



Item: AF: I-2

AUDIT AND FINANCE COMMITTEE

Wednesday, April 15, 2009

**SUBJECT: REVIEW OF FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
AUDIT OF FINANCIAL STATEMENTS FOR YEAR ENDED JUNE 30, 2008.**

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The audited financial statements for the Florida Atlantic University Research Corporation are presented to keep the Board of Trustees informed about the financial status of the Corporation. The audited financial statements for the period ending June 30, 2008 were presented to the Research Corporation Board on April 14, 2009.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: FAURC, A component Unit of FAU, Report on Audit of Financial Statements for the Year Ended June 30, 2008

Presented by: Dr. Kenneth A. Jessell, Senior Vice President-Financial Affairs

Phone: 561-297-3266

**FLORIDA ATLANTIC UNIVERSITY RESEARCH
CORPORATION, A COMPONENT UNIT OF
FLORIDA ATLANTIC UNIVERSITY**

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY

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Independent Auditors' Report

To the Board of Directors
Florida Atlantic University Research Corporation

We have audited the accompanying statement of net assets of Florida Atlantic University Research Corporation (the Corporation), a component unit of Florida Atlantic University, as of June 30, 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Corporation as of June 30, 2007 and for the year then ended were audited by other auditors whose report dated April 17, 2008, expressed an unqualified opinion on those statements.

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 of America. 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 provides 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 Research Corporation as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of Florida Atlantic University Research Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2-3 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Templeton & Company, LLP

West Palm Beach, Florida
December 1, 2008



FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the Florida Atlantic University Research Corporation (the Corporation) financial statements provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2008. The financial statements are comprised of the following:

- Management's discussion and analysis
- Basic financial statements:
 - Statement of net assets
 - Statement of revenues, expenses, and changes in net assets
 - Statement of cash flows
- Notes to financial statements

The management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts. Please read it in conjunction with the basic financial statements and the notes to financial statements. Responsibility of the completeness and fairness of this information rests with the Corporation's management. Comparative analysis of financial data for the Corporation for the 2007-2008 and 2006-2007 fiscal years is presented in the management's discussion and analysis.

One of the most important questions asked about the Corporation's finances is whether the Corporation, as a whole, is better off or worse off as a result of the year's activities. The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the Corporation as a whole and on its activities in a way that help answer this question. These statements present financial information in a form similar to that used by corporations. Examining the Corporation's net assets is one way to evaluate the Corporation's financial health. Over time, increases or decreases in net assets can indicate the improvement or deterioration of the Corporation's financial condition when considered along with nonfinancial information.

The statement of net assets presents the assets, liabilities, and net assets of the Corporation as of the end of the fiscal year. The statement of net asset portrays the Corporation's financial condition at only one point in time, i.e., June 30, 2008. The purpose of the statement of net assets is to present to the readers of the financial statements a fiscal snapshot of the Florida Atlantic University Research Corporation. The statement of net assets presents end-of-year data concerning assets (current and noncurrent), liabilities, and net assets (assets minus liabilities).

From the data presented, readers of the statement of net assets are able to determine the assets available to continue the operations of the Corporation. They are also able to determine how much the Corporation owes vendors and other entities. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for use by the Corporation.

The Corporation has net assets of \$373,684 as of June 30, 2008, which was an increase of \$154,040 in net assets from June 30, 2007.

The Governmental Accounting Standards Board is the governing entity that issues guidelines under which the Corporation reports financial statements. This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Net assets are divided in two categories. The first category, restricted net assets, are available for use by the Corporation, but must be spent for purpose as determined by grantors and external entities that have placed time or purpose restrictions on the use of the assets. The second category is unrestricted net assets, which are net assets available to the Corporation for any lawful purpose. For details of the Corporation's net assets, the reader should review the statement on net assets and notes to financial statements.

Changes in total net assets are summarized based on the related types of financial activity, and are presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues, both operating and nonoperating, and expenses and explain how the Corporation's net assets changed between fiscal years. For details of the Corporation's financial activities, the reader should review the statement on revenues, expenses, and changes in net assets and notes to financial statements.

The primary purpose of the statement of cash flows is to provide an understanding of the Corporation's cash activity and its relationship to its various financial activities, operations, and overall changes in cash balances. Analyzing the statement is another way to assess the financial health of the Corporation. The statement of cash flows presents detailed information about the cash activity of the Corporation during the year. The statement of cash flows also helps users assess the Corporation's ability to generate cash in the future and its ability to meet obligations as they come due. Cash and cash equivalents are fully explained in notes to financial statements. For details of the Corporation's cash activity, the reader should review the statement of cash flows.

