



Item: AF: I-3a

## AUDIT AND FINANCE COMMITTEE

Tuesday, February 19, 2013

**SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS OF FAU DIRECT SUPPORT ORGANIZATIONS: FAU FOUNDATION INC. FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION, JUNE 30, 2012 AND 2011.**

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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, 2012 were presented to the Foundation Board of Directors on November 1, 2012.

### 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, 2012 and 2011.

**Presented by:**

Mr. Dennis Crudele, Sr. Vice President-Finance

**Phone:** 561-297-3267

Ms. Jennifer O'Flannery-Anderson, VP-Community Engagement

**Phone:** 561-297-3010

**FLORIDA ATLANTIC UNIVERSITY  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**June 30, 2012 and 2011**

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
June 30, 2012 and 2011

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# FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Florida Atlantic University Foundation, Inc. (a non-profit organization) (the "Foundation") as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Atlantic University Foundation, Inc. at June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2012, on our consideration of the Foundation's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Florida Atlantic University Foundation, Inc.

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 of the Foundation. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General, and is also not a required part of the financial statements of the Foundation. 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 audits 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 Foundation's Board of Directors and Executive Committee Members is presented for informational purposes only and is not a required part of the basic financial statements of the Foundation.

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 18, 2012

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2012 and 2011

A S S E T S

	2012	2011
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 3,615,796	\$ 12,532,682
Deposits	608,865	628,110
Pledges receivable, net of discount and allowance for uncollectibles of \$ 568,853 and \$ 829,516 in 2012 and 2011, respectively	4,931,283	3,043,064
Investments	192,826,659	189,531,883
Funds held in trust by others	2,971,349	3,106,433
Restricted cash	106,533	177,533
Net investment in direct financing - type leases	9,355,000	9,690,000
Real property and improvements, net	5,768,137	4,492,953
Art and library collections	4,491,672	4,380,954
Other assets	257,963	327,540
	<u>\$ 224,933,257</u>	<u>\$ 227,911,152</u>
Total assets	<u>\$ 224,933,257</u>	<u>\$ 227,911,152</u>

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

<b>LIABILITIES:</b>		
Accounts payable and other liabilities	\$ 1,987,457	\$ 1,761,573
Liability to resource providers	4,729,443	5,099,027
Refundable advances and deferred revenues	1,339,058	745,638
Debt	-	822,149
Certificates of participation	9,355,000	9,690,000
	<u>17,410,958</u>	<u>18,118,387</u>
Total liabilities	<u>17,410,958</u>	<u>18,118,387</u>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 18)</b>		
	-	-
<b>NET ASSETS:</b>		
Unrestricted	6,140,818	5,968,772
Temporarily restricted	59,865,604	64,011,555
Permanently restricted	141,515,877	139,812,438
	<u>207,522,299</u>	<u>209,792,765</u>
Total net assets	<u>207,522,299</u>	<u>209,792,765</u>
Total liabilities and net assets	<u>\$ 224,933,257</u>	<u>\$ 227,911,152</u>

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2012 and 2011

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>				
Contributions, net	\$ 2,366,024	\$ 9,638,247	\$ 852,880	\$ 12,857,151
Interest and dividends, net of fees	393,072	2,333,753	-	2,726,825
Rental income	88,949	1,061,186	-	1,150,135
Other income	11,377	2,044,123	-	2,055,500
Net realized and unrealized gains (losses) on investments	<u>(252,202)</u>	<u>(2,214,305)</u>	<u>-</u>	<u>(2,466,507)</u>
 Total revenues, gains and other support	 <u>2,607,220</u>	 <u>12,863,004</u>	 <u>852,880</u>	 <u>16,323,104</u>
 Net assets released from restrictions	 <u>16,158,396</u>	 <u>(17,008,955)</u>	 <u>850,559</u>	 <u>-</u>
 Total revenues, gains, other support and net assets released from restrictions	 <u>18,765,616</u>	 <u>(4,145,951)</u>	 <u>1,703,439</u>	 <u>16,323,104</u>
<b>EXPENSES:</b>				
Write down impaired art collections (Note 1(k))	-	-	-	-
Provision (recovery) for uncollectible pledges receivable, net (Note 2)	(36,049)	-	-	(36,049)
Program services	10,866,282	-	-	10,866,282
Supporting services:				
Fundraising	3,157,351	-	-	3,157,351
Management and general	2,166,846	-	-	2,166,846
Funding of University's infrastructure	<u>2,439,140</u>	<u>-</u>	<u>-</u>	<u>2,439,140</u>
 Total expenses	 <u>18,593,570</u>	 <u>-</u>	 <u>-</u>	 <u>18,593,570</u>
 Change in net assets	 172,046	 (4,145,951)	 1,703,439	 (2,270,466)
 NET ASSETS, beginning of year	 <u>5,968,772</u>	 <u>64,011,555</u>	 <u>139,812,438</u>	 <u>209,792,765</u>
 NET ASSETS, end of year	 <u>\$ 6,140,818</u>	 <u>\$ 59,865,604</u>	 <u>\$ 141,515,877</u>	 <u>\$ 207,522,299</u>

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



## 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$	2,360,524	\$ 6,799,806	\$ 2,973,665	\$ 12,133,995
	316,395	2,290,866	-	2,607,261
	88,949	1,009,145	-	1,098,094
	1,248	1,648,482	-	1,649,730
	<u>2,340,544</u>	<u>24,950,862</u>	<u>-</u>	<u>27,291,406</u>
	<u>5,107,660</u>	<u>36,699,161</u>	<u>2,973,665</u>	<u>44,780,486</u>
	<u>14,057,940</u>	<u>(13,270,189)</u>	<u>(787,751)</u>	<u>-</u>
	<u>19,165,600</u>	<u>23,428,972</u>	<u>2,185,914</u>	<u>44,780,486</u>
	691,392	-	-	691,392
	1,880,403	-	-	1,880,403
	8,505,144	-	-	8,505,144
	2,739,841	-	-	2,739,841
	2,026,885	-	-	2,026,885
	<u>734,881</u>	<u>-</u>	<u>-</u>	<u>734,881</u>
	<u>16,578,546</u>	<u>-</u>	<u>-</u>	<u>16,578,546</u>
	2,587,054	23,428,972	2,185,914	28,201,940
	<u>3,381,718</u>	<u>40,582,583</u>	<u>137,626,524</u>	<u>181,590,825</u>
\$	<u><u>5,968,772</u></u>	<u><u>\$ 64,011,555</u></u>	<u><u>\$ 139,812,438</u></u>	<u><u>\$ 209,792,765</u></u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,270,466)	\$ 28,201,940
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized losses (gains) on investments	2,466,507	(27,291,406)
Contributions restricted for long-term purposes (restricted cash), net	75,000	(24,000)
Provision for depreciation	4,816	4,816
Transfer of construction in progress projects to FAU	3,470	51,228
Write down of impaired art collections	-	691,392
Provision (recovery) for uncollectible pledges receivable, net	(36,049)	1,880,403
Donations received of art and library collections	(110,718)	(247,351)
Donations received of land	(1,280,000)	-
Changes in assets and liabilities:		
(Increase) decrease in deposits	19,245	4,063
(Increase) decrease in pledges receivable, net	(1,852,171)	(2,120,154)
(Increase) decrease in restricted cash	(4,000)	(102,533)
(Increase) decrease in other assets	69,577	(36,142)
Increase (decrease) in accounts payable and other liabilities	225,884	24,247
Increase (decrease) in liability to resource providers	(369,584)	592,582
Increase (decrease) in refundable advances and deferred revenues	593,420	146,973
	<u>(2,465,069)</u>	<u>1,776,058</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales and maturities of investments	32,207,307	91,121,745
Collections of principal on direct financing-type leases	335,000	315,000
Payments made for construction in progress (stadium)	(3,470)	(51,228)
Purchases of investments	(37,833,505)	(88,714,806)
	<u>(5,294,668)</u>	<u>2,670,711</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on certificates of participation	(335,000)	(315,000)
Principal payments on debt	(822,149)	(810,689)
	<u>(1,157,149)</u>	<u>(1,125,689)</u>
Net cash used in financing activities	<u>(1,157,149)</u>	<u>(1,125,689)</u>
Net increase (decrease) in cash and cash equivalents	(8,916,886)	3,321,080
CASH AND CASH EQUIVALENTS, beginning of year	<u>12,532,682</u>	<u>9,211,602</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,615,796</u>	<u>\$ 12,532,682</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, 2012 and 2011

NOTE 1 - REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity:

The 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 have qualified under Internal Revenue Code Section 501 (c)(3), and Florida Statutes Chapter 1004.28. Any person or organization contributing money, stock or any other property in support of the University does so through the Foundation.

