florida law. The reserve amount is calculated following assumptions set forth by Florida Statute in Section 627.481(2)(a)1.b. The Foundation currently makes annuity payments of approximately \$ 77,000 annually.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Restricted cash and cash equivalents:

Restricted cash and cash equivalents represent claims to amounts that are restricted as to withdrawal or use for other than current operations. At June 30, 2014, there was approximately \$ 860,000 in restricted cash and cash equivalents comprised of approximately \$ 57,000 pledged towards University debt and approximately \$ 803,000 in a deposit "project" account with a trustee to be used for future construction projects. At June 30, 2013, there was approximately \$ 937,000 in restricted cash and cash equivalents comprised of approximately \$ 64,000 pledged towards University debt and approximately \$ 873,000 in a deposit "project" account with a trustee to be used for future construction projects.

(n) Deferred revenues:

Any cash collected on conditional pledges is recorded as a refundable advance until such time as the condition has been met. There were no refundable advances as of June 30, 2014 and 2013. Deferred revenues represent resources received by the Foundation before it has earned the revenues, including grants and other agreements. Deferred revenues as of June 30, 2014 and 2013 were approximately \$ 1,118,000 and \$ 1,181,000, respectively.

(o) Income taxes:

The Foundation qualifies as a nonprofit 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. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Foundation's financial statements. Accordingly, no provision for income taxes has been made to these financial statements.

(p) Joint costs of fundraising appeals:

The Foundation conducts activities that include not only requests for contributions, but programmatic and administrative components as well. Those activities included direct mailings, special events and award ceremonies.

(q) Advertising costs:

The total costs of advertising in 2014 and 2013 were approximately \$ 77,000 and \$ 100,000 respectively. These costs include advertising for special events, vacant positions, and requests for proposals. The Foundation invests in direct response solicitations through the annual fund program. The Foundation expects to solicit an immediate response from its constituents. Therefore, all advertising and solicitation costs are expensed immediately and are not capitalized. Solicitation costs are normally included in printing and postage, which totaled approximately \$ 309,000 in 2014 and \$ 448,000 in 2013.

(r) 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014 and 2013

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Date of management review:

Management has evaluated subsequent events through October 9, 2014, which is the date the financial statements were available for issuance.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are summarized as of June 30, 2014 and 2013 as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
In one year or less	\$ 1,750,843	\$ 201,329	\$ 1,952,172
Between two to five years	1,739,258	270,066	2,009,324
Greater than five years	<u>726,109</u>	<u>20,000</u>	<u>746,109</u>
Total unconditional pledges at face value	4,216,210	491,395	4,707,605
Less unamortized discount	(84,674)	(7,867)	(92,541)
Less allowance for uncollectible pledges	<u>(312,247)</u>	<u>(36,749)</u>	<u>(348,996)</u>
Net unconditional pledges	<u>\$ 3,819,289</u>	<u>\$ 446,779</u>	<u>\$ 4,266,068</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
In one year or less	\$ 1,845,663	\$ 166,878	\$ 2,012,541
Between two to five years	2,138,074	161,000	2,299,074
Greater than five years	<u>848,054</u>	<u>30,000</u>	<u>878,054</u>
Total unconditional pledges at face value	4,831,791	357,878	5,189,669
Less unamortized discount	(92,470)	(5,530)	(98,000)
Less allowance for uncollectible pledges	<u>(360,188)</u>	<u>(26,779)</u>	<u>(386,967)</u>
Net unconditional pledges	<u>\$ 4,379,133</u>	<u>\$ 325,569</u>	<u>\$ 4,704,702</u>

Management periodically reviews the pledges balances and estimates allowances for accounts and pledges which may be uncollectible. Outstanding pledges from the annual phone-a-thon program are written off at the beginning of the following fiscal year. All other pledges are generally provided for if they are (a) delinquent for one year and (b) the remaining pledge balance is determined uncollectible. The Foundation reported a provision for uncollectible pledges of approximately \$ 219,000 and \$ 414,000 in 2014 and 2013, respectively. Management estimated that 7.60% of all current and future pledges would be established as the 2014 and 2013 allowances. Additionally, pledges are recorded at their present value. The Federal Reserve discount rate of 0.75% was applied to future cash flows for pledges made in 2011 and later and 0.50% for all pledges made before July 1, 2010.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE 2 – PLEDGES RECEIVABLE (continued)

The Foundation is 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, 2011 the Foundation had pledges conditional upon legislative appropriation from the Florida Department of Education’s Major Gifts Program, of approximately \$ 8,770,000. Some of outstanding matching gifts have been on the priority list since the 2006–2007 fiscal year. The Florida Legislature did not appropriate funding for the fiscal years 2011 through 2014. Accordingly, these pledges have not been recorded as receivables. Effective July 1, 2011 the state matching gift program was temporarily suspended until the backlog of eligible matches are paid by the State of Florida. Since July 1, 2011 the Foundation has received approximately \$ 2,459,000 in gifts that would have been eligible for match.

No receivable was recorded for bequests and conditional pledges, nor was the future support recognized. As of June 30, 2014 the Foundation was made aware of approximately \$ 46 million in potential bequests and other conditional pledges.

NOTE 3 – INVESTMENTS AND INVESTMENTS RETURN

The Foundation invests primarily in domestic and international equity, fixed income securities, and alternative investments such as hedge funds, private equity and real asset funds, according to specified allocations, except where donor restrictions may apply.

Investments at June 30, 2014 and 2013 consisted of the following at their fair value:

Type	2014	2013
United States large cap stocks	\$ 55,792,430	\$ 46,790,545
Total United States stocks	<u>55,792,430</u>	<u>46,790,545</u>
International large and mid cap stocks	34,606,733	28,419,430
International emerging markets	5,476,917	6,902,830
Total international stocks	<u>40,083,650</u>	<u>35,322,260</u>
Total Equities	<u>95,876,080</u>	<u>82,112,805</u>
United States fixed income	36,776,927	35,146,351
International fixed income	3,143,662	3,061,818
Certificates of deposit	2,515,205	5,024,931
Total Fixed Income	<u>42,435,794</u>	<u>43,233,100</u>
Hedge funds	52,716,692	47,819,304
Real asset funds	10,925,926	9,521,822
Private equity	10,278,626	9,917,841
Total Other	<u>73,921,244</u>	<u>67,258,967</u>
Total Investments	<u>\$ 212,233,118</u>	<u>\$ 192,604,872</u>



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

The Foundation had net unrealized gains of approximately \$ 20,479,000 and net realized gains of \$ 4,386,000 at June 30, 2014; and net unrealized gains of approximately \$ 14,035,000 and net realized gains of \$ 4,667,000 at June 30, 2013. These amounts are included in the statements of activities under net realized and unrealized gains on investments. Interest and dividend income reflected in the statements of activities for the years ended June 30, 2014 and 2013 is presented net of the estimated investment manager/custodian fees of approximately \$ 1,719,000 and \$ 1,766,000, respectively.

Investments in common stocks (equities) and exchange-traded funds 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 carried at market value, as reported by the issuers. Alternative investments consist of hedge funds, private equity and real asset funds. Alternative investments (nontraditional, not readily-marketable assets), some of which are structured such that the Foundation holds limited partnership interests, are stated at fair value as estimated in an unquoted market. Individual investment holdings within the alternative investments may in turn include investments in both nonmarketable and market-traded securities. Valuation of these investments and, therefore Foundation holdings, are determined by the investment manager or general partner. Values may be based on historical costs, appraisals, or other estimates that require varying degrees of judgment. While these financial instruments may contain varying degrees of risk, the Foundation's risk with respect to such transactions is limited to its capital balance, and any remaining commitments, in each investment. The financial statements of the investees are audited annually by certified public accounting firms.