The economic position of the Florida Atlantic University Research Corporation is strong and closely tied to the research efforts of Florida Atlantic University. The cooperative agreement between National Aeronautics and Space Administration (NASA) and Florida Atlantic University Research Corporation (NASA Agreement) ended as of October 31, 2007, and has not been renewed. Discontinuation of the NASA agreement, which represented about 9 percent of the Corporation's total operating revenues and expenditures in fiscal year 2007, had a significant effect on the total revenues and expenditures. However, due to the nature of this agreement, all amounts that the Corporation received from NASA were subcontracted to Florida Atlantic University, leaving net operating results of the operations of the Corporation unaffected. During 2008, the Corporation was party to a settlement agreement in conjunction with Florida Atlantic University. The Corporation received over \$537,000 in settlement receipts from the defendant and disbursed \$400,000 to Florida Atlantic University, as reimbursement for settlement proceedings and other costs. This was a one-time transaction to the Corporation and there were no other amounts due under the settlement agreement. The settlement had a net positive impact on the financial results for 2008.

Other than the discontinuation of the NASA Agreement and the settlement receipts and disbursement, the Corporation is not aware of any currently known facts, decisions, or conditions that are expected to have a significant adverse effect on the financial position or results of operations during the current fiscal year other than those uncertainties having the potential for the interruption of virtually all types of normal business operations.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY**

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 494,337	\$ 311,299
Accounts receivable	146,421	48,445
Due from NASA	-	13,874
Due from FAU	-	60,924
Interest receivable	1,599	808
Total current assets	642,357	435,350
Noncurrent assets:		
Property and equipment, net	4,181	9,194
Patent costs, net	920	1,255
Total noncurrent assets	5,101	10,449
Total assets	\$ 647,458	\$ 445,799
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 48,005	\$ 3,514
Royalties payable	30,842	-
Deferred revenue	57,510	134,364
Due to FAU	66,671	13,444
Due to FAU - School of Nursing	70,746	74,833
Total current liabilities	273,774	226,155
Net assets:		
Invested in capital assets	5,101	10,449
Unrestricted	368,583	209,195
Total net assets	373,684	219,644
Total liabilities and net assets	\$ 647,458	\$ 445,799

See accompanying notes to financial statements.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY**

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Federal grants and contracts	\$ 5,635	\$ 105,499
Nongovernmental grants and contracts	52,715	166,890
Program revenue	764,247	678,760
Royalties	184,789	91,928
Other revenue	<u>537,500</u>	<u>138,400</u>
Total operating revenues	<u>1,544,886</u>	<u>1,181,477</u>
Operating expenses:		
Contractual and program expenses	1,183,221	969,957
Royalty expenses	141,758	68,189
Depreciation expense	1,935	1,935
Amortization expense	335	335
Other operating expenses	<u>84,933</u>	<u>8,662</u>
Total operating expenses	<u>1,412,182</u>	<u>1,049,078</u>
Operating income	132,704	132,399
Non-operating items:		
Interest income	<u>21,336</u>	<u>19,131</u>
Increase in net assets	154,040	151,530
Net assets, beginning of year	<u>219,644</u>	<u>68,114</u>
Net assets, end of year	<u>\$ 373,684</u>	<u>\$ 219,644</u>

See accompanying notes to financial statements. 3

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY**

**STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007**

	2008	2007
Cash flows from operating activities:		
Grants and contracts	\$ 72,224	\$ 284,549
Program revenue	692,507	678,760
Royalties	81,697	91,928
Other revenue	537,500	-
Payments to suppliers for goods and services	<u>(1,331,499)</u>	<u>(1,062,381)</u>
Net cash provided by (used in) operating activities	<u>52,429</u>	<u>(7,144)</u>
Cash flows from investing activities:		
Interest	<u>20,545</u>	<u>19,684</u>
Cash flows from financing activities:		
Net advances from (repayments to) FAU	<u>110,064</u>	<u>(6,940)</u>
Net increase in cash	183,038	5,600
Cash, beginning of year	<u>311,299</u>	<u>305,699</u>
Cash, end of year	<u><u>\$ 494,337</u></u>	<u><u>\$ 311,299</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 132,704	\$ 132,399
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,270	2,270
Loss on disposal of equipment	3,078	-
Debt forgiveness	-	(138,400)
Changes in assets and liabilities:		
Accounts receivable	(97,976)	10,955
Due from NASA	13,874	7,496
Accounts payable	44,491	(15,573)
Deferred revenue	(76,854)	(6,291)
Royalties payable	<u>30,842</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u><u>\$ 52,429</u></u>	<u><u>\$ (7,144)</u></u>