A summary of the more significant accounting policies and practices of the Foundation follows:

(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 income 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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

(d) Restricted and unrestricted revenue and support (continued):

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.

(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 financial institutions in excess of Federally insured amounts.

(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 \$ 589,300 and \$ 459,700 and were recorded at their fair value for the years ended June 30, 2012 and 2011, 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 recent appraisals.

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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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

(h) Contributed services (Note 14):

The value of certain administrative and other support services provided to the Foundation by the University and by our volunteer board members has not been reflected in the accompanying financial statements.

(i) 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 our bank custodian "for the benefit of the Foundation."

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.

(j) Real property and improvements:

Real property and improvements are carried at cost if purchased, or if donated, at their 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 fair value, the Foundation records an impairment loss in the accompanying statement of activities. Because of the particular purpose of the donation, some collections are transferred immediately to the University.

In fiscal year 2010, management commenced the reevaluation process of certain collections by appraisers which resulted in an impairment loss to the Foundation. During 2011, substantially most of the remainder of the Foundation's art collection was appraised. As a result of these appraisals, a noncash impairment loss in the amount of \$ 691,392 was recorded. Management recorded no write-down of collections in fiscal year 2012.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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

(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 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 \$ 420,765 and \$ 471,051 at June 30, 2012 and 2011, respectively, using discount rates ranging from 2% to 9.4% and applicable mortality tables. On an annual basis, the Foundation reevaluates the amount of estimated future payments. For the years ended June 30, 2012 and 2011, the Foundation reported a change in value of split-interest agreements, a net increase to the liability, of (\$ 65,162) and (\$ 28,018), 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). The Foundation makes annual annuity payments of approximately \$ 83,600.

(m) Restricted cash:

Restricted cash represents claims to amounts that are restricted as to withdrawal or use for other than current operations. At June 30, 2012, there was \$ 106,533 in restricted cash pledged toward University debt. At June 30, 2011, there was \$ 177,533 in restricted cash which was comprised of \$ 102,533 pledged toward University debt and \$ 75,000 from advances on certain conditional pledges (Note 2).

(n) Refundable advances and deferred revenues:

Any cash collected on conditional pledges is recorded as a refundable advance (liability) until such time as the condition has been met. Refundable advances as of June 30, 2011 were \$ 75,000 (Note 2). There were no refundable advances at June 30, 2012. 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, 2012 and 2011 were \$ 1,339,058 and \$ 670,638, respectively.

(o) Income taxes:

The Foundation qualifies as a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. The Board 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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

(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 2012 and 2011 were approximately \$ 93,000 and \$ 54,500 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 \$ 429,900 in 2012 and \$ 570,500 in 2011.

(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.

(s) Date of management review:

Management has evaluated subsequent events through October 18, 2012, which is the date the financial statements were available for issuance.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable are summarized as of June 30, 2012 and 2011 as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>
In one year or less	\$ 1,322,454	\$ 218,059	\$ 1,540,513
Between two to five years	2,610,624	264,000	2,874,624
Greater than five years	<u>1,054,999</u>	<u>30,000</u>	<u>1,084,999</u>
Total unconditional pledges at face value	4,988,077	512,059	5,500,136
Less unamortized discount	(120,320)	(8,048)	(128,368)
Less allowance for uncollectible pledges	<u>(405,056)</u>	<u>(35,429)</u>	<u>(440,485)</u>
Net unconditional pledges	<u>\$ 4,462,701</u>	<u>\$ 468,582</u>	<u>\$ 4,931,283</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 2 – PLEDGES RECEIVABLE (continued)

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>
In one year or less	\$ 737,301	\$ 210,000	\$ 947,301
Between two to five years	2,509,446	245,000	2,754,446
Greater than five years	<u>170,833</u>	<u>-</u>	<u>170,833</u>
 Total unconditional pledges at face value	 3,417,580	 455,000	 3,872,580
Less unamortized discount	(61,748)	(7,002)	(68,750)
Less allowance for uncollectible pledges	<u>(643,485)</u>	<u>(117,281)</u>	<u>(760,766)</u>
 Net unconditional pledges	 <u>\$ 2,712,347</u>	 <u>\$ 330,717</u>	 <u>\$ 3,043,064</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 reduced its allowance for uncollectible pledges by approximately \$ 36,050 in 2012 and provided for approximately \$ 1,880,400 in 2011. Management estimated that eight and two tenths percent of all current and future pledges would be established as the 2012 allowance for uncollectible pledges; twenty percent was estimated for the 2011 allowance. Additionally, pledges are recorded at their present value. The Federal Reserve discount rate of 0.75% was applied to the future cash flows for pledges made in 2011 and later and 0.50% for all pledges made before July 1, 2010.

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 \$ 8,507,000. Some of these outstanding matching gifts have been on the priority list since the 2006-2007 fiscal year. The Florida Legislature did not appropriate funding for the 2012 or the 2011 fiscal years. 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 approximately \$ 200 million of eligible matches are met by the State of Florida. Since July 1, 2011, the Foundation has received gifts that would have been eligible for a match of approximately \$ 564,000.

No receivable was recorded for bequests and conditional pledges, nor was the future support recognized. As of June 30, 2012, the Foundation's management was made aware of approximately \$ 31 million in potential bequests.

At the request of the University, the Foundation previously embarked on a campaign to raise funds for the construction of an on-campus football stadium. The University financed the project in the 2011 fiscal year. Because pledges toward the stadium are conditioned upon the building and completion of the stadium, Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities; Revenue Recognition*, requires that no pledges be recorded until the condition is met. The Foundation fully recognized all pledges and payments made toward the stadium in the 2012 fiscal year, as the first game was played in October 2011.



FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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June 30, 2012 and 2011

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, 2012 and 2011 consisted of the following at their fair value:

Type	2012	2011
United States large cap stocks	\$ 44,314,019	\$ 47,323,992
United States small cap stocks	4	37
Total United States stocks	<u>44,314,023</u>	<u>47,324,029</u>
International large and mid cap stocks	24,482,194	27,515,231
International emerging markets	7,243,817	9,778,555
Total international stocks	<u>31,726,011</u>	<u>37,293,786</u>
Total equities	<u>76,040,034</u>	<u>84,617,815</u>
United States fixed income	37,495,377	36,799,040
Certificates of deposit	10,008,459	5,000,000
International fixed income	3,194,805	2,832,170
Total fixed income	<u>50,698,641</u>	<u>44,631,210</u>
Hedge funds	41,389,681	38,327,553
Private equity	10,853,701	10,010,198
Real asset funds	13,844,602	11,945,107
Total other	<u>66,087,984</u>	<u>60,282,858</u>
Total investments	<u>\$ 192,826,659</u>	<u>\$ 189,531,883</u>

The Foundation had net unrealized losses of (\$ 2,541,990) and net realized gains of \$ 75,483 at June 30, 2012; and net unrealized gains of \$ 24,518,611 and net realized gains of \$ 2,772,795 at June 30, 2011. These amounts are included in the statements of activities under net realized and unrealized gains (losses) on investments.

Interest and dividend income reflected in the statements of activities for the years ended June 30, 2012 and 2011 were net of the estimated investment manager fees of approximately \$ 1,751,000 and \$ 1,780,000, respectively. The total investment expenses, including those of mutual funds, custodian and consulting fees, were approximately 110 basis points (1.10%) and 111 basis points (1.11%) of the weighted average of the total fair value of investments for years ending June 30, 2012 and 2011, respectively.

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

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 material difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

Investments in equities and domestic fixed income securities are highly liquid. The investments in international fixed income are 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 a 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, 2012, the Foundation invested 21.1% of the managed portfolio with hedge fund managers. For additional information on hedge fund and other alternative investment strategies and unfulfilled commitments as of the year-end, reference should be made to Note 5.

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.

