

Florida Atlantic University
Foundation, Inc.

Financial Statements
and Additional Information
For the Years Ended June 30, 2015 and 2014

Florida Atlantic University Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Atlantic University Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Atlantic University Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 8, 2015

FINANCIAL STATEMENTS

Florida Atlantic University Foundation, Inc.
Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 25,957,698	\$ 21,697,538
Deposits	604,771	608,962
Pledges receivable, net of discount and allowance for uncollectibles of \$ 1,233,067 and \$ 441,537 in 2015 and 2014, respectively	14,791,329	4,266,068
Investments	210,333,897	212,233,118
Funds held in trust by others	3,227,836	3,398,263
Restricted cash and cash equivalents	89,596	859,763
Net investment in direct financing - type lease	8,145,590	7,871,719
Real property and improvements, net	4,540,789	4,478,505
Art and library collections	4,607,655	4,532,743
Other assets	151,785	194,519
	<u>272,450,946</u>	<u>260,141,198</u>
Total assets	\$ <u>272,450,946</u>	\$ <u>260,141,198</u>
 Liabilities:		
Accounts payable and other liabilities	\$ 1,439,360	\$ 1,865,297
Liability to resource providers	74,893	200,127
Deferred revenues	1,684,137	1,118,221
Certificates of participation	8,189,000	8,675,000
	<u>11,387,390</u>	<u>11,858,645</u>
Total liabilities	<u>11,387,390</u>	<u>11,858,645</u>
 Net Assets:		
Unrestricted	10,480,361	10,406,234
Temporarily restricted	102,816,869	91,678,058
Permanently restricted	147,766,326	146,198,261
	<u>261,063,556</u>	<u>248,282,553</u>
Total net assets	<u>261,063,556</u>	<u>248,282,553</u>
Total liabilities and net assets	\$ <u>272,450,946</u>	\$ <u>260,141,198</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, 2015 and 2014

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains, and Other Support:				
Contributions	\$ 2,664,665	\$ 24,668,833	\$ 1,568,065	\$ 28,901,563
Interest and dividends, net of fees	301,519	2,597,081	-	2,898,600
Rental income	-	1,149,814	-	1,149,814
Other income	91	2,201,740	-	2,201,831
Net realized and unrealized gains on investments	26,896	307,467	-	334,363
Total revenues, gains and other support	2,993,171	30,924,935	1,568,065	35,486,171
Net assets released from restrictions	19,786,124	(19,786,124)	-	-
Total revenues, gains, other support and net assets released from restrictions	22,779,295	11,138,811	1,568,065	35,486,171
Expenses:				
Provision for uncollectible pledges receivable, net	906,862	-	-	906,862
Program services	13,841,274	-	-	13,841,274
Supporting services:				
Fundraising	4,274,519	-	-	4,274,519
Management and general	2,333,968	-	-	2,333,968
Funding of University's infrastructure	1,348,545	-	-	1,348,545
Total expenses	22,705,168	-	-	22,705,168
Change in net assets	74,127	11,138,811	1,568,065	12,781,003
Net Assets, beginning of year	10,406,234	91,678,058	146,198,261	248,282,553
Net Assets, end of year	\$ 10,480,361	\$ 102,816,869	\$ 147,766,326	\$ 261,063,556

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

2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,442,182	\$ 9,116,135	\$ 1,074,632	\$ 12,632,949
312,336	2,494,660	-	2,806,996
-	1,152,301	-	1,152,301
1,511	2,387,640	-	2,389,151
<u>2,175,336</u>	<u>22,689,537</u>	<u>-</u>	<u>24,864,873</u>
<u>4,931,365</u>	<u>37,840,273</u>	<u>1,074,632</u>	<u>43,846,270</u>
<u>19,170,678</u>	<u>(19,318,686)</u>	<u>148,008</u>	<u>-</u>
<u>24,102,043</u>	<u>18,521,587</u>	<u>1,222,640</u>	<u>43,846,270</u>
218,623	-	-	218,623
12,235,446	-	-	12,235,446
4,175,943	-	-	4,175,943
2,168,174	-	-	2,168,174
<u>2,933,874</u>	<u>-</u>	<u>-</u>	<u>2,933,874</u>
<u>21,732,060</u>	<u>-</u>	<u>-</u>	<u>21,732,060</u>
2,369,983	18,521,587	1,222,640	22,114,210
<u>8,036,251</u>	<u>73,156,471</u>	<u>144,975,621</u>	<u>226,168,343</u>
<u>\$ 10,406,234</u>	<u>\$ 91,678,058</u>	<u>\$ 146,198,261</u>	<u>\$ 248,282,553</u>