The Foundation believes the methods for providing estimated fair values on these financial instruments are reasonable. Alternative investments often do not have readily determinable market values and their estimated value is subject to uncertainty. Therefore, there may be a significant 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 restricted by the donors to remain in these investments. If liquidation were allowed, the sale would likely be discounted on a secondary market. Several hedge fund instruments require an initial lock-up period from one to three years. The Foundation typically selects the shortest lock-up period available when initiating a purchase. Certain private equity and real asset fund investments may require a lock-up period of up to ten years or for the duration of the partnership, although distributions of capital are periodically made by the managing partners when a project completes.

The Foundation invests in hedging activities in order to mitigate the risk inherent with market fluctuations and its hedge fund managers may invest in derivative instruments. At June 30, 2014, the Foundation invested 24.2% of the managed portfolio with hedge fund managers. For additional information on hedge funds and other alternative investment strategies and unfulfilled commitments as of the year-end, reference should be made to Note 5.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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NOTE 4 – FUNDS HELD IN TRUST BY OTHERS

The Foundation is the sole beneficiary of certain trusts that are not in its possession or under its control, but are held and administered by outside trustees. These funds held in trust by others are considered part of the Foundation's endowments and are included in Notes 5 and 6. The Foundation recognizes the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or when the Foundation is notified of its existence. The present value is calculated using discount rates the year in which the trust was established.

Funds held in trust by others at June 30, 2014 and 2013 consisted of the following at their fair value:

	<u>2014</u>	<u>2013</u>
United States large cap stocks	\$ 1,092,113	\$ 1,102,803
United States mid cap stocks	288,611	180,929
United States small cap stocks	<u>255,795</u>	<u>241,707</u>
Total United States stocks	<u>1,636,519</u>	<u>1,525,439</u>
International large and mid cap stocks	447,175	227,258
International emerging markets	<u>187,624</u>	<u>186,946</u>
Total international stocks	<u>634,799</u>	<u>414,204</u>
Total Equities	<u>2,271,318</u>	<u>1,939,643</u>
United States fixed income	343,920	388,550
International fixed income	<u>82,795</u>	<u>96,247</u>
Total Fixed Income	<u>426,715</u>	<u>484,797</u>
Hedge funds	341,852	258,321
Real asset funds	179,616	140,739
Commodities	95,635	164,602
Cash and equivalents	<u>83,127</u>	<u>96,018</u>
Total Other	<u>700,230</u>	<u>659,680</u>
Total Funds Held in Trust	<u>\$ 3,398,263</u>	<u>\$ 3,084,120</u>

NOTE 5 – FAIR VALUE MEASUREMENT

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Foundation provides certain disclosures based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. ASC No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. 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).

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014 and 2013

NOTE 5 – FAIR VALUE MEASUREMENT (continued)

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. 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 three levels of the fair value hierarchy are as follows:

- Level 1 - inputs that are observable and reflect quoted market prices (unadjusted) in active markets for identical investments that the Foundation can access at the measurement date.
- Level 2 - inputs 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 for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

Accounting Standards Update (ASU) 2009-12 *Guidance for Measuring Fair Value of Certain Alternative Investments* permits, as a practical expedient, entities to use net asset value per share (NAV) for measuring the fair value of certain alternative investments that do not have a quoted market price, provided that the entity is able to redeem the investment with the investee at NAV as of the measurement date. In addition, it allows the classification of investments that can be redeemed at a readily determinable net asset value within the near term as Level 2 and all others as Level 3.

The following table presents the Foundation’s investments measured at fair value as of June 30, 2014 and 2013, which include investments and funds held in trust by others, on the statements of financial position. The assets are classified by ASC No. 820 fair value hierarchy as follows:

Investments in:	Level 1	Level 2	Level 3	2014 Total
Equities	\$ 92,670,481	\$ 5,476,917	\$ -	\$ 98,147,398
Other	4,624,353	4,478,041	65,519,080	74,621,474
Fixed income	<u>20,913,149</u>	<u>21,949,360</u>	-	<u>42,862,509</u>
Total investments	<u>\$ 118,207,983</u>	<u>\$ 31,904,318</u>	<u>\$ 65,519,080</u>	<u>\$ 215,631,381</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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NOTE 5 – FAIR VALUE MEASUREMENT (continued)

Investments in:	Level 1	Level 2	Level 3	2013 Total
Equities	\$ 77,149,618	\$ 6,902,830	\$ -	\$ 84,052,448
Other	3,593,468	5,508,835	58,816,344	67,918,647
Fixed income	<u>20,017,598</u>	<u>23,700,299</u>	<u>-</u>	<u>43,717,897</u>
Total investments	<u>\$ 100,760,684</u>	<u>\$ 36,111,964</u>	<u>\$ 58,816,344</u>	<u>\$ 195,688,992</u>

For the years ended June 30, 2014 and 2013, there were no transfers between Levels. The Foundation's policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer.

The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

Reconciliation of Level 3 investments at June 30, 2014:

	Hedge Fund	Private Equity	Real Asset Funds	2014 Total
Beginning Balance	\$ 42,406,488	\$ 9,917,841	\$ 6,492,015	\$ 58,816,344
Total gains (losses) included in change in net assets:				
Net realized and unrealized gains (losses) on investments	2,659,799	1,577,540	434,722	4,672,061
Capital contributions	7,211,043	510,000	467,000	8,188,043
Distributions/redemptions	<u>(3,955,553)</u>	<u>(1,726,755)</u>	<u>(475,060)</u>	<u>(6,157,368)</u>
Ending Balance	<u>\$ 48,321,777</u>	<u>\$ 10,278,626</u>	<u>\$ 6,918,677</u>	<u>\$ 65,519,080</u>
Change in unrealized gains (losses) for the year ended included in change in net assets for assets held at the end of the reporting period	<u>\$ 1,079,147</u>	<u>\$ 1,155,393</u>	<u>\$ 434,722</u>	<u>\$ 2,669,262</u>

Reconciliation of Level 3 investments at June 30, 2013

	Hedge Funds	Private Equity	Real Asset Funds	2013 Total
Beginning Balance	\$ 36,539,185	\$ 10,853,701	\$ 8,218,769	\$ 55,611,655
Total gains (losses) included in change in net assets:				
Net realized and unrealized gains (losses) on investments	5,973,472	234,707	962,422	7,170,601
Capital contributions	-	664,250	268,565	932,815
Distributions/redemptions	<u>(106,169)</u>	<u>(1,834,817)</u>	<u>(2,957,741)</u>	<u>(4,898,727)</u>
Ending Balance	<u>\$ 42,406,488</u>	<u>\$ 9,917,841</u>	<u>\$ 6,492,015</u>	<u>\$ 58,816,344</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 5 – FAIR VALUE MEASUREMENT (continued)

	Hedge Funds	Private Equity	Real Asset Funds	2013 Total
Change in unrealized gains (losses) for the year ended included in change in net assets for assets held at the end of the reporting period	\$ <u>5,967,254</u>	\$ <u>(683,227)</u>	\$ <u>974,385</u>	\$ <u>2,518,285</u>

The following table provides additional disclosures of alternative investments held by the Foundation as of June 30, 2014.