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

Funds held in trust by others at June 30, 2012 and 2011 consisted of the following at their fair value:

	<u>2012</u>	<u>2011</u>
United States large cap stocks	\$ 968,641	\$ 1,117,012
United States mid cap stocks	186,278	246,481
United States small cap stocks	<u>142,312</u>	<u>118,615</u>
Total United States stocks	<u>1,297,231</u>	<u>1,482,108</u>
International large and mid cap stocks	171,862	264,884
International emerging markets	<u>118,517</u>	<u>109,979</u>
Total international stocks	<u>290,379</u>	<u>374,863</u>
Total equities	<u>1,587,610</u>	<u>1,856,971</u>
United States fixed income	914,671	926,101
International fixed income	<u>151,994</u>	<u>112,083</u>
Total fixed income	<u>1,066,665</u>	<u>1,038,184</u>
Cash and equivalents	213,474	75,250
Commodities	88,813	101,924
Real asset funds	<u>14,787</u>	<u>34,104</u>
Total other	<u>317,074</u>	<u>211,278</u>
Total funds held in trust	<u>\$ 2,971,349</u>	<u>\$ 3,106,433</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).

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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
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June 30, 2012 and 2011

NOTE 5 – FAIR VALUE MEASUREMENT (continued)

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. Implementation of this ASU resulted in the reclassification of \$ 5,125,735 from Level 3 to Level 2 during the year ended June 30, 2011. During the year ended June 30, 2012, investments valued at \$ 4,097,676 were reclassified from Level 3 to Level 2 as their lock-up periods expired.

The following table presents the Foundation's investments measured at fair value as of June 30, 2012 and 2011, which include investments and funds held in trust by others, on the statement of financial position. The assets are classified by ASC No. 820 fair value hierarchy as follows:

<u>Investments in:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2012</u>
Equities	\$ 70,383,827	\$ 7,243,817	\$ -	\$ 77,627,644
Fixed income	21,356,748	30,408,558	-	51,765,306
Other	<u>5,729,434</u>	<u>20,187,909</u>	<u>40,487,715</u>	<u>66,405,058</u>
Total investments	<u>\$ 97,470,009</u>	<u>\$ 57,840,284</u>	<u>\$ 40,487,715</u>	<u>\$ 195,798,008</u>
<u>Investments in:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2011</u>
Equities	\$ 76,696,232	\$ 9,778,554	\$ -	\$ 86,474,786
Fixed income	20,008,417	25,660,977	-	45,669,394
Other	<u>5,407,598</u>	<u>18,544,739</u>	<u>36,541,799</u>	<u>60,494,136</u>
Total investments	<u>\$ 102,112,247</u>	<u>\$ 53,984,270</u>	<u>\$ 36,541,799</u>	<u>\$ 192,638,316</u>

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

For the years ended June 30, 2012 and 2011, there were no transfers between Level 1 and Level 2.

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, 2012:

	<u>Hedge Funds</u>	Real Assets and <u>Private Equity</u>	<u>Total</u>
Beginning balance as of July 1, 2011:	\$ 19,858,063	\$ 16,683,736	\$ 36,541,799
Purchases	6,714,815	2,670,190	9,385,005
Unrealized gains/(losses)	(932,071)	1,022,493	90,422
Realized gains/(losses)	11,811	212,223	224,034
Transfers out of Level 3	-	(4,097,676)	(4,097,676)
Settlements	<u>(139,697)</u>	<u>(1,516,172)</u>	<u>(1,655,869)</u>
Ending balance as of June 30, 2012:	\$ <u>25,512,921</u>	\$ <u>14,974,794</u>	\$ <u>40,487,715</u>

Reconciliation of Level 3 investments at June 30, 2011:

	<u>Hedge Funds</u>	Real Assets and <u>Private Equity</u>	<u>Total</u>
Beginning balance as of July 1, 2010:	\$ 22,770,910	\$ 14,092,594	\$ 36,863,504
Purchases	4,018,000	1,868,629	5,886,629
Unrealized gains/(losses)	1,166,967	2,446,190	3,613,157
Realized gains/(losses)	1,296,576	23,923	1,320,499
Transfers out of Level 3	(5,125,735)	-	(5,125,735)
Settlements	<u>(4,268,655)</u>	<u>(1,747,600)</u>	<u>(6,016,255)</u>
Ending balance as of June 30, 2011:	\$ <u>19,858,063</u>	\$ <u>16,683,736</u>	\$ <u>36,541,799</u>

Except as noted in the tables above, there were no transfers into or out of Level 3. 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.

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE 5 – FAIR VALUE MEASUREMENT (continued)**

The following table provides additional disclosures of alternative investments held by the Foundation as of June 30, 2012:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long-short strategy (a.)	\$ 10,902,252	\$ -	Monthly, Quarterly and Annually	45 to 180 days
Private equity (b.)	10,853,701	3,871,566	Duration of Partnership	N/A
Absolute return (c.)	10,637,374	-	Quarterly and Annually	45 to 60 days
Multi - strategy (d.)	8,227,934	-	Semi-Annually	60 to 65 days
Real assets (e.)	8,218,768	2,209,047	Quarterly and Duration of Partnership	90 days, as applicable
Distressed strategy (f.)	7,621,307	-	One to Two Years	45 to 90 days
Global macro strategy (g.)	2,928,687	-	Quarterly	90 days
Short credit (h.)	<u>1,072,127</u>	<u>-</u>	Monthly	30 days
Total	<u>\$ 60,462,150</u>	<u>\$ 6,080,613</u>		

- (a) 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. 15% of investments can be redeemed monthly subsequent to its initial 1 year lock-up, 57% of investments can be redeemed quarterly, and 28% of investments can be redeemed annually.
- (b) 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.
- (c) Absolute return: This class invests in hedge funds that pursue multiple strategies to yield a return better than market. The hedge funds' composite portfolio for this class includes investments of long and short term equities, long and short term credit, distressed funds, arbitration, private investments, and special situations. 66% of investments can be redeemed quarterly, 30% of investments can be redeemed annually, and 4% of investments are currently in extended liquidation.
- (d) Multi strategy: This class invests in long and short term credit as well as distressed and special situations. 100% of investments can be redeemed every six months. 52% of these funds were subject to a lock-up period which expired in June 2012.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 5 – FAIR VALUE MEASUREMENT (continued)

- (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 can be redeemed quarterly, 9% of redemptions are currently suspended, and 41% of investments are held through the duration of the partnership which range from 5 to 15+ years.
- (f) Distressed strategy: This class invests in long and short term credit as well as directional strategies that take advantage of the distressed markets. 58% of investments can be redeemed annually (paid throughout the year at 25% per quarter) and the remaining 42% of investments can be redeemed every 24 months.
- (g) 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.
- (h) 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 375 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 Management of Institutional Funds Act ("FUMIFA"), as requiring the Board to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment, management, and expenditures of endowment funds. 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 FUMIFA. The Foundation allocated approximately \$ 5.4 million in spending for the endowment funds in fiscal year 2012 and approximately \$ 4.9 million in 2011. The cash balance from endowment funds included in temporarily restricted net assets in the accompanying statement of financial position is primarily the unspent allocation from the endowment funds. This balance was approximately \$ 6.7 million in 2012 and \$ 5.6 million in 2011.