Florida Atlantic University Foundation, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 12,781,003	\$ 22,114,210
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for uncollectible pledges receivable, net	906,862	218,623
Transfer of construction projects to FAU	186,907	444,023
Provision for depreciation	4,816	4,816
Donations received of art and library collections, net	(35,000)	(27,392)
Net realized and unrealized losses (gains) on investments	(334,363)	(24,864,873)
Changes in assets and liabilities:		
(Increase) decrease in deposits	4,191	(1,942)
(Increase) decrease in pledges receivable, net	(11,454,635)	243,027
(Increase) decrease in restricted cash and cash equivalents	770,167	77,668
(Increase) decrease in other assets	65,246	(51,027)
Increase (decrease) in accounts payable and other liabilities	(425,937)	365,941
Increase (decrease) in liability to resource providers	(125,234)	28,176
Increase (decrease) in deferred revenues	565,916	(62,544)
Net cash provided by (used in) operating activities	<u>2,909,939</u>	<u>(1,511,294)</u>
Cash Flows from Investing Activities:		
Sales and maturities of investments	179,880,067	39,198,028
Collections of principal on direct financing-type lease	486,000	474,000
Purchases of library collections	(39,912)	-
Purchases of property and equipment	(67,100)	-
Payments made for construction projects (FAU)	(186,907)	(444,023)
Transfer of debt service reserve funds, net of expenses, related to direct financing-type lease	(759,871)	(69,089)
Purchases of investments	<u>(177,476,056)</u>	<u>(34,275,544)</u>
Net cash provided by (used in) investing activities	<u>1,836,221</u>	<u>4,883,372</u>
Cash Flows from Financing Activities:		
Principal payments on certificates of participation	<u>(486,000)</u>	<u>(474,000)</u>
Net cash provided by (used in) financing activities	<u>(486,000)</u>	<u>(474,000)</u>
Net increase (decrease) in cash and cash equivalents	4,260,160	2,898,078
Cash and Cash Equivalents, beginning of year	<u>21,697,538</u>	<u>18,799,460</u>
Cash and Cash Equivalents, end of year	<u>\$ 25,957,698</u>	<u>\$ 21,697,538</u>

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

Note 1 - Reporting Entity and Significant Accounting Policies

(a) Reporting Entity:

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

(b) Basis of accounting:

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

(c) Basis of presentation:

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

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

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

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

(d) Restricted and unrestricted revenue and support:

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

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

Note 1 - Reporting Entity and Significant Accounting Policies (continued)

(e) Cash and cash equivalents:

Cash and cash equivalents consist of all highly liquid investments with a maturity of three months or less. The Foundation routinely maintains balances with a financial institution in excess of federally insured amounts (FDIC). As of June 30, 2015, cash equivalents include short-term investments in money market mutual funds and money market deposit accounts through the Insured Cash Sweep program of approximately \$ 8,531,000 and \$ 15,229,000, respectively. As of June 30, 2014, cash equivalents include short-term investments in money market mutual funds and money market deposit accounts through the Insured Cash Sweep program of approximately \$ 11,995,000 and \$ 7,643,000, respectively.

(f) Pledges:

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

(g) Donated goods and property:

The value of donated goods is recorded in the financial statements as revenue and is either capitalized or expensed to the University. Donated goods, other than in-kind resources contributed by the University, including art and library collections, were approximately \$ 311,000 and \$ 529,000 and were recorded at their estimated fair value for the years ended June 30, 2015 and 2014, respectively.

Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Foundation reports expirations of donor restrictions when the donated assets are placed in service, reclassifying temporarily restricted net assets to unrestricted net assets at that time. The title of the donated property and equipment is generally transferred to the recipient college or school. Examples of gifts-in-kind that the Foundation may retain as property are real estate, certain art and library collections, and property that are held for future sale.

(h) Investments:

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

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

Note 1 - Reporting Entity and Significant Accounting Policies (continued)

(i) Contributed services:

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

(j) Real property and improvements:

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

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

(k) Art and library collections:

Donated art and library collections are capitalized at their estimated fair value on the acquisition date. Subsequently, if an asset becomes impaired because the carrying amount is not recoverable and exceeds its estimated fair value, the Foundation records an impairment loss in the accompanying statements of activities. Because of the particular purpose of the donation, some collections are transferred immediately to the University. Management recorded no impairment loss for collections during the years ended June 30, 2015 and 2014.

(l) Split interest agreements:

The Foundation accepts gifts subject to split interest agreements. A split interest agreement is created when a donor contributes assets to the Foundation or places them in a trust for the benefit of the Foundation, but the Foundation is not the sole beneficiary of the assets economic value. These gifts are in the form of Charitable Gift Annuities or Charitable Remainder Annuities which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. At the time of agreement, gifts are recorded at the estimated fair market value of the asset received net of any applicable liability. Liabilities include the present value of projected future distributions to the annuity or trust beneficiaries and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift. The present value of the estimated future payments is approximately \$ 260,000 and \$ 324,000 at June 30, 2015 and 2014, respectively, using discount rates ranging from 2.2% to 11.6% and applicable mortality tables. On an annual basis, the Foundation reevaluates the amount of estimated future payments. For the years ended June 30, 2015 and 2014, the Foundation reported an increase in the estimated obligation for split-interest agreements of approximately \$ 32,000 and \$ 37,000, respectively. Split interest agreements are recorded as temporarily restricted or permanently restricted depending on donor imposed stipulations. The Foundation holds qualifying assets in excess of the minimum gift annuity reserves required by Florida law. The reserve amount is calculated following assumptions set forth by Florida Statute in Section 627.481(2)(a)1.b. The Foundation currently makes annuity payments of approximately \$ 51,000 annually.

