

FLORIDA ATLANTIC UNIVERSITY
FOUNDATION, INC.

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

June 30, 2009 and 2008

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

TABLE OF CONTENTS

PAGES

FINANCIAL STATEMENTS

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-24

SUPPLEMENTAL INFORMATION AND SCHEDULES

Schedule of Board of Directors and Executive Committee Members	25
Schedule of Receipts, Expenditures and Endowment Balances for Eminent Scholars Program	26
Schedule of Receipts, Expenditures and Endowment Balances for Ethics Scholars Program	27
Schedule of Receipts, Expenditures and Endowment Balances for Major Gifts Program	28-31
Schedule of Expenditures of State Financial Assistance	32

INTERNAL CONTROLS AND COMPLIANCE

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	33-34
Independent Auditors' Report on Compliance and Internal Control over Compliance with Requirements Applicable to Each Major State Project	35-36
Schedule of Findings and Questioned Costs	37

FINANCIAL STATEMENTS



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.
JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.

CYNTHIA L. CALVERT, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A. (RETIRED)
PAUL B. SNEIDER, C.P.A. (RETIRED)
BRIAN D. PINNELL, C.P.A. (RETIRED)

JAMES R. LARAWAY, C.P.A.
HILLARY B. DAIGLE, C.P.A.

ROSS S. GOTTHOFFER, C.P.A.

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Florida Atlantic University Foundation, Inc. (a non-profit organization) (the "Foundation") as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

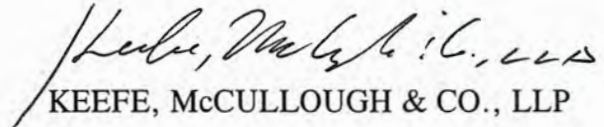
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Atlantic University Foundation, Inc. at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting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

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

Florida Atlantic University Foundation, Inc.

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

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


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 15, 2009

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

A S S E T S

	<u>2009</u>	<u>2008</u>
ASSETS:		
Cash and cash equivalents	\$ 5,458,314	\$ 17,286,322
Deposits	631,009	604,839
Pledges receivable, net of discount and allowance for uncollectibles of \$ 1,254,213 and \$ 2,285,009 in 2009 and 2008, respectively	4,439,851	15,685,232
Investments	157,182,347	189,287,513
Funds held in trust by others	2,505,121	3,171,723
Restricted cash	26,000	2,762
Net investment in direct financing - type leases	10,310,000	10,600,000
Real property and improvements, net	5,072,585	4,507,401
Art and library collections	6,875,759	6,613,399
Other assets	<u>259,545</u>	<u>196,424</u>
Total assets	<u>\$ 192,760,531</u>	<u>\$ 247,955,615</u>

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

LIABILITIES:		
Accounts payable and other liabilities	\$ 3,234,998	\$ 1,741,800
Liability to resource providers	4,801,031	5,514,084
Refundable advances	267,005	2,690
Debt	2,450,104	3,271,125
Certificates of participation	<u>10,310,000</u>	<u>10,600,000</u>
Total liabilities	<u>21,063,138</u>	<u>21,129,699</u>
COMMITMENTS AND CONTINGENCIES (NOTE 19)	-	-
NET ASSETS:		
Unrestricted	2,525,640	14,242,135
Temporarily restricted	33,333,337	67,284,176
Permanently restricted	<u>135,838,416</u>	<u>145,299,605</u>
Total net assets	<u>171,697,393</u>	<u>226,825,916</u>
Total liabilities and net assets	<u>\$ 192,760,531</u>	<u>\$ 247,955,615</u>