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi - strategy (a)	\$ 23,220,152	\$ -	Quarterly to Over One Year	60 to 65 days
Long-short strategy (b)	15,412,451	-	Monthly, Quarterly and Annually	45 to 180 days
Private equity (c)	10,278,626	2,567,316	Duration of Partnership	N/A
Distressed strategy (d)	10,043,127	-	Quarterly and Two Years	45 to 65 days
Real assets (e)	6,918,677	1,464,056	Quarterly and Duration of Partnership	90 days, as applicable
Global macro strategy (f)	3,531,024	-	Quarterly	90 days
Short credit (g)	<u>509,938</u>	<u>-</u>	Monthly	30 days
Total	<u>\$ 69,913,995</u>	<u>\$ 4,031,372</u>		

- (a) Multi strategy: This class invests in long and short term credit as well as distressed and special situations. 38% of investments can be redeemed quarterly, 24% of investments can be redeemed in a period of over one year, 22% of investments can be redeemed every six months, and 16% can be redeemed annually.
- (b) Long-short strategy: This class includes investments in hedge funds that invest in both long and short equity securities. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. 50% of investments can be redeemed quarterly, 33% of investments can be redeemed annually, and 17% of investments can be redeemed monthly.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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NOTE 5 – FAIR VALUE MEASUREMENT (continued)

- (c) Private equity: This class includes several private equity funds some of which offer investments into any of three separate strategies: venture capital, private equity (buyouts) and emerging markets. Investments are made with a limited partner agreement, which prohibits redemption of the investment. Instead, distributions are received through the liquidation of the underlying assets of the fund. 100% of investments are held through the duration of the partnership which range from 5 to 15+ years.
- (d) Distressed strategy: This class invests in long and short term credit as well as directional strategies that take advantage of the distressed markets. 55% of investments can be redeemed quarterly and the remaining 45% of investments can be redeemed every 24 months.
- (e) Real assets: This class includes several real estate funds that invest primarily in public REITS, private open-end core real estate funds and a portfolio of directly held properties. Distributions from each fund will be received as the underlying investments of the funds are liquidated. 50% of investments are held through the duration of the partnership which range from 5 to 15+ years, 37% of investments can be redeemed quarterly, and 13% of investments report redemptions that are currently suspended.
- (f) Global macro strategy: This class invests in long and short term positions, fixed income, current and futures based primarily on an overall economic and political view of various countries. 100% of investments can be redeemed quarterly.
- (g) Short credit: This class invests in long and short term credit primarily in North America. 100% of investments can be redeemed monthly.

NOTE 6 – ENDOWMENTS

The Foundation has approximately 400 fully endowed funds established for the support of the students, programs and faculty of the various colleges at Florida Atlantic University. Endowments include 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:

The Foundation interprets the State of Florida's Uniform Prudent Management of Institutional Funds Act (FUPMIFA), 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. The 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, the Foundation and its Board 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. 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 FUPMIFA. The Foundation allocated approximately \$ 4.5 million in spending for the endowment funds in fiscal year 2014 and approximately \$ 5.0 million in fiscal year 2013. The cash balance from endowment funds included in temporarily restricted net assets in the accompanying statements of financial position in primarily the unspent allocation from the endowment funds. This balance was approximately \$ 7.7 million in 2014 and \$ 7.6 million in 2013.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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NOTE 6 – ENDOWMENTS (continued)

In accordance with FUPMIFA, the Board 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.

The following tables present the Foundation's endowments composition, changes, and net asset classifications for the indicated years.

Endowment Net Asset Composition by Type of Fund as of June 30, 2014 and 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Donor-restricted endowment funds	\$ -	\$ 56,788,102	\$ 145,685,066	\$ 202,473,168
Board-designated endowment funds	<u>6,047,597</u>	<u>-</u>	<u>-</u>	<u>6,047,597</u>
Total endowment funds	<u>\$ 6,047,597</u>	<u>\$ 56,788,102</u>	<u>\$ 145,685,066</u>	<u>\$ 208,520,765</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Donor-restricted endowment funds	\$ (4,139)	\$ 39,302,484	\$ 144,582,943	\$ 183,881,288
Board-designated endowment funds	<u>5,405,314</u>	<u>-</u>	<u>-</u>	<u>5,405,314</u>
Total endowment funds	<u>\$ 5,401,175</u>	<u>\$ 39,302,484</u>	<u>\$ 144,582,943</u>	<u>\$ 189,286,602</u>

Changes in Endowment Net Assets for the years ended June 30, 2014 and 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Endowment net assets, July 1, 2013	<u>\$ 5,401,175</u>	<u>\$ 39,302,484</u>	<u>\$ 144,582,943</u>	<u>\$ 189,286,602</u>
Investment return:				
Interest and dividend income, net of fees	65,590	2,263,481	-	2,329,071
Net appreciation (realized and unrealized)	<u>674,228</u>	<u>22,628,273</u>	<u>-</u>	<u>23,302,501</u>
Total investment return	739,818	24,891,754	-	25,631,572

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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NOTE 6 – ENDOWMENTS (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Contributions	-	-	921,127	921,127
Expenditures	(97,535)	(7,402,232)	-	(7,499,767)
Other transfers	<u>4,139</u>	<u>(3,904)</u>	<u>180,996</u>	<u>181,231</u>
Total change in endowment funds	<u>646,422</u>	<u>17,485,618</u>	<u>1,102,123</u>	<u>19,234,163</u>
Endowment net assets, June 30, 2014	\$ <u>6,047,597</u>	\$ <u>56,788,102</u>	\$ <u>145,685,066</u>	\$ <u>208,520,765</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Endowment net assets, July 1, 2012	\$ <u>4,829,163</u>	\$ <u>26,382,043</u>	\$ <u>141,019,654</u>	\$ <u>172,230,860</u>
Investment return:				
Interest and dividend income, net of fees	59,200	2,066,854	-	2,126,054
Net depreciation (realized and unrealized)	<u>518,288</u>	<u>17,148,692</u>	<u>-</u>	<u>17,666,980</u>
Total investment return (loss)	577,488	19,215,546	-	19,793,034
Contributions	-	1,254,061	3,637,985	4,892,046
Expenditures	(89,341)	(7,700,064)	-	(7,789,405)
Other transfers	<u>83,865</u>	<u>150,898</u>	<u>(74,696)</u>	<u>160,067</u>
Total change in endowment funds	<u>572,012</u>	<u>12,920,441</u>	<u>3,563,289</u>	<u>17,055,742</u>
Endowment net assets, June 30, 2013	\$ <u>5,401,175</u>	\$ <u>39,302,484</u>	\$ <u>144,582,943</u>	\$ <u>189,286,602</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only) at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Permanently restricted net assets required to be retained permanently	\$ <u>145,685,066</u>	\$ <u>144,582,943</u>
Temporarily restricted net assets The portion of perpetual endowment funds subject to a time/purpose restriction under FUPMIFA:		
With purpose restrictions	\$ <u>56,788,102</u>	\$ <u>39,302,484</u>



FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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NOTE 6 – ENDOWMENTS (continued)

Funds with Deficiencies:

From time to time, the fair value of certain endowments may fall under historical cost values (original gift/book value), and therefore, are considered to be underwater. There were no underwater endowments at June 30, 2014. The fair value deficiencies of underwater endowments were (\$ 4,139) at June 30, 2013. These deficiencies have been recorded as reductions in unrestricted net assets in accordance with accounting principles generally accepted in the United States of America. Future gains are used to restore these deficiencies in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets.

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. The Board of Directors, in consultation with its investment advisors, monitors the Foundation's target goal of 8.1% compared to the expected long-term return, which is periodically reevaluated.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies 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. The Foundation targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve the 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 and incremental return.

Spending Policy and How Investment Objectives Relate to Spending Policy:

The Foundation has implemented a spending policy focused on protecting the corpus; the policy is a three pronged approach to determining an 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 restricted spending distribution is implemented if the fund has an 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.

The Foundation has a policy to distribute typically 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 2014 and 2013, fees were set at 1.7% and amounted to approximately \$ 2,923,000 and \$ 2,665,000, respectively.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE 7 – CONCENTRATION OF RISK

Custodial Credit Risk – Custodial credit risk is the risk that the Foundation will not be able to recover its cash and equivalents from the financial institution in the event of the financial institution’s failure. The Foundation had deposits in excess of FDIC insurance of approximately \$ 2,063,000 for the year ended June 30, 2014. This amount is maintained with what management believes to be a quality financial institution. The Foundation also has protection, with limits, under the Securities Investor Protection Corporation (SIPC).

The Foundation seeks to mitigate custodial risk by investing in the Certificate of Deposit Registry Account Service "CDARS" program and the Insured Cash Sweep "ICS" program. These programs place funds in increments of up to \$ 250,000 with non-redundant banks throughout the United States, thereby protecting all funds with FDIC insurance. At June 30, 2014 and 2013, the Foundation had total deposits of approximately \$ 10,158,000 and \$ 10,074,000, respectively, in these programs.