Note 1 - Reporting Entity and Significant Accounting Policies (continued)

(m) Restricted cash and cash equivalents:

Restricted cash and cash equivalents represent claims to amounts that are restricted as to withdrawal or use for other than current operations. At June 30, 2015, there was approximately \$ 90,000 in restricted cash and cash equivalents comprised of approximately \$ 33,000 pledged towards University debt, approximately \$ 14,000 restricted by donor request, and approximately \$ 43,000 in a deposit "project" account with a trustee to be used for future construction projects. At June 30, 2014, there was approximately \$ 860,000 in restricted cash and cash equivalents comprised of approximately \$ 57,000 pledged towards University debt and approximately \$ 803,000 in a deposit "project" account with a trustee to be used for future construction projects.

(n) Deferred revenues:

Any cash collected on conditional pledges is recorded as a refundable advance until such time as the condition has been met. There were no refundable advances as of June 30, 2015 and 2014. Deferred revenues represent resources received by the Foundation before it has earned the revenues, including grants and other agreements. Deferred revenues as of June 30, 2015 and 2014 were approximately \$ 1,684,000 and \$ 1,118,000, respectively.

(o) Income taxes:

The Foundation qualifies as a nonprofit corporation exempt from federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Foundation's financial statements. Accordingly, no provision for income taxes has been made to these financial statements.

(p) Joint costs of fundraising appeals:

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

(q) Advertising costs:

The total costs of advertising in 2015 and 2014 were approximately \$ 127,000 and \$ 77,000 respectively. These costs include advertising for special events, vacant positions, and requests for proposals. The Foundation invests in direct response solicitations through the annual fund program. The Foundation expects to solicit an immediate response from its constituents. Therefore, all advertising and solicitation costs are expensed immediately and are not capitalized. Solicitation costs are normally included in printing and postage, which totaled approximately \$ 370,000 in 2015 and \$ 309,000 in 2014.

(r) Use of estimates:

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

Note 1 - Reporting Entity and Significant Accounting Policies (continued)

(s) Date of management review:

Management has evaluated subsequent events through October 8, 2015, which is the date the financial statements were available for issuance.

Note 2 – Pledges Receivable

Pledges receivable are summarized as of June 30, 2015 and 2014 as follows:

	Temporarily Restricted	Permanently Restricted	2015 Total
In one year or less	\$ 6,875,963	\$ 207,185	\$ 7,083,148
Between two to five years	8,055,006	315,575	8,370,581
Greater than five years	<u>560,667</u>	<u>10,000</u>	<u>570,667</u>
Total unconditional pledges at face value	15,491,636	532,760	16,024,396
Less unamortized discount	(146,989)	(76,427)	(223,416)
Less allowance for uncollectible pledges	<u>(976,133)</u>	<u>(33,518)</u>	<u>(1,009,651)</u>
Net unconditional pledges	<u>\$ 14,368,514</u>	<u>\$ 422,815</u>	<u>\$ 14,791,329</u>
	Temporarily Restricted	Permanently Restricted	2014 Total
In one year or less	\$ 1,750,843	\$ 201,329	\$ 1,952,172
Between two to five years	1,739,258	270,066	2,009,324
Greater than five years	<u>726,109</u>	<u>20,000</u>	<u>746,109</u>
Total unconditional pledges at face value	4,216,210	491,395	4,707,605
Less unamortized discount	(84,674)	(7,867)	(92,541)
Less allowance for uncollectible pledges	<u>(312,247)</u>	<u>(36,749)</u>	<u>(348,996)</u>
Net unconditional pledges	<u>\$ 3,819,289</u>	<u>\$ 446,779</u>	<u>\$ 4,266,068</u>

Management periodically reviews the pledges balances and estimates allowances for accounts and pledges which may be uncollectible. Outstanding pledges from the annual phone-a-thon program are written off at the beginning of the following fiscal year. All other pledges are generally provided for if they are (a) delinquent for one year and (b) the remaining pledge balance is determined uncollectible. The Foundation reported a provision for uncollectible pledges of approximately \$ 907,000 and \$ 219,000 in 2015 and 2014, respectively. Management estimated that 6.4% and 7.6% of all current and future pledges would be established as the 2015 and 2014 allowances, respectively. Additionally, pledges are recorded at their present value. The Federal Reserve discount rate of 0.75% was applied to future cash flows for pledges made in 2011 and later and 0.50% for all pledges made before July 1, 2010.

Note 2 – Pledges Receivable (continued)

The Foundation is the beneficiary of numerous conditional promises to give. A conditional promise is one that requires an event in the future to take place before the promise becomes binding to the donor. At June 30, 2011 the Foundation had pledges conditional upon legislative appropriation from the Florida Department of Education’s Major Gifts Program, of approximately \$ 8,770,000. Some of outstanding matching gifts have been on the priority list since the 2006–2007 fiscal year. The Florida Legislature did not appropriate funding for the fiscal years 2011 through 2015. Accordingly, these pledges have not been recorded as receivables. Effective July 1, 2011, the state matching gift program was temporarily suspended until the backlog of eligible matches are paid by the State of Florida. Since July 1, 2011 the Foundation has received approximately \$ 2.5 million in gifts that would have been eligible for match.