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

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

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

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

2008			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,203,708	\$ 6,470,534	\$ 5,800,602	\$ 14,474,844
878,406	2,898,678	-	3,777,084
213,965	964,692	-	1,178,657
7,615	952,951	-	960,566
<u>(362,961)</u>	<u>(6,467,060)</u>	<u>-</u>	<u>(6,830,021)</u>
<u>2,940,733</u>	<u>4,819,795</u>	<u>5,800,602</u>	<u>13,561,130</u>
<u>14,807,267</u>	<u>(14,432,196)</u>	<u>(375,071)</u>	<u>-</u>
<u>17,748,000</u>	<u>(9,612,401)</u>	<u>5,425,531</u>	<u>13,561,130</u>
272,310	-	-	272,310
12,199,620	-	-	12,199,620
3,908,901	-	-	3,908,901
1,079,399	-	-	1,079,399
920,502	-	-	920,502
<u>18,380,732</u>	<u>-</u>	<u>-</u>	<u>18,380,732</u>
(632,732)	(9,612,401)	5,425,531	(4,819,602)
<u>14,874,867</u>	<u>76,896,577</u>	<u>139,874,074</u>	<u>231,645,518</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u><u>14,242,135</u></u>	\$ <u><u>67,284,176</u></u>	\$ <u><u>145,299,605</u></u>	\$ <u><u>226,825,916</u></u>

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

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

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

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

NOTE 1 - ORGANIZATION AND OPERATIONS

Florida Atlantic University Foundation (the "Foundation") is organized under Florida Law as a direct support organization to Florida Atlantic University (the "University"). Our mission is to receive, hold, invest and administer private gifts on behalf of the University. We operate independently from the University, and have qualified under Internal Revenue Code Section 501 (c)(3), and Florida Statutes Chapter 1004.28. Any person or organization contributing money, stock or any other property in support of the University does so through the Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, we are required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Pledges:

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

Cash and cash equivalents:

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. We routinely maintain balances with financial institutions in excess of federally insured amounts.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated goods and services:

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

Art and library collections:

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

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Real property and improvements:

Real property and improvements are carried at cost if purchased or, if donated, at the fair value on the date of the donation, less accumulated depreciation. Our policy is to provide for depreciation using the straight-line method over the estimated life of the asset as follows:

Buildings and improvements	45-50 years
----------------------------	-------------

Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations regarding how long those donated assets must be maintained, we report expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. We generally transfer title of donated property and equipment to the recipient college or school. Examples of gifts-in-kind that we may retain as our property are real estate, certain artwork and library collections and property that we hold for future sale.

Additions and major renewals to property and equipment are capitalized if greater than \$ 1,000. Maintenance and repairs are charged to expense when incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the change in net assets.

Funds held in trust by others:

We are the sole beneficiary of certain trusts that are not in our possession or under our control, but are held and administered by outside trustees. We recognize the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or when we are notified of its existence.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint costs of fundraising appeals:

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

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

Refundable advances:

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

Advertising costs:

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

Reclassifications:

Certain prior year amounts have been reclassified to be consistent and comparable with the current year financial statement presentation.

Investments:

Our investment policy provides for our investment portfolio to be managed by professional money managers and to be invested primarily in domestic and international equity, fixed income securities, and alternative investments such as hedge funds, private equity and real assets, according to specified allocations, except where donor restrictions may apply. These investments are recorded at their fair value based on publicly available trading values, where applicable (Note 3). All investment securities are held in the Foundation's name or in custody ("for the benefit of") in the Foundation's name.

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

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

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

NOTE 3 – INVESTMENTS AND INVESTMENTS RETURN

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

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

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

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

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

NOTE 3 – INVESTMENTS AND INVESTMENTS RETURN (continued)

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

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

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

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

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

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

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

NOTE 3 – INVESTMENTS AND INVESTMENTS RETURN (continued)

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

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

Fair Value Measurement:

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

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

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

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

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

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

NOTE 3 – INVESTMENTS AND INVESTMENTS RETURN (continued)

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

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

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

NOTE 4 – ENDOWMENTS

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

Interpretation of relevant law

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

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

NOTE 4 – ENDOWMENTS (continued)

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

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

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

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

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

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

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

NOTE 4 – ENDOWMENTS (continued)

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

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

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

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

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

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

NOTE 4 – ENDOWMENTS (continued)

Funds with deficiencies

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

Return objectives and risk parameters

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

Strategies employed for achieving objectives

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

Spending policy and how the investment objectives relate to policy

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

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

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

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

NOTE 5 - PLEDGES RECEIVABLE

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

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

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

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

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

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

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

NOTE 6 - REAL PROPERTY AND IMPROVEMENTS

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

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

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

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

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

NOTE 7 - DEBT

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

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

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

NOTE 7 - DEBT (continued)

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

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

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

NOTE 8 - INCOME TAXES

We are a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. We have evaluated the unrelated business income tax implications and believe that the effects, if any, are immaterial to the Foundation's financial statements. Accordingly, no provision for income taxes is required.