Interest Rate Risk – Interest rate risk is the risk that an increase in interest rates will adversely affect the fair value of a debt-type investment. The Foundation's investment policy limits investment maturities as a means of managing exposure to fair value losses arising from increased interest rates.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. The Foundation’s investment policy requires diversification of investments to reduce the potential of a single security, or single sector of securities from having a significant impact on the portfolio. At June 30, 2014 the Foundation had no investments greater than 15% of its portfolio with any one money manager.

Credit Risk – Credit risk is the risk that an issuer of debt will not fulfill its obligations. The schedules in Notes 3 and 4 provide further details on the fixed income instruments held by the Foundation.

NOTE 8 – REAL PROPERTY AND IMPROVEMENTS

Real property and improvements and the related accumulated depreciation consist of the following at June 30, 2014 and June 30, 2013:

	2014	2013
Buildings and improvements	\$ 237,000	\$ 237,000
Less accumulated depreciation	198,134	193,318
Buildings and improvements, net	38,866	43,682
 Land	 4,439,639	 4,439,639
Real property and improvements, net	\$ 4,478,505	\$ 4,483,321

The provision for depreciation was \$ 4,816 for both 2014 and 2013 fiscal years.

Land Preserves

Approximately 25 percent of the 150 acres known as Pine Jog (included in land) have reversion clauses where the ownership of the land reverts 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

NOTE 8 – REAL PROPERTY AND IMPROVEMENTS (continued)

During the fiscal year ended June 30, 2012, the Foundation received 156 acres of land in Indiantown, Florida which was recorded as a contribution at the estimated fair value of \$ 1,280,000. The Foundation, with the approval of its Board of Directors, sold the land during fiscal year 2013, for approximately \$ 1,074,000, net of expenses.

NOTE 9 - SUB-LEASING ARRANGEMENT

The Foundation previously entered into a sub-leasing agreement with the Florida Board of Education (the Board). Upon entering into this agreement, two master leases between the Board and the Board of Trustees of the Internal Improvement Trust Fund were assumed by the Foundation. 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 the Foundation through January, 2073.

The Foundation 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 the Foundation with a monthly base rent from the commencement date through its expiration in January, 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 current excess square footage provision in the contract increases the base rental income by approximately \$ 99,000 annually. The lease provided rental income of approximately \$ 1,053,000 in 2014 and \$ 1,037,000 in 2013 relating to this agreement.

Future minimum rentals to be received under this sub-leasing arrangement at June 30, 2014 are estimated to be approximately as follows:

Year Ending June 30,	Estimated Minimum Future Rentals
2015	\$ 1,053,000
2016	1,053,000
2017	1,053,000
2018	1,053,000
2019	1,053,000
2020 - 2029	11,023,000
2030 - 2039	11,652,000
2040 - 2049	14,408,000
2050 - 2059	15,224,000
2060 - 2069	15,972,000
2070 - 2073	6,134,000
	\$ 79,678,000

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

NOTE 10 - DIRECT FINANCING-TYPE LEASE AND CERTIFICATES OF PARTICIPATION

Effective November 30, 2012, the Foundation caused its trustee to issue the 2012 Certificates of Participation ("Certificates") to refund the then existing 1999 and 2000 Certificates. In support of the University's needs, the funds provided by the original issuances were used to finance the cost to construct an honors college dormitory facility on the John D. MacArthur Campus located in Jupiter, Florida. The 2012 Certificates are payable in annual principal installments ranging from \$ 391,000 to \$ 661,000 with semi-annual interest payments at a 2.41% fixed rate through maturity, May 2030. The interest rate on the refunded certificates ranged from 3.50% to 5.875%.

The Foundation previously entered into master lease agreements with the Florida Board of Education (the Board), whereby the Foundation is 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. The Foundation further entered into agreements to lease the buildings to the University, in exchange for the University's paying all amounts due under the Certificates.

The Foundation guarantees the Certificates unconditionally and shall maintain minimum unrestricted expendable net assets of \$ 1,300,000; provided; it shall not constitute an event of default if the amount of such net assets fall below the minimum threshold due to the application of certain current accounting standards. In the event that the Foundation is unable to maintain the required minimum net assets and cure such deficiency as set forth in the agreement, the Foundation may alternatively defray an event of default by depositing with the trustee (debt service reserve fund account) an amount equal to the maximum annual debt service of the 2012 Certificates. Further, the University has agreed to timely fund such reserve account, if required, to avoid an event of default by the Foundation under its guarantee.

At June 30, 2014, the minimum lease payments to be received from the University and the payments due on the 2012 Certificates for each of the five succeeding fiscal years and thereafter are estimated to be approximately as follows:

<u>Year Ending June 30,</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 486,000	\$ 209,100	\$ 695,100
2016	497,000	197,400	694,400
2017	507,000	185,400	692,400
2018	517,000	173,200	690,200
2019	534,000	160,700	694,700
Thereafter	<u>6,134,000</u>	<u>853,500</u>	<u>6,987,500</u>
Total	8,675,000	\$ <u><u>1,779,300</u></u>	\$ <u><u>10,454,300</u></u>
Minus restricted funds (Note 1(m)):	<u>(803,000)</u>		
	<u><u>\$ 7,872,000</u></u>		

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014 and 2013

NOTE 11 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash Inflow

For the fiscal year 2014, the Foundation received cash of \$ 2,937,251 derived from interest and dividend income as well as received cash of \$ 220,490 from interest income derived from the direct finance type lease (Note 10). Total supplemental cash flows received for fiscal year 2014 were \$ 3,157,741.

For the fiscal year 2013, the Foundation received cash of \$ 2,744,201 derived from interest and dividend income as well as received cash of \$ 432,294 from interest income derived from the direct finance type lease (Note 10). Total supplemental cash flows received for fiscal year 2013 were \$ 3,176,495.

Cash Outflow

For the fiscal year 2014, the Foundation made interest payments of \$ 220,490 resulting from the certificates of participation (Note 10).

For the fiscal year 2013, the Foundation made interest payments of \$ 432,294 resulting from the certificates of participation (Note 10).

NOTE 12 - RESTRICTED NET ASSETS

At June 30, 2014, temporarily restricted net assets consisted of cash, cash equivalents, pledges, receivables from unrestricted funds (see below), investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 102,962,644 less annuities payable and other liabilities and debt of \$ 11,284,586. Permanently restricted net assets consisted of pledges and investment of \$ 146,198,286 less other payables of \$ 25.

At June 30, 2013, temporarily restricted net assets consisted of cash, cash equivalents, pledges, receivables from unrestricted funds (see below), investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 83,749,060 less annuities payable and other liabilities and debt of \$ 10,592,589. Permanently restricted net assets consisted of pledges and investment of \$ 145,021,916 less annuities payable of \$ 46,295.

These assets are restricted by donors for the following purposes for years ended 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Student financial support	\$ 26,569,101	\$ 19,547,287
Faculty and staff support	20,468,147	16,080,457
Academic divisions	23,185,903	16,661,804
Plant, equipment and maintenance	9,846,712	10,394,508
Other	7,317,921	6,742,449
Library resources	2,880,519	2,511,447
Research	<u>1,409,755</u>	<u>1,218,519</u>
Total temporarily restricted net assets	<u>\$ 91,678,058</u>	<u>\$ 73,156,471</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014 and 2013

NOTE 12 - RESTRICTED NET ASSETS (continued)

	2014	2013
Student financial support	\$ 54,357,892	\$ 53,572,841
Academic divisions	50,673,167	50,544,366
Faculty and staff support	35,766,199	35,622,178
Library resources	2,257,647	2,245,716
Research	1,718,818	1,696,311
Other	876,556	746,252
Plant, equipment and maintenance	547,982	547,957
 Total permanently restricted net assets	 \$ 146,198,261	 \$ 144,975,621

Amounts due to the Temporarily Restricted fund from the Unrestricted fund totaled \$ 981,166 at June 30, 2014 and \$ 1,121,333 at June 30, 2013. This is a return of fees, which began in fiscal year 2012, and is being paid to the endowed funds over the course of ten years at \$ 140,167 per year.