In accordance with FUMIFA, 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 6 – ENDOWMENTS (continued)

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 category as of June 30, 2012 and 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>
Donor-restricted endowment funds	\$ (73,329)	\$ 26,382,043	\$ 141,019,654	\$ 167,328,368
Board-designated endowment funds	<u>4,902,492</u>	<u>-</u>	<u>-</u>	<u>4,902,492</u>
Total endowment funds	<u>\$ 4,829,163</u>	<u>\$ 26,382,043</u>	<u>\$ 141,019,654</u>	<u>\$ 172,230,860</u>

  

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>
Donor-restricted endowment funds	\$ (76,639)	\$ 34,735,021	\$ 139,235,587	\$ 173,893,969
Board-designated endowment funds	<u>5,844,567</u>	<u>-</u>	<u>-</u>	<u>5,844,567</u>
Total endowment funds	<u>\$ 5,767,928</u>	<u>\$ 34,735,021</u>	<u>\$ 139,235,587</u>	<u>\$ 179,738,536</u>

Changes in Endowment Net Assets for the years ended June 30, 2012 and 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>
Endowment net assets, July 1, 2011	<u>\$ 5,767,928</u>	<u>\$ 34,735,021</u>	<u>\$ 139,235,587</u>	<u>\$ 179,738,536</u>
Investment return:				
Interest and dividend income, net of fees	71,417	2,324,049	-	2,395,466
Net depreciation (realized and unrealized)	<u>(93,408)</u>	<u>(2,202,717)</u>	<u>-</u>	<u>(2,296,125)</u>
Total investment return (loss)	(21,991)	121,332	-	99,341
Contributions	-	-	907,937	907,937
Expenditures	(920,084)	(8,034,680)	-	(8,954,764)
Other transfers	<u>3,310</u>	<u>(439,630)</u>	<u>876,130</u>	<u>439,810</u>
Total change in endowment funds	<u>(938,765)</u>	<u>(8,352,978)</u>	<u>1,784,067</u>	<u>(7,507,676)</u>
Endowment net assets, June 30, 2012	<u>\$ 4,829,163</u>	<u>\$ 26,382,043</u>	<u>\$ 141,019,654</u>	<u>\$ 172,230,860</u>



FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 6 – ENDOWMENTS (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>
Endowment net assets, July 1, 2010	\$ <u>4,527,557</u>	\$ <u>14,913,993</u>	\$ <u>136,975,798</u>	\$ <u>156,417,348</u>
Investment return:				
Interest and dividend income, net of fees	81,364	2,280,717	-	2,362,081
Net appreciation (realized and unrealized)	<u>943,662</u>	<u>24,866,473</u>	<u>-</u>	<u>25,810,135</u>
Total investment return	1,025,026	27,147,190	-	28,172,216
Contributions	82,000	-	3,179,626	3,261,626
Expenditures	(962,105)	(7,385,384)	-	(8,347,489)
Other transfers	<u>1,095,450</u>	<u>59,222</u>	<u>(919,837)</u>	<u>234,835</u>
Total change in endowment funds	<u>1,240,371</u>	<u>19,821,028</u>	<u>2,259,789</u>	<u>23,321,188</u>
Endowment net assets, June 30, 2011	\$ <u><u>5,767,928</u></u>	\$ <u><u>34,735,021</u></u>	\$ <u><u>139,235,587</u></u>	\$ <u><u>179,738,536</u></u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only) at June 30, 2012 and 2011:

	<u>2011</u>	<u>2010</u>
Permanently restricted net assets required to be retained permanently	\$ <u><u>141,019,654</u></u>	\$ <u><u>139,235,587</u></u>
Temporarily restricted net assets The portion of perpetual endowment funds subject to a time/purpose restriction under FUMIFA:		
With purpose restrictions	\$ <u><u>26,382,043</u></u>	\$ <u><u>34,735,021</u></u>

Effective July 1, 2012, the State of Florida adopted its version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) which is applicable to the Foundation. The Foundation does not expect any significant impact on its policies.

Funds with Deficiencies:

From time to time, the fair values of certain endowments may fall under historical cost values (original gift/book values), and therefore, are considered to be underwater. The fair value deficiencies of underwater endowments were \$ 73,329 and \$ 76,639 at June 30, 2012 and 2011, respectively. 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 will be 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 6 – ENDOWMENTS (continued)

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 consults with its investment advisors and it is expected that endowment funds on a long-term horizon will provide an average rate of return of approximately 7.8% annually. This estimate 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 2012 and 2011, fees were set at 1.7% and amounted to approximately \$ 2,530,000 and \$ 2,439,000 respectively.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

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 cash and equivalents in excess of FDIC insurance of approximately \$ 2,375,300 and \$ 8,949,500 at June 30, 2012 and 2011, respectively. These amounts are maintained with what management believes to be quality financial institutions. 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 which places funds in \$ 250,000 increments in certificates of deposits with non-redundant banks throughout the United States, thereby protecting all funds with FDIC insurance. At June 30, 2012 and 2011, the Foundation had \$ 10,008,459 and \$ 5,000,000, respectively, in the CDARS program.

Interest Rate Risk – Interest rate risk is the risk that an increase in interest rates will adversely affect the fair value of a debt 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 sufficient to reduce the potential of a single security, or single sector of securities from having a significant impact on the portfolio. At June 30, 2012 the Foundation had no investments greater than 10% 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, 2012 and June 30, 2011:

	2012	2011
Buildings and improvements	\$ 237,000	\$ 237,000
Less accumulated depreciation	188,502	183,686
Buildings and improvements, net	48,498	53,314
 Land	 5,719,639	 4,439,639
Real property and improvements, net	\$ 5,768,137	\$ 4,492,953

The provision for depreciation was \$ 4,816 for both 2012 and 2011 fiscal years.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 8 – REAL PROPERTY AND IMPROVEMENTS (continued)

Construction in Progress:

The Foundation transferred certain construction in progress related to the stadium to the University during the 2011 and 2012 fiscal years. Although the Foundation provides support for the construction of the stadium, it is owned and capitalized by the University.

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.

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 \$1,280,000. The Foundation has leased the land and the two homes on it to the original tenants. The lease requires that the land remain a cattle farm and continues to be qualified for agricultural use. The board's intent is to sell the land when land value improves.

NOTE 9 – DEBT

Debt as of June 30, 2012 and 2011 consists of the following:

	2012	2011
Note payable to a bank in semiannual installments of \$ 400,000 plus interest at 4.20% until May 2012, at which time the note was paid in full.	\$ -	\$ 800,000
Note payable to a bank for the purchase of a piano in quarterly installments of \$ 3,793, including interest at 3.15% until October 2012, its scheduled maturity. The note was collateralized by the piano.	-	22,149
Total	\$ -	\$ 822,149

Interest expense on debt was approximately \$ 20,100 and \$ 54,700 for the years ended June 30, 2012 and 2011, respectively.

NOTE 10 - 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 10 - SUB-LEASING ARRANGEMENT (continued)

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 of the ground lease through its expiration on May 31, 2073. The base rent increases by 6% every ten years. The lease also provides for an additional \$ 5 per square foot in excess of 152,000 square feet of consumer services area during years 1 through 10, and shall be adjusted upward by 6% every ten years. The excess square footage provision in the contract increased the rental income by approximately \$ 87,400 annually. The lease provided rental income of \$ 1,034,400 in 2012 and \$ 984,300 in 2011 relating to this agreement.

Future minimum rentals to be received under this sub-leasing arrangement at June 30, 2012 are estimated to be approximately as follows:

<u>Year Ending June 30,</u>	<u>Minimum Future Rentals</u>
2013	\$ 1,026,300
2014	1,026,300
2015	1,026,300
2016	1,026,300
2017	1,026,300
2018 - 2027	10,662,000
2028 - 2037	11,277,700
2038 - 2047	13,210,400
2048 - 2057	14,222,200
2058 - 2067	14,955,500
2068 - 2073	<u>8,019,400</u>
	<u>\$ 77,478,700</u>

NOTE 11- DIRECT FINANCING-TYPE LEASES AND CERTIFICATES OF PARTICIPATION

In support of the University's needs, the Foundation previously raised \$ 6,230,000 and \$ 6,300,000 in exchange for issuing 1999 and 2000 Certificates of Participation (the "Certificates"), respectively, and used the funds to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The interest rate on the 1999 Certificates ranges from 3.5% to 5.0% while the interest rate on the 2000 Certificates ranges from 4.7% to 5.875%.

The Foundation also 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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 11- DIRECT FINANCING-TYPE LEASES AND CERTIFICATES OF PARTICIPATION  
(continued)

The Foundation guarantees the Certificates unconditionally; the only self-imposed limit is the expendable portion of the unrestricted net assets, which is \$ 6,140,818 as of June 30, 2012. The payment of this guarantee cannot exceed approximately \$ 858,200 in any year. Financial guarantee insurance policies are maintained to provide for any such non-payment.

The University and the Foundation are preparing to refinance the 1999 and 2000 Certificates of Participation. The anticipated timetable for refinancing is due by December of 2012.