See accompanying notes to financial statements. ³

FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Nature of activities

Florida Atlantic University Research Corporation (the Corporation) is a Florida not-for-profit corporation established by Florida Atlantic University (the University) in 1990 as a university direct support organization. The Corporation was organized for the purpose of promoting, encouraging, and providing of assistance to the research activities of the University's faculty, staff and students. The Corporation has been granted certain rights and responsibilities for the development, protection and commercial application of defined intellectual property. The Corporation is entitled to a portion of the royalties and/or license fees associated with the intellectual property for the benefit of the University.

The Corporation also accepts and administers contracts and grants from private industry, foundations, and other agencies.

In addition, the Corporation operates the School of Nursing's Memory and Wellness Center as part of the School of Nursing's research program.

Basis of presentation

The Corporation's accounting policies conform to generally accepted accounting principles applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The statement includes public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 34 allows public colleges and universities the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental and business-type activities. The public universities of the State of Florida, including Florida Atlantic University, elect to report as entities engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's discussion and analysis
- Basic financial statements:
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 - Statement of revenues, expenses, and changes in net assets
 - Statement of cash flows
- Notes to financial statements

FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Summary of Significant Accounting Policies, Continued

Basis of accounting

The Corporation's financial statements are presented on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The Corporation's principal operating activity consists of research and development. Operating revenues and expenses generally include all transactions directly related to these activities plus administration and depreciation on capital assets. Nonoperating revenues include investment income.

The Corporation follows FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The statement of net assets is presented in a classified format to distinguish between current and long-term assets and liabilities. When both restricted and unrestricted resources are available to fund specific programs, grants, etc., it is the Corporation's policy to apply the restricted resources to such programs first, followed by the use of the unrestricted resources. The statement of revenues, expenses, and changes in net assets is presented by major sources. The statement of cash flows is presented using the direct method and is in compliance with GASB Statement No. 9, *Reporting Cash Flow for Proprietary and Non-expandable Trust Funds*.

Cash and cash equivalents

During the year, the excess cash of the Corporation was placed in an interest-bearing account at a qualified depository bank and with the Florida State Treasury. At year-end, the Corporation's funds on hand were distributed as follows:

	2008	2007
Equity in the State of Florida's Local Government Surplus Trust Funds investment Pool	<u>\$ 494,337</u>	<u>\$ 311,299</u>

Florida Statutes provide guidelines within which units of local governments may invest their surplus funds. The carrying amount of deposits and equity in the investment pool is a reasonable estimate of fair value at June 30, 2008 and 2007.

FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Summary of Significant Accounting Policies, Continued

Property and equipment

Capital assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of each of the respective assets. Capital assets consist of the following at June 30, 2008 and 2007:

	2008	2007	Estimated Useful Life
Signs	\$ 5,302	\$ 5,302	30 years
Equipment	-	8,793	5 years
	5,302	14,095	
Less: accumulated depreciation	(1,121)	(4,901)	
Property and equipment, net	\$ 4,181	\$ 9,194	

Patent costs

The cost of patents obtained is amortized using the straight-line method over the benefit life of the agreement. The annual amortization expense for each of the years ended June 30, 2008 and 2007 was \$335.

Revenue recognition

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by sponsor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. The expirations of temporary sponsor-imposed restrictions on net assets are reported as reclassifications to unrestricted net assets in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed and/or the stipulated purpose has been fulfilled. Unrestricted net assets are presently available for use by the Corporation at the discretion of the Board of Directors.

Program service fees are recognized as revenue in the period in which the related program services are provided. Program service fees that are received in advance are deferred until related services have been performed.

Research and development

Research and development costs are charged to expense when incurred and are included in operating expenses.

Income taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is provided in the accompanying financial statements.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 1 – Summary of Significant Accounting Policies, Continued

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

Note 2 – Patent Costs

Patent costs consist of the following at June 30, 2008 and 2007:

	2008	2007
Patents	\$ 6,697	\$ 6,697
Less: accumulated amortization	(5,777)	(5,442)
Total patent costs	\$ 920	\$ 1,255

The patents have an original term of 20 years, of which 2.75 years remain at June 30, 2008.