NOTE 13 – IN-KIND TRANSACTIONS

The Foundation is supported in its goals by the University's Division of Community Engagement, Development Department. Support from the University includes office space, equipment and funding for operating expenses and salaries for advancement personnel who are critical in the operations of the Foundation. The Foundation has estimated the cost of operational support from the University to be approximately \$ 2,390,000 in 2014 and \$ 2,356,000 in 2013. This support is reported on the statements of activities as contributions and expenses.

The Foundation is a direct support organization of Florida Atlantic University, and as such transfers funds to support the academic programs, scholarships and salaries of faculty members on a monthly basis. At June 30, 2014 and 2013, the total amount due to the University was approximately \$ 1,018,000 and \$ 704,000, respectively, and is reflected in accounts payable and other liabilities in the accompanying statements of financial position.

NOTE 14 – RELATED PARTY TRANSACTIONS

Florida Atlantic University

The Foundation has committed \$ 500,000 to the University in fiscal year 2014 for tuition waivers from earnings from the University Commons rent revenues (Note 9) and has a continuing commitment to provide First Generation funds for scholarships from University Commons rent revenues.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

NOTE 14 – RELATED PARTY TRANSACTIONS (continued)

In fiscal year 2011, the Florida Atlantic University Finance Corp (FAUFC), a separate direct support organization of the University, entered into a loan agreement for the construction of an on-campus football stadium. The stadium hosted its first home game on October 15, 2011. Among other operating revenues of the stadium, the agreement requires that all revenues associated with priority and premium seating of the stadium are to be pledged toward this credit facility. During the years ended June 30, 2014 and 2013, the Foundation collected approximately \$ 486,000 and \$ 490,000 of priority seating revenues. In compliance with the loan agreement, the Foundation transferred these pledged revenues to the lending financial institution on a monthly basis. As of June 30, 2014 and 2013, respectively, approximately \$ 57,000 and \$ 64,000 was included in restricted cash (Note 1(m)) and in accounts payable and other liabilities, representing June collections which were subsequently transferred to the lender in July of each year. The Foundation records the gift portion, associated with seating fees, as contribution revenue; however, proceeds related to goods and services of the stadium are treated as agency transactions not affecting the Statements of Activities.

The Foundation is neither a borrower nor a guarantor on this infrastructure loan. The University retains the obligation to fulfill commitments entered into in connection with the sales of goods and services, including sales tax.

Board of Directors

The Foundation adheres to a conflict of interest policy with the board members. During the course of business, the Foundation may purchase supplies and/or services at fair market value from companies which have affiliations with the Foundation's 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, 2014:

A former board member is the owner and President of a general contractor firm, who has a working contract with the University and has a small interest (2%) in the partnership of the limited liability company that has the ground lease at the University Commons. The Foundation has an affinity contract with a major financial institution in which a board member is a Senior Vice President. The affinity contract was in place prior to the Senior Vice President becoming a board member. Several trusts are also managed by the same major financial institution. A board member is an Assistant Dean with the Charles E. Schmidt College of Medicine and receives no compensation for his work. A former board member is the Vice President and Principal Partner with an engineering and planning consulting firm, which has contracted with the University in the past. This board member's spouse is a key staff person with the Division of Community Engagement and was hired subsequent to the board member rolling off the board.

A board member is a member of the Board of Directors to the FAU Finance Corp., and owns land in the FAU Research Park. A board member is on the Board of Trustees to several entities of the Boca Raton Regional Hospital which may negotiate with FAU in the normal course of business. Several board members are also volunteer advisory board members to FAU Colleges and, or the Alumni Association. The Foundation leases a vehicle for the University, from a car dealership owned by a board member. A board member is a trustee of another foundation which provides grants to the Foundation.

A board member's husband served two three-year terms on the Foundation Board from 2007 to 2014. He paid the FAU Office of Technology Licensing for an option on a license for technology invented by a FAU professor and has been a paying commercial tenant of the FAU Research Park since January 2004. He also serves on the Advisory Board and has been a guest lecturer for the FAU College of Business.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

NOTE 15 – LEAVE LIABILITY

Liabilities are recorded for annual sick leave payments that would be paid at the resignation or termination of an employee. For the year ended June 30, 2014, a liability of approximately \$ 211,000 was recorded for the leave payments that the Foundation would be obligated to reimburse the University and approximately \$ 214,000 for the liability that would be paid through the University funds. For the year ended June 30, 2013, the Foundation's leave liability was approximately \$ 151,000 and \$ 190,000 as the amount to be provided from the University.

NOTE 16 – 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 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.

The Foundation had agreed with the HBOIF to expand operations and provide for the administration of HBOIF funds and fundraising activities. The HBOIF continues to operate to take in revenue from license plates and administer its endowment, but the majority of all donations continue to be solicited and collected by the Foundation.

In accordance with this agreement, HBOIF transferred funds from their four Specialty License Plate revenues to fund research projects and marketing with the University. These transfers are recorded on the Foundation's Statements of Financial Position as a "liability to resource provider." The amount of this liability at June 30, 2014 and 2013 were approximately \$ 200,000 and \$ 172,000, respectively.

At the end of the 2012 fiscal year, HBOIF and the University's Division of Sponsored Research (DSR) had entered into an agreement whereby HBOIF would send the proceeds from the four HBOI specialty license plates directly to DSR instead of sending the funds to the Foundation. This change allows for a more efficient grant approval process. As a result of this agreement, the Foundation transferred approximately \$ 4,290,000 to DSR in fiscal year 2013.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

The Foundation may be involved in litigation, audits and tax examinations which arise in the normal course of operations. Management believes that the amount of liability resulting from such activities, if any, would not materially impact the Foundation. At June 30, 2014, management did not know of any pending or potential litigation, audits or tax examinations against the Foundation.

The Foundation 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 royalties. The contract allows for annual advances of \$ 120,000, which is established as deferred revenue until the revenue is earned. Deferred revenues for the year ended June 30, 2014, as a result of this arrangement, were approximately \$ 330,000.



SUPPLEMENTAL INFORMATION  
AND SCHEDULES

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF BOARD OF DIRECTORS AND  
 EXECUTIVE COMMITTEE MEMBERS  
 June 30, 2014

At June 30, 2014, 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 '71***	April 2015
Andrew Clark, Ph.D. '80, '83	April 2016
Stephen Constantine '82	April 2017
Christopher Fluehr**	April 2019
Ira J. Gelb, M.D.*	April 2016
Kathleen (Kathi) Grace*	April 2015
Brett Greenberg**	April 2017
Dale Gregory	April 2015
Bonnie Kaye	April 2017
Gary Lesser	April 2017
Lewis Long	April 2016
Stewart I. Martin '89	April 2015
Patricia A. McKay '78**	April 2017
Raymond Monteleone '92	April 2017
Ken Porpora '98	April 2017
Dr. Marta Rendon	April 2017
Robert Robes '93	April 2016
Robert K. Rollins	April 2015
Edward Sabin*	April 2017
Phil Smith '69	April 2016
Christopher C. Wheeler	April 2016
Dr. Lorna Sohn Williams	April 2017
J. Michael Woody	April 2017
Dr. Richard Yules	April 2017

**LIMITED PURPOSE DIRECTORS**

Howard R. Cooper (Investment)	April 2017
Michael J. Crowley '79, '80 (Investment)	April 2017
Steven Oyer (Investment)	April 2017
Jay Shein (Investment)	April 2017

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF BOARD OF DIRECTORS AND  
EXECUTIVE COMMITTEE MEMBERS  
June 30, 2014  
(continued)