At June 30, 2012, the minimum lease payments to be received from the University as base rent and the principal payment due on the 1999 and 2000 Certificates for each of the five succeeding fiscal years and thereafter are as follows:

Year Ending <u>June 30,</u>	1999 <u>Certificates</u>	2000 <u>Certificates</u>	Total <u>Principal</u>
2013	\$ 185,000	\$ 165,000	\$ 350,000
2014	195,000	175,000	370,000
2015	205,000	185,000	390,000
2016	215,000	195,000	410,000
2017	225,000	205,000	430,000
Thereafter	<u>3,375,000</u>	<u>4,030,000</u>	<u>7,405,000</u>
Total	<u>\$ 4,400,000</u>	<u>\$ 4,955,000</u>	<u>\$ 9,355,000</u>

At June 30, 2012, the principal payment and the interest due to be received from the University on the 1999 and 2000 Certificates for each of the five succeeding fiscal years and thereafter are as follows:

Year Ending <u>June 30,</u>	Total <u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 350,000	\$ 503,785	\$ 853,785
2014	370,000	484,841	854,841
2015	390,000	464,810	854,810
2016	410,000	443,691	853,691
2017	430,000	421,485	851,485
Thereafter	<u>7,405,000</u>	<u>2,890,710</u>	<u>10,295,710</u>
Total	<u>\$ 9,355,000</u>	<u>\$ 5,209,322</u>	<u>\$ 14,564,322</u>

NOTE 12 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash Inflow

For the fiscal year 2012, the Foundation received cash of \$ 3,056,024 derived from interest and dividend income as well as received cash of \$ 518,646 from interest income derived from the direct finance type lease (Note 11). Total supplemental cash flows received for fiscal year 2012 were \$ 3,574,670.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 12 - SUPPLEMENTAL CASH FLOW INFORMATION (continued)

For the fiscal year 2011, the Foundation received cash of \$ 3,033,087 derived from interest and dividend income as well as received cash of \$ 535,389 from interest income derived from the direct finance type lease (Note 11). Total supplemental cash flows received for fiscal year 2011 were \$ 3,568,476.

Cash Outflow

For the fiscal year 2012, the Foundation made interest payments of \$ 20,054 as well as cash payments of \$ 518,646 for interest expense resulting from the direct finance type lease (Note 11). Total supplemental cash flow outlays for interest payments in fiscal year 2012 totaled \$ 538,700.

For the fiscal year 2011, the Foundation made cash payments of \$ 71,914 for interest expense as well as payments of \$ 535,389 for interest expense resulting from the direct finance type lease (Note 11). Total supplemental cash outlays for interest payments in fiscal year 2011 totaled \$ 607,303.

NOTE 13 - RESTRICTED NET ASSETS

At June 30, 2012, temporarily restricted net assets consisted of cash, pledges, receivables from unrestricted funds (see below), investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 75,746,334 less annuities payable and other liabilities and debt of \$ 15,880,730. Permanently restricted net assets consisted of pledges and investment of \$ 141,566,247, less annuities payable of \$ 50,370.

At June 30, 2011, temporarily restricted net assets consisted of cash, pledges, receivables from unrestricted funds (see below), investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 81,187,882 less annuities payable and other liabilities and debt of \$ 17,176,327. Permanently restricted net assets consisted of pledges and investments of \$ 139,812,348 at June 30, 2011.

These assets are restricted by donors for the following purposes for years ended 2012 and 2011:

	2012	2011
Student financial support	\$ 14,789,319	\$ 16,405,700
Faculty and staff support	12,648,845	15,783,986
Plant, equipment and maintenance	12,439,036	10,153,575
Academic divisions	12,091,065	14,757,920
Other	4,692,335	3,725,193
Library resources	2,176,220	2,172,527
Research	1,028,784	1,012,654
Total temporarily restricted net assets	\$ 59,865,604	\$ 64,011,555

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 13 - RESTRICTED NET ASSETS (continued)

		2012		2011
Student financial support	\$	51,098,491	\$	50,651,088
Academic divisions		50,346,365		49,522,951
Faculty and staff support		35,621,878		35,107,484
Library resources		1,795,370		1,792,034
Research		1,694,722		1,692,745
Plant, equipment and maintenance		547,930		546,866
Other		411,121		499,270
 Total permanently restricted net assets	 \$	 <u>141,515,877</u>	 \$	 <u>139,812,438</u>

At June 30, 2012 and 2011, net assets released from restrictions totaled \$ 16,140,812 and \$ 14,057,940 respectively:

Year Ending	Net Assets			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2012	\$ 16,158,396	\$ (17,008,955)	\$ 850,559	\$ -
2011	\$ 14,057,940	\$ (13,270,189)	\$ (787,751)	\$ -

Amounts due to the Temporarily Restricted fund from the Unrestricted fund totaled \$ 1,261,499 at June 30, 2012 and \$ 1,401,666 at June 30, 2011, respectively. This is a return of fees which will be paid to the endowed funds over the course of ten years at \$ 140,167 per year beginning in fiscal year 2012.

NOTE 14 - 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 \$ 2,334,000 in 2012 and \$ 2,247,000 in 2011. This support appears 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, 2012 and 2011, the total amount due to the University was \$ 1,177,185 and \$ 611,021, respectively, and is reflected in accounts payable and other liabilities in the accompanying statements of financial position.



FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 15 – RELATED PARTY TRANSACTIONS

Florida Atlantic University:

The Foundation has committed \$ 500,000 to the University in fiscal year 2013 for tuition waivers from earnings from the University Commons rent revenues (Note 10) and has a continuing commitment to provide First Generation funds for scholarships from University Commons rent revenues.

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, 2012 and 2011, the Foundation collected approximately \$ 982,900 and \$ 683,000 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, 2012 and 2011, respectively, \$ 106,533 and \$ 102,533 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 construction loan. The University retains the obligation to fulfill commitments entered into in connection with the sales of goods and services, including sales tax, and for the construction of the stadium.

Board of Directors:

The Foundation adheres to a conflict of interest policy with the board members. During the course of ordinary 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, 2012:

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. A board member is the Senior Vice President of US Trust, Bank of America Private Wealth Management. The Foundation has an affinity contract with Bank of America, which was in place prior to the Senior Vice President becoming a Board member. Several trusts are also managed by Bank of America. A board member's spouse is an adjunct teacher at the University. A board member is an Assistant Dean with the Charles E. Schmidt College of Medicine and receives no compensation for his work. A board member invests in technology and patents developed by the University and the board member's spouse contracts with the University to provide continuing education in Project Management. 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 Community Engagement and was hired subsequent to the board member rolling off the board.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 15 – RELATED PARTY TRANSACTIONS (continued)

A board member is a member of the Board of Directors to the recently established FAU Finance Corp., and owns land in the FAU Research Park. A board member is a Partner with a local accounting firm which audits a separate direct service organization of the University. A board member is involved with FAU and HBOI (Note 17) professors in an early stage biotechnology company, and holds an option on a license to an FAU owned patent. 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.

Investment Advisor

The third party contracted investment advisor to the Foundation holds certain investments on behalf of the Foundation of approximately \$ 3,374,000 at June 30, 2012. The remaining unfunded commitment to these investments is approximately \$ 3,593,000 at June 30, 2012.

NOTE 16 – 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, 2012 a liability of \$ 150,126 was recorded for the leave payments that the Foundation would be obligated to reimburse the University and \$ 178,581 for the liability that would be paid through the University funds. For the year ended June 30, 2011, the Foundation's leave liability was \$ 136,476 and \$ 181,019 as the amount to be provided from the University funds.

NOTE 17 – 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 minimum revenues for license tags and to administer its endowment.

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, 2012 and 2011 was \$ 4,729,443 and \$ 5,099,027 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 funding to the Foundation for administration. This change is expected to allow for a more effective grant approval process. The Foundation estimates that the liability to resource providers will decrease by approximately \$ 4,000,000 when all assets are transferred.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012 and 2011

NOTE 18 – COMMITMENTS AND CONTINGENCIES

The Foundation is routinely 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, 2012, management did not know of any pending or potential litigation 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 renewed contract allows for annual advances of \$ 120,000, which is established as "refundable advances" until the revenue is earned. Refundable advances on June 30, 2012 as a result of this arrangement were \$ 186,626.