Note 3 – Government Grants

In May 2005, the Corporation received a \$25,000 grant from the Florida Atlantic Research and Development Authority (the Authority), of which \$8,000 was restricted for support of “Leeza’s Place” to establish research for caregiver support at the Memory and Wellness Center. The remaining \$17,000 is restricted to providing grants identified for projects consistent with the goals of the Authority.

As of June 30, 2008, the Corporation has not expended any of the funds and has included such amounts in prepaid program fees in the accompanying statements of net assets.

Note 4 – Nongovernmental Grants and Contracts

Mathew Forbes Rohmer Foundation

In September 2004, the Corporation received a \$30,000 grant from the Mathew Forbes Rohmer Foundation to provide funding for the FAU Center for Rare and Genetic Neurological Diseases. During the year ended June 30, 2007 the Corporation received an additional \$10,000.

As of June 30, 2008, none of the grants have been expended. The unexpended funds are included in deferred revenue in the accompanying statements of net assets.

Nongovernmental grants and contract income consisted of reimbursements under contracts with various entities totaling \$52,715 and \$166,890 for the years ended June 30, 2008 and 2007, respectively.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A COMPONENT UNIT OF FLORIDA ATLANTIC UNIVERSITY**

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 5 – Program Revenue

Program revenue is collected from clients of the School of Nursing's Memory and Wellness Center. For the years ended June 30, 2008 and 2007, such amounts totaled \$467,267 and \$401,629, respectively, in daycare fees and \$296,980 and \$277,131, respectively, in payments from clients or their insurers for clinic visits.

Note 6 – Royalty Agreements

The Corporation has several Royalty Agreements with third parties for the use of certain patents that expire through 2012. The Royalty Agreements generally provide for sales-based royalties with specific minimum requirements and may include a patent purchase option.

Under separate agreements with the University and the patent's inventor, portions of the royalty proceeds are due to the inventor and the University. During 2008 and 2007, \$63,788 and \$32,642, respectively, was disbursed or accrued as payable to patent inventors and \$77,969 and \$35,546, respectively, was disbursed or accrued to the University under these agreements.

Note 7 – Related Party Transactions

The Corporation is a direct support organization for the University and transactions between the Corporation and University are varied and material. The Corporation's Board is comprised primarily of University representatives. The University performs certain research projects on behalf of the Corporation pursuant to separate agreements between the University and the Corporation. The Corporation also reimburses the University for legal and other costs the University incurs in patenting technologies.

The Corporation has an agreement with the University, whereby operations of the School of Nursing's Memory and Wellness Center are accounted for and administered by the Corporation. The Corporation reimburses the University for its expenditures related to providing of these services.

During 2008, the Corporation received \$537,500 in settlement proceeds in a legal proceeding where the Corporation and a certain faculty member prevailed in a suit relating to certain damaged research equipment. The Corporation reimbursed the University \$400,000 for costs related to the legal proceeding and other costs incurred by the University. The settlement proceeds are recorded as other revenue and the costs are included in contractual and program expenses in 2008.

During 2007, the University forgave the Corporation's debt related to royalties and faculty awards programs totaling \$138,400. Such debt forgiveness is reported as other revenue in the accompanying statement of revenues, expenses and changes in net assets in 2007.

Note 8 – Federal Grants and Contracts

Grants are subject to annual renewal and periodic amendment and require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the Grantor. Although that is a possibility, the Corporation deems the contingency remote.

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*

The Board of Directors
Florida Atlantic University Research Corporation

We have audited the financial statements of the governmental activities and the general fund of Florida Atlantic University Research Corporation as of and for the year ended June 30, 2008, which collectively comprise the Florida Atlantic University Research Corporation's basic financial statements and have issued our report thereon dated December 1, 2008. 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 of America.

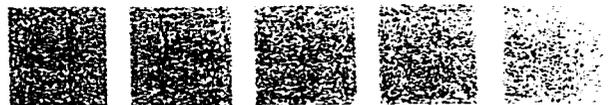
Internal control over financial reporting

In planning and performing our audit, we considered the Florida Atlantic University Research Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

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

Our consideration of the 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.



Compliance and other matters

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

This report is intended for the information of the Board of Directors, management, and Auditor General of the State of Florida and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Templeton & Company, LLP

West Palm Beach, Florida
December 1, 2008