**EX-OFFICIO MEMBERS**

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Dr. John Kelly	University President
Dennis Crudele**	Interim Chief Executive Officer
Bill Deigan	Lifelong Learning Representative
Terry Fedele	Chairman, Caring Hearts Auxiliary
Michael Cepeda	Student Government President
Benjamin Dickinson '04	Chairman, FAU Alumni Assoc.
The Honorable Dr. Jeffrey Feingold*	Board of Trustees Representative
Marlis Hadeed	University Club President
Peter LoBello	FAU Finance Corp. Representative
Ron Nyhan Ph.D.	Faculty Staff Representative
Audrey Sterenfeld	Lifelong Learning Representative

**EMERITUS**

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Kathleen Assaf	Director Emeritus
Ronald Assaf	Director Emeritus
Eleanor R. Baldwin	Director Emeritus
Jacqueline Becker	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's Board of Directors

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR EMINENT SCHOLARS PROGRAM**  
**For the Year Ended June 30, 2014**

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Fully endowed:</b>								
Dorothy F. Schmidt Eminent Scholar	\$ 5,006,000	\$ 7,714,046	\$ -	\$ 1,027,598	\$ (183,808)	\$ -	\$ 8,557,836	\$ 5,006,000
Schmidt Chair in Humanities								
Dorothy F. Schmidt Distgd Eminent School Chair of Performing Arts	5,001,255	7,255,405	-	988,897	(196,910)	-	8,047,392	5,001,255
John M. DeGrove Eminent Scholar Chair in Growth Mng & Dev	2,274,050	3,203,302	20	412,690	(183,475)	-	3,432,537	2,274,070
Helen Karpelena Persson Eminent Scholar Chair in Com Caring Eugene and Christine E. Lynn	1,758,721	2,186,035	-	287,768	(131,554)	-	2,342,249	1,758,721
Eminent Scholar Chair in Business	999,900	1,896,384	-	242,871	(44,690)	-	2,094,565	999,900
Charles E. Schmidt Eminent Scholar Chair in Engineering	1,148,560	1,732,247	-	220,607	(30,435)	-	1,922,419	1,148,560
Eminent Scholar Chair in Turkish Studies	889,800	1,640,572	-	179,219	(20,916)	-	1,798,875	889,800
John Thomas Ladue McGinty Eminent Scholar Chair in Biology	1,060,336	1,626,121	-	212,995	(76,215)	-	1,762,901	1,060,336
Dr. Robert J. Morrow Eminent Scholar Chair in Social Science	1,053,125	1,538,239	-	201,192	(72,071)	-	1,667,360	1,053,125
Glenwood and Martha Creech Eminent Scholar Chair in Science	1,028,466	1,533,959	-	201,126	(91,939)	-	1,643,146	1,028,466
Office Depot Eminent Scholar Chair	1,020,000	1,423,130	-	181,706	(25,268)	-	1,579,568	1,020,000
Small Business Research Charles Stewart Mott Eminent Scholar Chair in Comm Education	1,010,355	1,456,180	-	190,160	(79,254)	-	1,567,086	1,010,355
Raddock Family Eminent Scholar Chair in Holocaust Studies	1,133,911	1,449,059	-	197,637	(89,736)	5,754	1,562,724	1,139,665
Dorothy F. Schmidt Eminent Scholar Chair in the Performing Arts	1,035,674	1,383,249	-	176,136	(53,830)	-	1,505,555	1,035,674
Herbert & Elaine Gimmelstob Eminent Scholar Chair in Judaic Std	1,116,050	1,388,967	-	183,959	(75,798)	-	1,497,128	1,116,050
William F. Dietrich Eminent Scholar Chair in Philosophy	1,045,505	1,288,730	-	175,056	(29,186)	-	1,434,600	1,045,505
Christine E. Lynn Eminent Scholar Chair in Nursing	1,033,725	1,300,151	-	176,232	(71,306)	-	1,405,077	1,033,725
<b>Total</b>	<b>\$ 27,615,433</b>	<b>\$ 40,015,776</b>	<b>\$ 20</b>	<b>\$ 5,255,849</b>	<b>\$ (1,456,381)</b>	<b>\$ 5,754</b>	<b>\$ 43,821,018</b>	<b>\$ 27,621,207</b>

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR ETHICS SCHOLARS PROGRAM**  
**For the Year Ended June 30, 2014**

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Fully endowed:</b>								
Dr. Floyd Koch Business Ethics Scholarship Fund	\$ 500,000	\$ 583,599	\$ -	\$ 77,377	\$ (34,764)	\$ -	\$ 626,212	\$ 500,000
Edward E. Shoaf Honors College Ethics Scholarship Fund	300,000	367,632	-	49,051	(19,824)	-	396,859	300,000
Edward E. Shoaf Ethics Scholarship Fund	300,000	331,797	-	44,416	(18,674)	1,389	358,928	300,000
J.M. Rubin Foundation Honors College Ethics Scholarship Fund	235,000	267,919	25,000	37,306	(15,258)	-	314,967	260,000
Mildred A. Becker Ethics Scholarship Endowment Fund	200,000	238,512	-	30,782	(9,282)	-	260,012	200,000
Hilda A Krinzman Ethics Scholarship Fund	212,688	237,356	-	31,546	(11,889)	-	257,013	212,688
<b>Total</b>	<u>\$ 1,747,688</u>	<u>\$ 2,026,815</u>	<u>\$ 25,000</u>	<u>\$ 270,478</u>	<u>\$ (109,691)</u>	<u>\$ 1,389</u>	<u>\$ 2,213,991</u>	<u>\$ 1,772,688</u>

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2014**

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Endowed Professorships:</b>								
Lucy Henderson Edmondson Professorship in Elementary Education	\$ 2,761,197	\$ 3,691,842	-	\$ 492,544	\$ (208,244)	-	\$ 3,976,142	\$ 2,761,197
Ronald and Elizabeth Blake Professorship in Nursing	225,000	320,516	-	42,059	(8,932)	-	353,643	225,000
LLS Distinguished Professorship in Current Affairs	250,000	317,246	-	40,241	(9,767)	-	347,720	250,000
Lifelong Learning Society Professorship in Social Science	150,000	314,894	-	39,000	(8,021)	-	345,873	150,000
LLS Distinguished Professorship in Arts & Humanities	250,000	302,623	-	38,737	(11,086)	-	330,274	250,000
Nona and Peter Gordon Endowed Professorship in Early Childhood Education	199,319	296,842	-	38,519	(13,138)	-	322,223	199,319
Charles E. Schmidt Professorship in Engineering	157,784	270,884	-	36,129	3,420	-	310,433	157,784
Henry Epstein Professorship in Urban and Regional Planning	150,262	276,357	-	33,784	(9,040)	-	301,101	150,262
John Wymer Endowed Professorship in Nursing	184,321	246,349	-	32,965	(8,137)	-	271,177	184,321
Sensormatic Professorship in Marketing	150,000	225,972	-	29,029	(4,035)	-	250,966	150,000
Adelaide R. Snyder Professorship in Ethics	160,775	228,199	-	28,949	(8,726)	-	248,422	160,775
Motorola Endowed Professorship for Electrical and Computer Engineering	162,000	221,623	-	28,390	(3,917)	-	246,096	162,000
Sharon Phillips Raddock Professorship in Holistic Nursing	152,821	224,158	-	27,959	(11,412)	-	240,705	152,821
Lifelong Learning Society Professorship in Science	150,050	221,568	-	34,434	(15,961)	-	240,041	150,050
Bingharn Professorship in Creative Writing	150,000	220,190	-	28,720	(13,502)	-	235,408	150,000
Lifelong Learning Society Professorship in Arts and Humanities	150,215	214,358	-	27,467	(10,836)	-	230,989	150,215
Rabbi Ario S. Hyams Library Professorship	150,000	201,464	-	26,703	(14,312)	8,000	221,855	150,000
William F. Dietrich Professorship in Philosophy	150,013	203,795	-	25,993	(8,535)	-	221,253	150,013
SunTrust/South Florida Professorship in Finance	150,000	203,428	-	27,473	(13,506)	1,535	218,930	150,000
Frances and Milton Levenson Professorship in Japanese Studies	150,200	203,173	-	26,339	(13,934)	-	215,578	150,200
J.M. Rubin Foundation Professorship in Engineering	150,000	185,258	-	23,758	(3,278)	-	205,738	150,000