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

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

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

We guarantee the Certificates unconditionally; the only limit is the expendable portion of our unrestricted net assets, which is \$ 2,525,640 as of June 30, 2009. The payment of this guarantee cannot exceed \$ 858,785 in any year. We maintain financial guarantee insurance policies to provide for any such non-payment.

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

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

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

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

NOTE 10- SPLIT INTEREST AGREEMENTS

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

NOTE 11 - SUB-LEASING ARRANGEMENT

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

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

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

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

NOTE 11 - SUB-LEASING ARRANGEMENT (continued)

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

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

NOTE 12 - CONCENTRATION OF RISK

We invest in financial instruments that potentially subject us to concentrations of credit risk. These financial instruments consist principally of cash, cash equivalents, and certain investments (Note 3). We maintain our cash and cash equivalents with quality financial institutions. We further manage our market exposure through professional management and by diversifying our investments.

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental Disclosure of Cash Flow Information:

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

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

NOTE 14 - RESTRICTED NET ASSETS

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

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

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

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

NOTE 15 - IN-KIND TRANSACTIONS

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

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

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

NOTE 16 - RELATED PARTY TRANSACTIONS

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

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

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

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

NOTE 17 - LEAVE LIABILITY

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

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

NOTE 18 - HARBOR BRANCH OCEANOGRAPHIC INSTITUTE FOUNDATION

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

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

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

NOTE 19 - COMMITMENTS AND CONTINGENCIES

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

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

SUPPLEMENTAL INFORMATION AND SCHEDULES

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

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

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

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

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

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

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

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

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

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

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

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

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

For the Year Ended June 30, 2009

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

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

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

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

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

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - CONTINGENCY

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

INTERNAL CONTROLS AND COMPLIANCE



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.
JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.

JAMES R. LARAWAY, C.P.A.
HILLARY B. DAIGLE, C.P.A.

CYNTHIA L. CALVERT, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A. (RETIRED)
PAUL B. SNEIDER, C.P.A. (RETIRED)
BRIAN D. PINNELL, C.P.A. (RETIRED)

ROSS S. GOTTHOFFER, C.P.A.

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

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

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

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

Internal Control over Financial Reporting

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

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

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

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

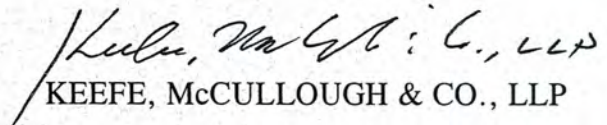
Florida Atlantic University Foundation, Inc.

Compliance and Other Matters

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

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

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


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 15, 2009



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.
JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
KENNETH G. SMITH, C.P.A.
LOUIS R. PROIETTO, C.P.A.

JAMES R. LARAWAY, C.P.A.
HILLARY B. DAIGLE, C.P.A.

CYNTHIA L. CALVERT, C.P.A.
ISRAEL J. GOMEZ, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A. (RETIRED)
PAUL B. SNEIDER, C.P.A. (RETIRED)
BRIAN D. PINNELL, C.P.A. (RETIRED)

ROSS S. GOTTHOFFER, C.P.A.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR STATE PROJECT**

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

We have audited the compliance of Florida Atlantic University Foundation, Inc. (the "Foundation") with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to its major state project for the year ended June 30, 2009. The Foundation's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

Compliance

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

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

Internal Control over Compliance

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

Florida Atlantic University Foundation, Inc.

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

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

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

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


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
October 15, 2009

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

A. Summary of Auditor's Results

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

State Project

State CSFA No.

State of Florida
Department of Education
University Major Gift Challenge
Grant Program

48.074

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

B. Findings - Financial Statements Audit

No matters were reported.

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

No matters were reported.

D. Other Issues

A separate report to management, dated October 15, 2009, was issued to report certain matters.

No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.

No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.