**SUPPLEMENTAL INFORMATION  
AND SCHEDULES**

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF BOARD OF DIRECTORS AND  
 EXECUTIVE COMMITTEE MEMBERS  
 June 30, 2012

At June 30, 2012, 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 2013
Daniel Cane	April 2014
Joseph W. Collard	April 2014
Stephen Constantine '82	April 2014
Howard R. Cooper*	April 2014
Denise Dickins, Ph.D.'06	April 2014
John Duffy	April 2015
Christopher Fluehr*	April 2014
Marleen Forkas	April 2013
Ira J. Gelb, M.D.*	April 2013
Kathleen (Kathi) Grace	January 2015
Brett Greenberg	April 2015
Dale Gregory	April 2015
David J. Gury**	April 2013
J. Randy Justice '73***	April 2014
Bonnie Kaye	April 2014
Gary Lesser	April 2014
Pete LoBello	Non-Voting Member
Stewart Martin '89	April 2015
Allen McGee	April 2014
Patricia McKay '78**	April 2015
Raymond Monteleone '92	April 2014
William Morris	April 2014
Neale J. Poller '66	April 2014
Robert Rollins	April 2015
Charles E. Rutherford	April 2014
Edward Sabin	April 2014
Neil Schiller	April 2014
Jay Weinberg	April 2014
Marilyn Weinberg	April 2014
Christopher Wheeler	April 2013
Rhys L. Williams	April 2013

**EX-OFFICIO MEMBERS**

M. J. Saunders, Ph.D.	University President
Jennifer O'Flannery Anderson, Ph.D. '05**	Executive Director FAUF
Alene Brewer	University Club President
Craig Richman '79	Alumni President
William McDaniel, Ph.D.	Faculty Trustee Representative
Robert Huffman	Student Government President
Thomas Workman '71*	Board of Trustees Representative
Louis Sandler	Lifelong Learning Representative

**EMERITUS**

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

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

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR EMINENT SCHOLARS PROGRAM**  
**For the Year Ended June 30, 2012**

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Fully endowed:</b>									
Dorothy F. Schmidt Eminent Scholar Schmidt Chair in Humanities	\$ 5,006,000	\$ 7,274,247	-	\$ -	1,793	\$ (173,139)	(3,250)	\$ 7,099,651	\$ 5,006,000
Dorothy F. Schmidt Distgd Eminent School Chair of Performing Arts	5,001,255	6,821,520	-	-	1,851	(170,045)	-	6,653,326	5,001,255
John M. DeGrove Eminent Scholar Chair in Growth Mng & Dev	2,274,000	3,105,395	-	50	(2,712)	(132,464)	-	2,970,269	2,274,050
Helen Karpelelia Persson Eminent Scholar Chair in Com Caring	1,758,721	2,163,774	-	-	(2,215)	(81,278)	-	2,080,281	1,758,721
Eugene and Christine E. Lynn Eminent Scholar Chair in Business	999,900	1,842,578	-	-	(746)	(72,097)	-	1,769,735	999,900
Charles E. Schmidt Eminent Scholar Chair in Engineering	1,148,560	1,615,695	-	-	(1,202)	(27,428)	-	1,587,065	1,148,560
John Thomas Ladue McGinty Eminent Scholar Chair in Biology	1,060,336	1,589,837	-	-	(841)	(50,177)	-	1,538,819	1,060,336
Eminent Scholar Chair in Turkish Studies	889,800	1,454,037	-	-	53,597	(16,988)	-	1,490,646	889,800
Dr. Robert J. Morrow Eminent Scholar Chair in Social Science	1,053,125	1,494,363	-	-	(1,199)	(59,249)	-	1,433,915	1,053,125
Glenwood and Martha Creech Eminent Scholar Chair in Science	1,028,466	1,516,405	-	-	118	(82,922)	-	1,433,601	1,028,466
Raddock Family Eminent Scholar Chair in Holocaust Studies	1,133,811	1,464,981	-	-	(1,573)	(88,223)	-	1,375,185	1,133,811
Charles Stewart Mott Eminent Scholar Chair in Comm Education	1,010,355	1,439,462	-	-	(92)	(65,282)	-	1,374,088	1,010,355
Dorothy F. Schmidt Eminent Scholar Chair in the Performing Arts	1,035,674	1,364,544	-	-	(1,379)	(54,555)	-	1,308,610	1,035,674
Office Depot Eminent Scholar Chair Small Business Research	1,020,000	1,364,283	-	-	(1,415)	(60,965)	-	1,301,903	1,020,000
Herbert & Elaine Gmelstob Eminent Scholar Chair in Judaic Sid	1,116,050	1,371,735	-	-	956	(71,937)	-	1,300,754	1,116,050
Christine E. Lynn Eminent Scholar Chair in Nursing	1,033,725	1,308,871	-	-	(1,393)	(77,654)	-	1,229,824	1,033,725
William F. Dietrich Eminent Scholar Chair in Philosophy	1,045,505	1,297,076	-	-	(1,385)	(70,155)	-	1,225,536	1,045,505
<b>Total</b>	<b>\$ 27,615,283</b>	<b>\$ 38,488,803</b>	<b>\$ -</b>	<b>\$ 50</b>	<b>\$ 42,163</b>	<b>\$ (1,354,558)</b>	<b>\$ (3,250)</b>	<b>\$ 37,173,208</b>	<b>\$ 27,615,333</b>

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR ETHICS SCHOLARS PROGRAM**  
**For the Year Ended June 30, 2012**

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Fully endowed:</b>									
Dr. Floyd Koch Business Ethics Scholarship Fund	\$ 500,000	\$ 586,102	-	\$ -	46	\$ (32,791)	-	\$ 553,357	\$ 500,000
Edward E. Shoaf Honors College Ethics Scholarship Fund	300,000	370,389	-	-	29	(21,525)	-	348,893	300,000
J. M. Rubin Foundation Honors College Ethics Scholarship Fund	210,000	245,456	-	-	19	(17,280)	-	228,195	210,000
Hilda A Krinzman Ethics Scholarship Fund	212,688	238,990	-	-	100	(13,236)	-	225,854	212,688
Mildred A. Becker Ethics Scholarship Endowment Fund	200,000	234,107	-	-	18	(11,594)	-	222,531	200,000
Edward E. Shoaf Ethics Scholarship Fund	200,000	226,156	-	-	95	(11,518)	-	214,733	200,000
<b>Total</b>	<b>\$ 1,622,688</b>	<b>\$ 1,901,200</b>	<b>\$ -</b>	<b>\$ -</b>	<b>307</b>	<b>\$ (107,944)</b>	<b>\$ -</b>	<b>\$ 1,793,563</b>	<b>\$ 1,622,688</b>

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2012**

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Endowed Professorships:</b>									
Lucy Henderson Edmondson Professorship in Elementary Education	\$ 2,760,997	\$ 3,760,673	\$ -	\$ -	\$ (609)	\$ (275,545)	\$ -	\$ 3,484,519	\$ 2,760,997
Ronald and Elizabeth Blake Professorship in Nursing	225,000	324,682	-	-	(38)	(19,040)	-	305,604	225,000
LLS Distinguished Professorship in Current Affairs	250,000	306,847	-	-	(42)	(15,059)	-	291,746	250,000
Lifelong Learning Society Professorship in Social Science	150,000	311,046	-	-	(266)	(21,552)	-	289,228	150,000
Nona and Peter Gordon Endowed Professorship in Early Childhood Education	199,319	294,306	-	-	393	(12,659)	-	282,040	199,319
LLS Distinguished Professorship in Arts & Humanities	250,000	292,822	-	-	(112)	(13,472)	-	279,238	250,000
Henry Epstein Professorship in Urban and Regional Planning	150,262	282,116	-	-	19	(12,940)	-	269,195	150,262
Charles E. Schmidt Professorship in Engineering	157,784	236,210	-	-	412	3,420	-	240,042	157,784
John Wymer Endowed Professorship in Nursing	184,321	249,474	-	-	19	(17,044)	-	232,449	184,321
Lifelong Learning Society Professorship in Science	150,000	223,939	-	360	(242)	(10,452)	-	213,605	150,050
Sharon Phillips Raddock Professorship in Holistic Nursing	152,821	221,667	-	-	15	(8,086)	-	213,596	152,821
Bingham Professorship in Creative Writing	150,000	223,616	-	-	(239)	(12,841)	-	210,536	150,000
Adelaide R. Snyder Professorship in Ethics	160,775	215,361	-	-	(218)	(6,216)	-	208,927	160,775
Sensormatic Professorship in Marketing	150,000	210,270	-	-	16	(3,570)	-	206,716	150,000
Motorola Endowed Professorship for Electrical and Computer Engineering	162,000	206,508	-	-	(72)	(3,497)	-	202,939	162,000
Lifelong Learning Society Professorship in Arts and Humanities	150,215	212,080	-	-	(72)	(15,096)	-	196,912	150,215
SunTrust/South Florida Professorship in Finance	150,000	207,897	-	-	(215)	(13,341)	-	194,341	150,000
William F. Dietrich Professorship in Philosophy	150,013	198,869	-	-	(198)	(6,319)	-	192,352	150,013
Frances and Milton Levenson Professorship in Japanese Studies	150,200	198,333	-	-	(207)	(8,356)	-	189,770	150,200
Rabbi Ario S. Hyams Library Professorship	150,000	197,991	-	-	(216)	(12,320)	-	185,455	150,000
J.M. Rubin Foundation Professorship in Engineering	150,000	171,991	-	-	(112)	(2,296)	-	169,583	150,000