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2014**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Endowed Scholarships and Fellowships:</b>								
Harriet L. Wilkes College Scholarship Fund	17,961,799	23,749,450	-	3,061,019	(679,149)	-	26,131,320	17,961,799
Henry Morrison Flagler Scholarship Fund	5,280,352	6,219,014	-	829,716	(344,819)	-	6,703,911	5,280,352
Essie C. Crain Nursing Scholarship Fund	1,821,861	2,523,848	-	335,122	(146,126)	-	2,712,844	1,821,861
Lawrence P. and Dorothy E. DeLisle Memorial Scholarship Fund	1,526,170	1,811,515	1,205	236,815	(32,605)	-	2,016,930	1,527,375
June and Ira Gelb M.D. Scholarship Fund	836,765	939,630	3,010	375,272	(47,462)	-	1,270,450	840,775
Helen Shoaf Memorial Scholarship	992,668	1,174,183	-	156,433	(64,558)	-	1,266,058	992,668
Esther Saylor Rothenberger Scholarship	1,020,078	1,137,380	-	132,492	(40,624)	-	1,229,248	1,020,078
Daniel B. and Aurel B. Newell Doctoral Fellowships	645,518	849,180	-	112,362	(50,633)	-	910,909	645,518
Mary Fraser Scholastic Trust Fund	651,012	808,146	-	104,407	(21,328)	-	891,225	651,012
William Fabricant Scholarship	450,000	629,642	-	81,739	(29,862)	-	681,519	450,000
Edgewater Pointe Estates Scholarship	320,572	417,286	-	54,007	(9,458)	-	461,835	320,572
W. DePan Memorial Scholarship	280,319	403,086	-	51,953	(11,201)	-	443,838	280,319
Nathan & Marion Crosby Holocaust and Judaic Studies Scholarship Fund	301,733	388,971	-	49,337	(6,809)	-	431,499	301,733
James and Zita Hayes and Zita Founders Honors Scholarship	335,068	392,031	-	52,344	(20,932)	-	423,443	335,068
Dr. Vincent R Saurino Fellowship for Graduate Students	330,093	387,570	-	52,060	(18,932)	-	420,698	330,093
David Neil Krinzman Memorial Scholarship Fund	304,247	352,949	-	46,593	(10,482)	-	389,060	304,247
Goizueta Foundation Scholars Fund	300,000	344,312	-	45,409	(16,067)	-	373,654	300,000
Fred and Kit Bigony Scholarship Fund	275,000	319,284	-	42,962	(5,965)	-	356,281	275,000
Angelos Langadas Scholarship	257,500	313,717	-	41,821	(17,414)	-	338,124	257,500
Ethics Scholarship Endowment	250,549	288,462	-	38,453	(10,350)	-	316,565	250,549
Virginia & Douglas Stewart Excellence in Honors Faculty Award	252,000	291,044	-	38,306	(13,708)	-	315,642	252,000

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2014**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Endowed Scholarships and Fellowships (continued):</b>								
Milton & Gladys Meisner Scholarships	211,644	279,838	-	36,969	(11,644)	-	305,163	211,644
M. Brenn Green Scholarship in Social Science	168,949	278,510	-	36,029	(10,489)	-	304,050	168,949
Andrew R. and Marjorie C. Buglione Endowed Scholarship Fund	250,841	272,617	-	35,566	(4,970)	-	303,213	250,841
LLS College of Nursing Graduate Stipend Endowment	250,000	271,250	-	36,308	(14,363)	-	293,195	250,000
James P. and Eloise M Latham Scholarship in Geography	173,259	262,505	-	33,893	(12,709)	-	283,689	173,259
Christine E. Lynn Nursing Assistance Program	200,000	270,416	-	34,528	(23,800)	-	281,144	200,000
Fanjul Academic and Community Excellence Award	150,000	253,255	-	32,808	(7,036)	-	279,027	150,000
Helen Shoaf Memorial Nursing Scholarship	200,000	192,560	-	32,293	(11,989)	50,000	262,864	200,000
Annette Van Howe Women's Studies Scholarship	196,660	238,086	-	31,215	(12,342)	-	256,959	196,660
Eric Alexander Engineering and Computer Science Scholarship	200,051	220,915	-	29,060	(6,040)	-	243,935	200,051
Lawrence A. Sanders Memorial Fellowship in English	150,000	224,677	-	26,820	(9,700)	-	241,797	150,000
Lawrence A. Sanders Memorial Fellowship in Creative Writing	150,000	191,589	25,000	25,509	(4,049)	-	238,049	175,000
James M. Cox, Jr./Palm Beach Post Scholarship in Journalism	151,500	214,353	-	27,753	(10,829)	-	231,277	151,500
Joseph Conaway Undergraduate Theater Scholarship	150,300	211,068	-	26,571	(10,527)	-	227,112	150,300
James A. Woodruff, Jr. Scholarship in Memory of Hazel Gates Woodruff	160,000	209,838	-	27,885	(11,880)	-	225,843	160,000
Ernest O. Melby Fellowships FAU National Alumni Association Scholarship	151,065	208,000	-	27,658	(11,848)	-	223,810	151,065
Mrs. Charles "Binny" Foster Scholarship	156,062	204,037	165	29,125	(11,682)	-	221,645	156,227
Joshua Logan Graduate Scholarship	149,735	197,663	-	26,078	(3,628)	-	220,113	149,735
Joshua Logan Graduate Scholarship	152,000	195,652	-	24,829	(3,454)	-	217,027	152,000



**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2014**  
(continued)

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Endowed Scholarships and Fellowships (continued):</b>								
Howard Guggenheim Endowed Scholarship	152,214	200,213	-	26,732	(10,919)	-	216,026	152,214
Eleanor R. Baldwin Genesis Scholarship Fund	150,270	200,636	-	25,770	(10,665)	-	215,741	150,270
Frances and Victor Ginsberg Scholarship	154,750	198,954	-	26,447	(11,180)	-	214,221	154,750
Genesis Belle Glade Teachers Scholarship	150,000	188,269	500	24,978	(8,558)	-	205,189	151,000
Fields Genesis Scholarship	150,000	186,946	-	24,831	(9,454)	-	202,323	150,000
Dr. Floyd F. Koch Graduate Scholarship in Science/Medicine	150,671	181,920	-	23,011	(3,177)	-	201,754	150,671
Blue Cross Blue Shield Health Scholars	150,000	186,213	-	24,731	(10,440)	-	200,504	150,000
Toppel Family Foundation Endowed Genesis Scholarship	150,000	185,164	-	24,610	(10,423)	-	199,351	150,000
Alice Griffin AAUW Graduate Fellowship Endowment	150,000	230,210	-	23,493	(8,259)	(50,000)	195,444	150,000
Dorothy & Marshall Andersen Scholarship Endowment	150,857	175,213	-	23,311	(3,843)	-	194,681	150,857
Lee J. and Esther Steindel Scholarship	153,909	173,762	-	23,132	(8,218)	-	188,676	153,909
Marian Altman Memorial Honors Scholarship	151,060	171,511	-	22,868	(9,181)	-	185,198	151,060
Dr. Floyd F. Koch Honors Scholarship	150,000	171,246	-	22,792	(9,821)	-	184,217	150,000
Mildred and Rudy Reis Endowed Scholarship	150,000	170,503	-	22,576	(9,391)	-	183,688	150,000
The Marsh Scholarship Fund	150,000	166,200	-	22,216	(8,889)	-	179,527	150,000
Reid Nix Endowed Scholarship Fund	123,000	155,610	-	20,773	(8,514)	-	167,869	123,000
Hank Watson Scholarship Fund	103,610	119,754	-	15,816	(7,200)	-	128,370	103,610
Lawrence and Florence A. DeGeorge C Trust Honors Scholarship	100,000	108,067	-	14,455	(5,710)	-	116,812	100,000