No receivable was recorded for bequests and conditional pledges, nor was the future support recognized. As of June 30, 2015 the Foundation was made aware of approximately \$ 48 million in potential bequests and other conditional pledges.

Note 3 – Investments and Investments Return

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

Investments at June 30, 2015 and 2014 consisted of the following at their fair value:

Type	2015	2014
United States large cap stocks	\$ 44,525,556	\$ 55,792,430
United States SMID cap stocks	17,086,431	-
Total United States stocks	61,611,987	55,792,430
International large and mid cap stocks	30,423,435	34,606,733
International emerging markets	11,705,680	5,476,917
Total international stocks	42,129,115	40,083,650
Total Equities	103,741,102	95,876,080
International fixed income	31,592,683	3,143,662
United States fixed income	8,235,620	36,776,927
Certificates of deposit (CDARS)	-	2,515,205
Total Fixed Income	39,828,303	42,435,794
Hedge funds	30,603,922	52,716,692
Real asset funds	25,129,258	10,925,926
Private equity funds	11,031,312	10,278,626
Total Other	66,764,492	73,921,244
Total Investments	\$ 210,333,897	\$ 212,233,118

Note 3 – Investments and Investments Return (continued)

Interest and dividend income reflected in the statements of activities for the years ended June 30, 2015 and 2014 is presented net of the estimated investment manager/custodian fees of approximately \$ 1,512,000 and \$ 1,719,000, respectively.

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

The Foundation believes the methods for providing estimated fair values on these financial instruments are reasonable. Alternative investments often do not have readily determinable market values and their estimated value is subject to uncertainty. Therefore, there may be a significant difference between their estimated value and the value that would have been used had a readily determinable fair market value for such investments existed.

Investments in equities and domestic fixed income securities are highly liquid. The investments in international fixed income are restricted by the donors to remain in these investments. If liquidation were allowed, the sale would likely be discounted on a secondary market. Several hedge fund instruments require an initial lock-up period from one to three years. The Foundation typically selects the shortest lock-up period available when initiating a purchase. Certain private equity and real asset fund investments may require a lock-up period of up to ten years or for the duration of the partnership, although distributions of capital are periodically made by the managing partners when a project completes.

The Foundation invests in hedging activities in order to mitigate the risk inherent with market fluctuations and its hedge fund managers may invest in derivative instruments. At June 30, 2015, the Foundation invested approximately 14% of the managed portfolio with hedge fund managers. For additional information on hedge funds and other alternative investment strategies and unfulfilled commitments as of the year-end, reference should be made to Note 5.

Note 4 – Funds Held in Trust by Others

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

Note 4 – Funds Held in Trust by Others (continued)

Funds held in trust by others at June 30, 2015 and 2014 consisted of the following at their fair value:

	<u>2015</u>	<u>2014</u>
United States large cap stocks	\$ 1,043,171	\$ 1,092,113
United States small cap stocks	251,678	255,795
United States mid cap stocks	<u>199,543</u>	<u>288,611</u>
Total United States stocks	<u>1,494,392</u>	<u>1,636,519</u>
International large and mid cap stocks	547,109	447,175
International emerging markets	<u>173,986</u>	<u>187,624</u>
Total international stocks	<u>721,095</u>	<u>634,799</u>
Total Equities	<u>2,215,487</u>	<u>2,271,318</u>
United States fixed income	357,670	343,920
International fixed income	<u>105,948</u>	<u>82,795</u>
Total Fixed Income	<u>463,618</u>	<u>426,715</u>
Hedge funds	268,486	341,852
Real asset funds	128,691	179,616
Cash and equivalents	82,866	83,127
Commodities	<u>68,688</u>	<u>95,635</u>
Total Other	<u>548,731</u>	<u>700,230</u>
Total Funds Held in Trust	<u>\$ 3,227,836</u>	<u>\$ 3,398,263</u>

Note 5 – Fair Value Measurement

In accordance with the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, the Foundation provides certain disclosures based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. ASC No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. An investment's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Note 5 – Fair Value Measurement (continued)

The three levels of the fair value hierarchy are as follows:

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

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

The following table presents the Foundation's investments measured at fair value as of June 30, 2015 and 2014, which include investments and funds held in trust by others, on the statements of financial position. The assets are classified by ASC No. 820 fair value hierarchy as follows:

Investments in:	Level 1	Level 2	Level 3	2015 Total
Equities	\$ 105,956,589	\$ -	\$ -	\$ 105,956,589
Other	17,109,558	82,866	50,120,799	67,313,223
Fixed income	<u>37,146,842</u>	<u>3,145,079</u>	<u>-</u>	<u>40,291,921</u>
Total investments	<u>\$ 160,212,989</u>	<u>\$ 3,227,945</u>	<u>\$ 50,120,799</u>	<u>\$ 213,561,733</u>
				2014 Total
Investments in:	Level 1	Level 2	Level 3	2014 Total
Equities	\$ 92,670,481	\$ 5,476,917	\$ -	\$ 98,147,398
Other	4,624,353	4,478,041	65,519,080	74,621,474
Fixed income	<u>20,913,149</u>	<u>21,949,360</u>	<u>-</u>	<u>42,862,509</u>
Total investments	<u>\$ 118,207,983</u>	<u>\$ 31,904,318</u>	<u>\$ 65,519,080</u>	<u>\$ 215,631,381</u>

Note 5 – Fair Value Measurement (continued)

For the years ended June 30, 2015 and 2014, there were no transfers between Levels. The Foundation’s policy is to recognize transfers in and out as of the actual date of the event or change in circumstances that caused the transfer.