**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2012**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Endowed Scholarships and Fellowships:</b>									
Harriet L. Wilkes College Scholarship Fund	17,961,799	23,040,050	-	-	1,772	(964,143)	-	22,077,679	17,961,799
Henry Morrison Flagler Scholarship Fund	5,280,052	6,215,764	-	-	496	(337,257)	-	5,879,003	5,280,352
Essie C. Crain Nursing Scholarship Fund	1,821,861	2,602,650	-	-	201	(148,526)	-	2,454,325	1,821,861
Lawrence P. and Dorothy E. DeLislie Memorial Scholarship Fund	1,526,170	1,678,817	-	-	716	(23,180)	-	1,656,353	1,526,170
Esther Saylor Rothenberger Scholarship	1,020,078	1,152,519	-	-	(19,562)	(55,035)	-	1,077,922	1,020,078
June and Ira Gelb M.D. Scholarship Fund	821,615	929,853	-	3,150	442	(32,617)	-	900,828	825,765
Daniel B. and Aurel B. Newell Doctoral Fellowships	645,518	847,461	-	-	67	(49,968)	-	797,560	645,518
Mary Fraser Scholastic Trust Fund	651,012	769,614	-	-	59	(23,189)	-	746,484	651,012
William Fabricant Scholarship	450,000	602,888	-	-	47	(19,019)	-	583,916	450,000
Helen Shoaf Memorial Scholarship	434,000	555,677	-	-	44	(24,870)	-	530,851	434,000
Edward E. Shoaf Scholarship Fund	458,668	518,985	-	-	215	(20,826)	-	498,374	458,668
Edgewater Pointe Estates Scholarship	320,572	394,318	-	-	30	(10,734)	-	383,614	320,572
W. DePan Memorial Scholarship	280,319	400,022	-	-	31	(22,808)	-	377,245	280,319
James and Zita Hayes and Zita Founders Honors Scholarship	335,068	407,485	-	-	31	(33,961)	-	373,555	335,068
Dr. Vincent R. Saurino Fellowship for Graduate Students	298,093	352,021	-	32,000	1,516	(22,449)	-	363,088	330,093
Nathan & Marion Crosby Holocaust and Judaic Studies Scholarship Fund	301,733	363,002	-	-	(49)	(6,718)	-	356,235	301,733
David Neil Krinzman Memorial Scholarship Fund	304,247	355,857	-	-	28	(23,697)	-	332,188	304,247
Goizueta Foundation Scholars Fund	300,000	345,587	-	-	144	(20,291)	-	325,440	300,000
Fred and Kit Bigony Scholarship Fund	195,000	277,841	-	80,000	1,198	(56,561)	-	302,478	275,000
Excellence in Honors Faculty Award	252,000	283,813	-	-	(147)	(8,133)	-	275,533	252,000
Ethics Scholarship Endowment									
Virginia & Douglas Stewart	250,549	291,089	-	-	23	(16,364)	-	274,748	250,549
Milton & Gladys Meisner Scholarships	211,644	289,112	-	-	22	(18,452)	-	270,682	211,644

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2012**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interrund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Endowed Scholarships and Fellowships (continued):</b>									
M. Brem Green Scholarship in Social Science	168,949	268,968	-	-	21	(9,572)	-	259,417	168,949
LLS College of Nursing Graduate Stipend Endowment	250,000	257,795	-	-	159	(2,583)	-	255,371	250,000
Andrew R. and Marjorie C. Buglione Endowed Scholarship Fund	250,841	249,246	-	-	161	(1,508)	-	247,899	250,841
Christine E. Lynn Nursing Assistance Program	200,000	273,739	-	-	19	(26,246)	-	247,512	200,000
James P. and Eloise M Latham Scholarship in Geography	173,259	251,842	-	-	20	(6,438)	-	245,424	173,259
Fanjul Academic and Community Excellence Award	150,000	239,265	-	-	18	(5,325)	-	233,958	150,000
Annette Van Howe Women's Studies Scholarship	196,660	242,013	-	-	19	(12,131)	-	229,901	196,660
Eric Alexander Engineering and Computer Science Scholarship	200,051	204,121	-	-	127	(3,958)	-	200,290	200,051
Ernest O. Melby Fellowships	151,065	217,811	-	-	17	(18,684)	-	199,144	151,065
Angelos Langadas Scholarship	157,500	210,430	-	-	16	(11,651)	-	198,795	157,500
James A. Woodruff, Jr. Scholarship in Memory of Hazel Gates Woodruff	160,000	209,674	-	-	17	(11,962)	95	197,824	160,000
Howard Guggenheim Endowed Scholarship	152,214	207,511	-	-	16	(10,537)	-	196,990	152,214
Joseph Conaway Undergraduate Theater Scholarship	150,300	200,001	-	-	(205)	(3,422)	-	196,374	150,300
James M. Cox, Jr./Palm Beach Post Scholarship in Journalism	151,500	199,464	-	-	15	(3,390)	-	196,089	151,500
FAU National Alumni Association Scholarship	154,802	202,570	-	770	34	(9,412)	-	193,962	155,572
Lawrence A. Sanders Memorial Fellowship in English	150,000	198,108	-	-	15	(9,438)	-	188,685	150,000
Frances and Victor Ginsberg Scholarship	154,750	206,174	-	-	16	(17,769)	-	188,421	154,750
Eleanor R. Baldwin Genesis Scholarship Fund	150,270	196,997	-	-	15	(9,305)	-	187,707	150,270
Mrs. Charles "Binny" Foster Scholarship	149,735	196,514	-	-	16	(10,972)	-	185,558	149,735

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2012**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interrund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Endowed Scholarships and Fellowships (continued):</b>									
Helen Shoaf Memorial Nursing Scholarship	100,000	191,403	-	-	15	(6,299)	-	185,119	100,000
Joshua Logan Graduate Scholarship	152,000	186,269	-	-	15	(3,297)	-	182,987	152,000
Blue Cross Blue Shield Health Scholars	150,000	188,980	-	-	15	(12,033)	-	176,962	150,000
Lawrence A. Sanders Memorial Fellowship in Creative Writing	150,000	158,373	-	20,000	96	(2,070)	-	176,399	150,000
Genesis Belle Glade Teachers Scholarship	150,000	186,878	-	500	(190)	(11,093)	-	176,095	150,000
Fields Genesis Scholarship	150,000	187,307	-	-	15	(11,302)	-	176,020	150,000
Toppel Family Foundation	150,000	184,650	-	-	15	(9,264)	-	175,401	150,000
Endowed Genesis Scholarship	150,000	171,437	-	-	14	(4,555)	-	166,896	100,000
Alice Griffin AAUW Graduate Fellowship Endowment	100,000	173,958	-	-	70	(7,282)	-	166,746	150,671
Dr. Floyd F. Koch Graduate Scholarship in Science/Medicine	150,671	177,409	-	-	14	(11,100)	-	166,323	150,857
Dorothy & Marshall Andersen Scholarship Endowment	150,857	172,798	-	-	73	(7,373)	-	165,498	153,909
Lee J. and Esther Steindel Scholarship	153,909	170,997	-	-	72	(8,948)	-	162,121	151,060
Marian Altman Memorial Honors Scholarship	151,060	172,225	-	-	14	(10,533)	-	161,706	150,000
Dr. Floyd F. Koch Honors Scholarship	150,000	169,860	-	-	71	(8,317)	-	161,614	150,000
Mildred and Rudy Reis Endowed Scholarship	150,000	163,207	-	-	99	(6,624)	-	156,682	150,000
The Marsh Scholarship Fund	123,000	159,466	-	-	12	(8,011)	-	151,467	123,000
Reid Nix Endowed Scholarship Fund	103,610	121,066	-	-	9	(7,104)	-	113,971	103,610
Hank Watson Scholarship Fund	100,000	105,918	-	-	64	(4,652)	-	101,330	100,000
Lawrence and Florence A. DeGeorge C Trust Honors Scholarship									