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2014**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Program Endowments:</b>								
Ann C. Kunkel Endowment for the Pine Jog Environmental Center Charles E. Schmidt	10,149,433	12,150,693	-	1,647,042	(228,857)	(443,700)	13,125,178	10,149,433
Biomedical Endowment Christine Lynn Endowment Fund Carl DeSantis Business and Economics Center for the Study and Development of the Motion Picture and Entertainment Industry Endowment Abacoa Fund	10,000,075 4,000,001	11,690,113 5,547,024	- -	1,503,721 715,330	(274,313) (247,052)	54,520 -	12,974,041 6,015,302	10,000,075 4,000,001
Davimos Family Endowment for excellence in Science Janice and Julian Weiss Endowment Libby Dodson Endowment for Nursing Excellence Adams Center for IT Product Management and Entrepreneurship Alan B. Larkin Endowed Fund Christine E. Lynn Center for Caring Endowed Fund Edward W. and Lee Hill Snowdon Harbor Branch Manned Submersibles Pine Jog Endowment Fund The Anne Boykin Institute- Advancement of Caring Nursing Lucille B. and Jacob Friedland Pine Jog Friends Art Endowment Carole & Barry Kaye Integrative Art Education/ Outreach Chastain-Johnston Middle East Studies Enhancement Project Endowment Sir Richard Doll Chair	4,000,826 4,000,752 1,750,752 1,974,792 1,760,931 1,811,771 1,747,819 1,275,000 1,012,500 1,021,700 1,001,910 - 158,760 750,230 700,455 600,000	4,983,819 4,783,455 2,226,716 2,219,412 2,214,680 2,237,516 2,052,359 1,579,906 1,479,322 1,243,639 1,155,578 545,974 914,441 858,603 784,507 664,644	50 - - - - 112,666 550 - - - - - 163,709 - - - -	639,210 622,227 295,546 288,554 286,489 288,156 306,258 205,197 193,309 168,578 156,368 - 28,066 112,958 104,636 88,017	(325,404) (268,177) (112,388) (103,092) (111,011) (262,129) (174,017) (66,575) (26,685) (23,424) (58,872) (188,773) (14,402) (79,257) (39,310) (47,551)	(14,000) - - - - (19,000) 30,500 - - - - - 519,236 - - - -	5,283,675 5,137,505 2,409,874 2,404,874 2,390,158 2,357,209 2,215,650 1,718,528 1,645,946 1,343,393 1,253,619 1,040,146 928,105 892,304 849,833 705,110	4,000,876 4,000,752 1,750,752 1,974,792 1,760,931 1,811,771 1,748,369 1,275,000 1,012,500 1,021,700 1,002,455 - 158,760 750,230 700,455 600,000

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2014**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Program Endowments (continued):</b>								
John Q. Adams and Ann B. Adams Fund Endowment (Mayan Studies)	450,000	547,596	-	72,049	(25,008)	-	594,637	450,000
Mark Swiatlo Judaica Library Acquisition Fund	229,621	405,356	-	50,015	(6,926)	-	448,445	229,621
Kresge Foundation Science Initiative Challenge Fund	259,789	315,536	-	41,979	(9,833)	-	347,682	259,789
Center for Study of Values and Violence	248,192	318,103	-	43,102	(10,474)	(5,754)	344,977	248,192
University Club Library Endowment	195,180	310,224	-	40,642	(15,462)	(8,000)	327,404	195,180
Lawrence A. Sanders Writer in Residence	231,500	290,399	-	37,651	(17,139)	-	310,911	231,500
George and Wilma Elmore Scientific and Technical Equipment Endowment	150,500	227,458	-	30,358	(4,188)	-	253,628	150,500
Emanuel Erwin Halpern Fund	151,100	234,550	-	30,323	(14,183)	-	250,690	151,100
Cindy & Stuart Markowitz MD End Fund for Biomed Science	194,100	226,001	-	29,462	(11,593)	-	243,870	194,100
J.M. Rubin Foundation Ocean Engineering Endowment	150,000	207,114	-	26,851	(3,704)	-	230,261	150,000
University Club Library Galaxy Endowment	171,640	214,250	-	27,839	(6,873)	(10,250)	224,966	171,640
Herbert and Elaine Gimmelstob Judaic Studies	160,100	209,809	-	26,838	(12,715)	-	223,932	160,100
Tecore Endowment Fund	150,000	184,288	-	24,028	(3,336)	-	204,980	150,000
Margaret S. Kramer Chemistry Endowment	150,000	183,559	-	24,419	(3,393)	-	204,585	150,000
May Smith Lecture Series on Post-Holocaust Christian - Jewish	163,660	185,697	50	25,658	(10,553)	-	200,852	163,710
Fields Music Equipment Endowment	155,000	185,959	-	23,988	(9,542)	-	200,405	155,000

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2014**  
(continued)

Fund Name	Corpus Balance at 07/01/2013	Endowment Balance at 07/01/2013	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2014	Corpus Balance at 06/30/2014
<b>Program Endowments (continued):</b>								
Robin B. Smith Honors Innovation Fund	141,518	164,972	-	21,138	(6,387)	-	179,723	141,518
FAU National Alumni Association Library	102,055	154,010	-	19,744	(2,724)	-	171,030	102,055
The Anne Boykin Healing Garden	12,135	131,860	-	17,506	(7,956)	-	141,410	12,135
Dr. Charles W. Finkl Jr. Opportunities Endowment Fund	100,000	113,428	-	14,621	(2,852)	-	125,197	100,000
Total	\$ 97,793,465	\$ 124,041,229	\$ 307,450	\$ 16,339,126	\$ (5,176,334)	\$ 67,687	\$ 135,579,158	\$ 97,826,040

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 For the Year Ended June 30, 2014

<u>Grantor/Project Title</u>	<u>State CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
State Agency Name:			
Direct Project:			
State of Florida,			
Department of Education -			
University Major Gifts Program	48.074	-	\$ 2,852,964
State of Florida,			
Department of Highway Safety			
and Motor Vehicles -			
Specialty License Plate			
Fund	76.031	-	<u>92,641</u>
Total expenditures of state financial assistance			\$ <u><u>2,945,605</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.

NOTE 2 - CONTINGENCY

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

# INTERNAL CONTROLS AND COMPLIANCE

INDEPENDENT AUDITOR'S 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  
Florida Atlantic University Foundation, Inc.  
Boca Raton, Florida

We have audited, in accordance with the 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, the financial statements of Florida Atlantic University Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2014.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* 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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **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*.

Florida Atlantic University Foundation, Inc.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
October 9, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Directors  
Florida Atlantic University Foundation, Inc.  
Boca Raton, Florida

**Report on Compliance for Each Major State Project**

We have audited the Florida Atlantic University Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in *the Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Foundation's major state project for the year ended June 30, 2014. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Foundation's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; 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 on compliance for the major state project. However, our audit does not provide a legal determination of the Foundation's compliance.

**Opinion on the Major State Project**

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an 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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

  
KEEFE McCULLOUGH

Fort Lauderdale, Florida  
October 9, 2014

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified 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 Auditor's 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 Auditor's Report on Compliance with for Each Major State Project and Report on Internal Control over Compliance Required by Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance for the major state project for the Foundation expresses an unmodified 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, Department of Education - University Major Gift Challenge Grant Program	48.074

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters are reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR STATE FINANCIAL ASSISTANCE PROJECT AUDIT

No matters are reported.

D. OTHER ISSUES

1. No management letter is required because there were no findings required to be reported in a separate management letter.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.
3. No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.