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

Reconciliation of Level 3 investments at June 30, 2015:

	Hedge Funds	Private Equity Funds	Real Asset Funds	2015 Total
Beginning Balance	\$ 48,321,777	\$ 10,278,626	\$ 6,918,677	\$ 65,519,080
Total gains (losses) included in change in net assets:				
Net realized and unrealized gains (losses) on investments	(7,486,387)	605,259	304,939	(6,576,189)
Capital contributions	22,126,515	1,987,786	5,474,757	29,589,058
Distributions/redemptions	<u>(32,357,983)</u>	<u>(1,840,359)</u>	<u>(4,212,808)</u>	<u>(38,411,150)</u>
Ending Balance	<u>\$ 30,603,922</u>	<u>\$ 11,031,312</u>	<u>\$ 8,485,565</u>	<u>\$ 50,120,799</u>
Change in unrealized gains (losses) for the year ended included in change in net assets for assets held at the end of the reporting period	<u>\$ (2,991,014)</u>	<u>\$ 119,730</u>	<u>\$ 1,284,774</u>	<u>\$ (1,586,510)</u>

Reconciliation of Level 3 investments at June 30, 2014:

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

Note 5 – Fair Value Measurement (continued)

The following table provides additional disclosures of alternative investments held by the Foundation as of June 30, 2015.

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long-short strategy (a)	\$ 15,325,260	\$ -	Monthly, Quarterly and Semi-Annually	45 to 180 days
Private equity (b)	11,031,312	6,462,530	Duration of Partnership	N/A
Multi - strategy (c)	10,129,825	-	Quarterly to Over One Year	45 to 70 days
Real assets (d)	8,485,565	1,255,283	Monthly, Quarterly and Duration of Partnership	30 days, as applicable
Relative value credit strategy (e)	4,554,500	-	Quarterly	45 days
Distressed strategy (f)	414,456	-	Quarterly	45 to 65 days
Frontier market strategy (g)	<u>179,881</u>	<u>-</u>	Quarterly	N/A
Total	<u>\$ 50,120,799</u>	<u>\$ 7,717,813</u>		

- (a) Long-short strategy: This class includes investments in hedge funds that invest in both long and short equity securities. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. 69% of investments can be redeemed quarterly, 20% of investments can be redeemed monthly, and 11% of investments can be redeemed every six months.
- (b) Private equity: This class includes several private equity funds some of which offer investments into any of three separate strategies: venture capital, private equity (buyouts) and emerging markets. Investments are made with a limited partner agreement, which prohibits redemption of the investment. Instead, distributions are received through the liquidation of the underlying assets of the fund. 100% of investments are held through the duration of the partnership which range from 5 to 15+ years.
- (c) Multi strategy: This class invests in long and short term credit as well as distressed and special situations. 56% of investments can be redeemed in a period of over one year, 40% of investments can be redeemed quarterly, and 4% can be redeemed annually.
- (d) Real assets: This class includes several real estate funds that invest primarily in public REITS, private open-end core real estate funds and a portfolio of directly held properties. Distributions from each fund will be received as the underlying investments of the funds are liquidated. 34% of investments are held through the duration of the partnership which range from 5 to 15+ years, 59% of investments can be redeemed monthly, and 7% of investments have quarterly redemptions, but they are currently suspended.

Note 5 – Fair Value Measurement (continued)

- (e) Relative value credit strategy: This class invests in both long and short vehicles, primarily in the credit space. 100% of investments can be redeemed quarterly.
- (f) Distressed strategy: This class invests in long and short term credit as well as directional strategies that take advantage of the distressed markets. 100% of investments can be redeemed quarterly.
- (g) Frontier market strategy: This class invests in publicly traded, long only, frontier market equities. 100% of investments can be redeemed quarterly.

Note 6 – Endowments

The Foundation has approximately 420 fully endowed funds established for the support of the students, programs and faculty of the various colleges at Florida Atlantic University. Endowments include both donor restricted endowment funds and funds designated by the Foundation or college to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Foundation interprets the State of Florida’s Uniform Prudent Management of Institutional Funds Act (FUPMIFA), as requiring the Board to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment, management, and expenditures of endowment funds. The spending policy is set with the goal of the preservation of the long term purchasing power of the endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation and its Board classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA. The Foundation allocated approximately \$ 4.9 million in spending for the endowment funds in fiscal year 2015 and approximately \$ 4.5 million in fiscal year 2014. The cash balance from endowment funds included in temporarily restricted net assets in the accompanying statements of financial position is primarily the unspent allocation from the endowment funds. This balance was approximately \$ 7.1 million in 2015 and \$ 7.7 million in 2014.

In accordance with FUPMIFA, the Board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The purposes of the Foundation and the donor-restricted endowment fund.
2. The duration and preservation of the fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.