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2012**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Program Endowments:</b>									
Ann C. Kunkel Endowment for the Pine Jog Environmental Center	10,149,433	12,187,269	-	-	(12,977)	(218,995)	(469,600)	11,485,697	10,149,433
Charles E. Schmidt	10,000,075	11,209,593	-	-	(11,112)	(412,978)	-	10,785,503	10,000,075
Christine Lynn Endowment Fund	4,000,001	5,410,963	-	-	(5,139)	(223,980)	(171)	5,181,673	4,000,001
Carl DeSantis Business and Economics Center for the Study and Development of the Motion Picture and Entertainment Industry Endowment	4,000,826	4,775,506	-	-	(4,845)	(106,897)	-	4,663,764	4,000,826
Abacoa Fund	4,000,752	4,693,124	-	-	(4,798)	(202,849)	-	4,485,477	4,000,752
Davimos Family Endowment for excellence in Science	1,750,752	2,190,421	-	-	(2,134)	(52,944)	(1,500)	2,133,843	1,750,752
Adams Center for IT Product Management and Entrepreneurship	1,811,771	2,177,566	-	89,970	6,225	(153,356)	-	2,120,405	1,811,771
Libby Dodson Endowment for Nursing Excellence	1,760,931	2,107,356	-	-	163	(40,893)	-	2,066,626	1,760,931
Janice and Julian Weiss Endowment	1,797,950	1,893,464	-	180,162	4,539	(29,797)	-	2,048,368	1,973,792
Alan B. Larkin Endowed Fund	1,745,819	1,972,720	-	5,000	30,285	(119,811)	18,500	1,906,694	1,747,819
Christine E. Lynn Center for Caring Endowed Fund	1,275,000	1,563,790	-	-	(1,538)	(73,599)	-	1,488,653	1,275,000
Edward W. and Lee Hill Snowdon Harbor Branch Manned Submersibles	602,425	1,383,098	-	-	1,718	(22,766)	-	1,362,050	602,425
Pine Jog Endowment Fund	1,021,700	1,247,274	-	-	(1,326)	(22,413)	(48,000)	1,175,535	1,021,700
The Anne Boykin Institute-Advancement of Caring Nursing	790,870	875,701	-	210,520	11,233	(11,291)	-	1,086,163	1,001,390
Lucille B. and Jacob Friedland Art Endowment	158,760	910,871	-	-	16	(7,638)	-	903,249	158,760
Carole & Barry Kaye Integrative Art Education/ Outreach	750,230	838,585	-	-	(523)	(26,022)	171	812,211	750,230
Chastain-Johnston Middle East Studies Enhancement	300,455	360,078	-	400,000	(268)	(30,563)	(2,500)	726,747	700,455
Project Endowment	600,000	610,839	-	-	330	(6,183)	-	604,986	600,000
Sir Richard Doll Chair									

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.**  
**SCHEDULE OF RECEIPTS, EXPENDITURES AND**  
**ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM**  
**For the Year Ended June 30, 2012**  
**(continued)**

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Program Endowments (continued):</b>									
John Q. Adams and Ann B. Adams Fund Endowment (Mayan Studies)	300,000	531,701	-	-	(466)	(14,215)	-	517,020	300,000
Mark Swiatlo Judaica Library Acquisition Fund	229,621	404,857	-	-	28	(6,171)	-	398,714	229,621
Pine Jog Friends	-	293,174	-	26,540	60,071	(31,479)	(32,154)	316,152	-
Kresge Foundation Science Initiative Challenge Fund	259,789	310,470	-	-	(326)	(13,439)	-	296,705	259,789
Center for Study of Values and Violence	247,892	304,287	-	-	(294)	(8,881)	-	295,112	247,892
University Club Library Endowment	195,180	295,764	-	-	23	(5,029)	-	290,758	195,180
Lawrence A. Sanders Writer in Residence	231,500	292,016	-	-	21	(16,507)	-	275,530	231,500
George and Wilma Elmore Scientific and Technical Equipment Endowment	150,500	218,680	-	-	17	(3,718)	-	214,979	150,500
Emanuel Erwin Halpern Fund	151,100	218,277	-	-	17	(3,699)	-	214,595	151,100
Cindy & Stuart Markowitz MD End Fund for Biomed Science	194,100	218,538	-	-	(109)	(5,008)	-	213,421	194,100
University Club Library Galaxy Endowment	171,640	208,810	-	-	17	(6,701)	-	202,126	171,640
Herbert and Elaine Gimmelstob Judaic Studies	160,100	204,139	-	-	(207)	(11,043)	-	192,889	160,100
J.M. Ruben Foundation Ocean Engineering Endowment	150,000	196,704	-	-	15	(7,275)	-	189,444	150,000
May Smith Lecture Series on Post-Holocaust Christian - Jewish	163,310	186,120	-	2,350	(167)	(11,983)	-	176,320	163,410
Margaret S. Kramer Chemistry Endowment	150,000	180,623	-	-	(191)	(7,946)	-	172,486	150,000
Fields Music Equipment Endowment	155,000	175,957	-	-	(182)	(3,538)	-	172,237	155,000

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF RECEIPTS, EXPENDITURES AND  
 ENDOWMENT BALANCES FOR MAJOR GIFTS PROGRAM  
 For the Year Ended June 30, 2012  
 (continued)

Fund Name	Corpus Balance at 07/01/2011	Endowment Balance at 07/01/2011	Matching State Funds	Contributions	Income (Loss)	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2012	Corpus Balance at 06/30/2012
<b>Program Endowments (continued):</b>									
Tecore Endowment Fund	100,000	371,045	-	-	(99,986)	(3,110)	(100,000)	167,949	100,000
Robin B. Smith Honors Innovation Fund	141,518	146,937	-	-	(24)	(1,473)	-	145,440	141,518
FAU National Alumni Association Library Endowment	102,055	143,522	-	-	(67)	(2,439)	-	141,016	102,055
The Anne Boykin Healing Garden Dr. Charles W. Finkl Jr.	11,570	142,829	-	-	560	(10,535)	-	132,854	12,135
Opportunities Endowment Fund	100,000	105,436	-	-	16	(615)	-	104,837	100,000
<b>Total</b>	<b>\$ 95,913,333</b>	<b>\$ 120,053,671</b>	<b>\$ -</b>	<b>\$ 1,051,322</b>	<b>\$ (45,036)</b>	<b>\$ (4,687,018)</b>	<b>\$ (635,159)</b>	<b>\$ 115,737,780</b>	<b>\$ 96,819,630</b>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 For the Year Ended June 30, 2012

<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	-	\$ 2,620,059
State of Florida, Department of Highway Safety and Motor Vehicles -			
Specialty License Plate Fund	76.031	-	<u>19,223</u>
Total expenditures of state financial assistance			\$ <u><u>2,639,282</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 AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of Florida Atlantic University Foundation, Inc. (a non-profit organization) (the "Foundation") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

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

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 18, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

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

Compliance

We have audited Florida Atlantic University Foundation, Inc.'s (a non-profit organization) (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, 2012. The Foundation's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

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. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2012.

Internal Control over Compliance

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

Florida Atlantic University Foundation, Inc.

*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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Keefe, McCullough & Co., LLP*

KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
October 18, 2012

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Florida Atlantic University Foundation, Inc. (the "Foundation").
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Foundation were disclosed during the audit.
4. No material weaknesses relating to the audit of the major state project are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.650, Rules of the Auditor General.
5. The auditors' report on compliance for the major state project for the Foundation expresses an unqualified opinion.
6. There are no audit findings relative to the major state project for the Foundation reported in Part C of this schedule.
7. The project tested as a major project is as follows:

<u>State Project</u>	<u>State CSFA No.</u>
State of Florida, Department of Education - University Major Gifts Program	48.074

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

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

No matters were reported.

D. OTHER ISSUES

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.