Note 6 – Endowments (continued)

6. Other resources of the Foundation.
7. The investment and spending policies of the Foundation.

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

Endowment Net Asset Composition by Type of Fund as of June 30, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Donor-restricted endowment funds	\$ -	\$ 51,505,395	\$ 147,265,197	\$ 198,770,592
Board-designated endowment funds	<u>6,028,528</u>	<u>-</u>	<u>-</u>	<u>6,028,528</u>
Total endowment funds	<u>\$ 6,028,528</u>	<u>\$ 51,505,395</u>	<u>\$ 147,265,197</u>	<u>\$ 204,799,120</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Donor-restricted endowment funds	\$ -	\$ 56,788,102	\$ 145,685,066	\$ 202,473,168
Board-designated endowment funds	<u>6,047,597</u>	<u>-</u>	<u>-</u>	<u>6,047,597</u>
Total endowment funds	<u>\$ 6,047,597</u>	<u>\$ 56,788,102</u>	<u>\$ 145,685,066</u>	<u>\$ 208,520,765</u>

Changes in Endowment Net Assets for the years ended June 30, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>
Endowment net assets, July 1, 2014	<u>\$ 6,047,597</u>	<u>\$ 56,788,102</u>	<u>\$ 145,685,066</u>	<u>\$ 208,520,765</u>
Investment return:				
Interest and dividend income, net of fees	71,068	2,379,593	-	2,450,661
Net appreciation (realized and unrealized)	<u>11,998</u>	<u>309,161</u>	<u>-</u>	<u>321,159</u>
Total investment return	83,066	2,688,754	-	2,771,820
Contributions	-	-	1,580,131	1,580,131
Expenditures	(102,078)	(8,009,618)	-	(8,111,696)
Other transfers	<u>(57)</u>	<u>38,157</u>	<u>-</u>	<u>38,100</u>
Total change in endowment funds	<u>(19,069)</u>	<u>(5,282,707)</u>	<u>1,580,131</u>	<u>(3,721,645)</u>
Endowment net assets, June 30, 2015	<u>\$ 6,028,528</u>	<u>\$ 51,505,395</u>	<u>\$ 147,265,197</u>	<u>\$ 204,799,120</u>

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Note 6 – Endowments (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Endowment net assets, July 1, 2013	\$ <u>5,401,175</u>	\$ <u>39,302,484</u>	\$ <u>144,582,943</u>	\$ <u>189,286,602</u>
Investment return:				
Interest and dividend income, net of fees	65,590	2,263,481	-	2,126,054
Net appreciation (realized and unrealized)	<u>674,228</u>	<u>22,628,273</u>	-	<u>17,666,980</u>
Total investment return	739,818	24,891,754	-	25,631,572
Contributions	-	-	921,127	921,127
Expenditures	(97,535)	(7,402,232)	-	(7,499,767)
Other transfers	<u>4,139</u>	<u>(3,904)</u>	<u>180,996</u>	<u>181,231</u>
Total change in endowment funds	<u>646,422</u>	<u>17,485,618</u>	<u>1,102,123</u>	<u>19,234,163</u>
Endowment net assets, June 30, 2014	\$ <u><u>6,047,597</u></u>	\$ <u><u>56,788,102</u></u>	\$ <u><u>145,685,066</u></u>	\$ <u><u>208,520,765</u></u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowments Only) at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Permanently restricted net assets required to be retained permanently	\$ <u><u>147,265,197</u></u>	\$ <u><u>145,685,066</u></u>
Temporarily restricted net assets The portion of perpetual endowment funds subject to a time/purpose restriction under FUPMIFA:		
With purpose restrictions	\$ <u><u>51,505,395</u></u>	\$ <u><u>56,788,102</u></u>

Funds with Deficiencies: From time to time, the fair value of certain endowments may fall under historical cost values (original gift/book value), and therefore, are considered to be underwater. There were no underwater endowments at June 30, 2015 and 2014. Deficiencies, if any, are recorded as reductions in unrestricted net assets in accordance with accounting principles generally accepted in the United States of America. Future gains are used to restore these deficiencies in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets.

Return Objectives and Risk Parameters: The goal of the investment program for the endowment assets is to provide a total return equivalent to or greater than the endowment's financial requirements over the "Time Horizon." The endowment's financial requirements are the sum of the spending rate, the long-term inflation rate, the aggregate costs of portfolio management, and any growth factor, which the Foundation's Investment Committee may, from time to time, determine appropriate. The Board of Directors, in consultation with its investment advisors, monitors the Foundation's target goal of 7.6% compared to the expected long-term return, which is periodically reevaluated.

Note 6 – Endowments (continued)

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

Spending Policy and How Investment Objectives Relate to Spending Policy: The Foundation has implemented a spending policy focused on protecting the corpus; the policy is a three pronged approach to determining an endowment's spending distribution.

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

The Foundation has a policy to distribute typically 3.9% (spending rate) of the average fair value of the prior 20 quarters of an endowment that has satisfied the three criteria for corpus protection. The Foundation calculates spending at the end of the third quarter prior to the new fiscal year. Administrative and investment fees are assessed on a quarterly basis on funds that are not deficient. In 2015 and 2014, fees were set at 1.7% and amounted to approximately \$ 3,127,000 and \$ 2,923,000, respectively.

Note 7 – Concentration of Risk

Custodial Credit Risk – Custodial credit risk is the risk that the Foundation will not be able to recover its cash and equivalents from the financial institution in the event of the financial institution's failure. The Foundation had deposits in excess of FDIC insurance of approximately \$ 2,102,000 for the year ended June 30, 2015. This amount is maintained with what management believes to be a quality financial institution. The Foundation also has protection, with limits, under the Securities Investor Protection Corporation (SIPC).

The Foundation seeks to mitigate custodial risk by investing in the Certificate of Deposit Registry Account Service "CDARS" program and the Insured Cash Sweep "ICS" program. These programs place funds in increments of up to \$ 250,000 with non-redundant banks throughout the United States, thereby protecting all funds with FDIC insurance. At June 30, 2015 and 2014, the Foundation had total deposits of approximately \$ 15,229,000 and \$ 10,158,000, respectively, in these programs.

Note 7 – Concentration of Risk (continued)

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy requires diversification of investments to reduce the potential of a single security, or single sector of securities from having a significant impact on the portfolio. At June 30, 2015, the Foundation had various ETF's and index funds with one investment company. Investments with this company made up approximately 22% of the portfolio. The Foundation has two other investments which make up approximately 8% and 5% of the investment portfolio.

Credit Risk – Credit risk is the risk that an issuer of debt will not fulfill its obligations. The schedules in Notes 3, 4 and 5 provide further details on the fixed income instruments held by the Foundation.

Note 8 – Real Property and Improvements

Real property and improvements and the related accumulated depreciation consist of the following at June 30, 2015 and June 30, 2014:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 237,000	\$ 237,000
Less accumulated depreciation	<u>202,950</u>	<u>198,134</u>
Buildings and improvements, net	34,050	38,866
Land	4,439,639	4,439,639
Construction in progress	<u>67,100</u>	<u>-</u>
Real property and improvements, net	<u>\$ 4,540,789</u>	<u>\$ 4,478,505</u>

The provision for depreciation was \$ 4,816 for both 2015 and 2014 fiscal years.

Land Preserves: Approximately 25 percent of the 150 acres known as Pine Jog (included in land) have reversion clauses where the ownership of the land reverts to the donor or the county if the land does not remain in its natural state. Other parcels of the land have deed restrictions with the same intent to preserve this land as a nature area.

Note 9 - Sub-Leasing Arrangement

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

Note 9 - Sub-Leasing Arrangement (continued)

The Foundation then entered into a ground lease agreement with a developer whereby the developer agreed to construct a retail complex on the site and lease the space to various entities. Pursuant to the ground lease agreement, the developer is to provide the Foundation with a monthly base rent from the commencement date through its expiration in January, 2073. The base rent increases by 6% every ten years. The lease also provides for an additional \$ 5 per square foot in excess of 152,000 square feet of consumer services area during years 1 through 10, and shall be adjusted upward by 6% every ten years. The current excess square footage provision in the contract increases the base rental income by approximately \$ 99,000 annually. The lease provided rental income of approximately \$ 1,053,000 in 2015 and in 2014 relating to this agreement.

Future minimum rentals to be received under this sub-leasing arrangement are estimated to be approximately as follows:

<u>Year Ending June 30,</u>	<u>Estimated Future Minimum Rentals</u>
2016	\$ 1,053,000
2017	1,053,000
2018	1,053,000
2019	1,053,000
2020	1,053,000
2021 - 2030	11,083,000
2031 - 2040	11,935,000
2041 - 2050	14,585,000
2051 - 2060	15,295,000
2061 - 2070	16,048,000
2071 - 2073	<u>4,386,000</u>
	<u>\$ 78,597,000</u>

Note 10 - Direct Financing-Type Lease and Certificates of Participation

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

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

Note 10 - Direct Financing-Type Lease and Certificates of Participation (continued)

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

At June 30, 2015, the minimum lease payments to be received from the University and the payments due on the 2012 Certificates for each of the five succeeding fiscal years and thereafter are estimated to be approximately as follows:

<u>Year Ending June 30,</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 497,000	\$ 197,400	\$ 694,400
2017	507,000	185,400	692,400
2018	517,000	173,200	690,200
2019	534,000	160,700	694,700
2020	547,000	147,800	694,800
Thereafter	<u>5,587,000</u>	<u>705,700</u>	<u>6,292,700</u>
Total	8,189,000	<u>\$ 1,570,200</u>	<u>\$ 9,759,200</u>
Minus restricted funds (Note 1(m)):	<u>(43,000)</u>		
	<u>\$ 8,146,000</u>		

Note 11 - Supplemental Cash Flow Information

Cash Inflow: For the fiscal year 2015, the Foundation received cash of \$ 2,925,893 derived from interest and dividend income as well as received cash of \$ 208,424 from interest income derived from the direct finance type lease (Note 10). Total supplemental cash flows received for fiscal year 2015 were \$ 3,134,317.

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

Cash Outflow: For the fiscal year 2015, the Foundation made interest payments of \$ 208,424 resulting from the certificates of participation (Note 10).

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

Note 12 - Restricted Net Assets

At June 30, 2015, temporarily restricted net assets consisted of cash, cash equivalents, pledges, receivables from unrestricted funds (see below), investments, funds held in trust by others, real property and improvements, collections, and other assets of \$ 113,106,727 less annuities payable and other liabilities and debt of \$ 10,289,858. Permanently restricted net assets consisted of pledges and investment of \$ 147,766,401 less other payables of \$ 75.

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

These assets are restricted by donors for the following purposes for years ended 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Student financial support	\$ 24,047,844	\$ 26,569,101
Academic divisions	24,036,753	23,185,903
Faculty and staff support	19,232,562	20,468,147
Athletics	15,493,829	166,927
Plant, equipment and maintenance	8,802,411	9,846,712
Other	7,015,415	7,150,994
Library resources	2,825,078	2,880,519
Research	<u>1,362,977</u>	<u>1,409,755</u>
Total temporarily restricted net assets	<u>\$ 102,816,869</u>	<u>\$ 91,678,058</u>
	<u>2015</u>	<u>2014</u>
Student financial support	\$ 55,501,807	\$ 54,357,892
Academic divisions	50,834,969	50,673,167
Faculty and staff support	35,745,698	35,766,199
Library resources	2,260,060	2,257,647
Research	1,798,355	1,718,818
Other	1,077,429	876,556
Plant, equipment and maintenance	<u>548,008</u>	<u>547,982</u>
Total permanently restricted net assets	<u>\$ 147,766,326</u>	<u>\$ 146,198,261</u>

Amounts due to the Temporarily Restricted fund from the Unrestricted fund totaled \$ 840,999 at June 30, 2015 and \$ 981,166 at June 30, 2014. This is a return of fees, which began in fiscal year 2012, and is being paid to the endowed funds over the course of ten years at \$ 140,167 per year.

Note 13 – In-Kind Transactions

The Foundation is supported in its goals by the University's Division of Community Engagement, Development Department. Support from the University includes office space, equipment and funding for operating expenses and salaries for advancement personnel who are critical in the operations of the Foundation. The Foundation has estimated the cost of operational support from the University to be approximately \$ 2,619,000 in 2015 and \$ 2,390,000 in 2014. This support is reported on the statements of activities as contributions and expenses.

Note 13 – In-Kind Transactions (continued)

The Foundation is a direct support organization of Florida Atlantic University, and as such transfers funds to support the academic programs, scholarships and salaries of faculty members on a monthly basis. At June 30, 2015 and 2014, the total amount due to the University was approximately \$ 751,000 and \$ 1,018,000, respectively, and is reflected in accounts payable and other liabilities in the accompanying statements of financial position.

Note 14 – Related Party Transactions

Florida Atlantic University: The Foundation has committed \$ 500,000 to the University in fiscal year 2015 for tuition waivers from earnings from the University Commons rent revenues (Note 9) and has a continuing commitment to provide First Generation funds for scholarships from University Commons rent revenues.

In fiscal year 2011, the Florida Atlantic University Finance Corp (FAUFC), a separate direct support organization of the University, entered into a loan agreement for the construction of an on-campus football stadium. The stadium hosted its first home game on October 15, 2011. Among other operating revenues of the stadium, the agreement requires that all revenues associated with priority and premium seating of the stadium are to be pledged toward this credit facility. During the years ended June 30, 2015 and 2014, the Foundation collected approximately \$ 416,000 and \$ 486,000 of priority seating revenues. In compliance with the loan agreement, the Foundation transferred these pledged revenues to the lending financial institution on a monthly basis. As of June 30, 2015 and 2014, respectively, approximately \$ 33,000 and \$ 57,000 was included in restricted cash (Note 1(m)) and in accounts payable and other liabilities, representing June collections which were subsequently transferred to the lender. The Foundation records the gift portion, associated with seating fees, as contribution revenue; however, proceeds related to goods and services of the stadium are treated as agency transactions not affecting the Statements of Activities.

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

Board of Directors: The Foundation adheres to a conflict of interest policy with the board members. During the course of business, the Foundation may purchase supplies and/or services at fair market value from companies which have affiliations with the Foundation's board members. All such transactions are undertaken in the best interest of the Foundation and follow established procedures. In the interest of full disclosure, the following business transactions existed as of June 30, 2015:

A board member is the owner and President of a general contractor firm, who has a working contract with the University and has a small interest (0.5%) in the partnership of the limited liability company that has the ground lease at the University Commons. The Foundation has an affinity contract with a major financial institution in which a board member is a Senior Vice President. The affinity contract was in place prior to the Senior Vice President becoming a board member. Several trusts are also managed by the same major financial institution. A board member is an Assistant Dean with the Charles E. Schmidt College of Medicine and receives no compensation for his work.

Note 14 – Related Party Transactions (continued)

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

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

Note 15 – Leave Liability

Liabilities are recorded for annual sick leave payments that would be paid at the resignation or termination of an employee. For the year ended June 30, 2015, a liability of approximately \$ 226,000 was recorded for the leave payments that the Foundation would be obligated to reimburse the University and approximately \$ 236,000 for the liability that would be paid through the University funds. For the year ended June 30, 2014, the Foundation's leave liability was approximately \$ 211,000 and \$ 214,000 as the amount to be provided from the University.

Note 16 – Harbor Branch Oceanographic Institute Foundation

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

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

In accordance with this agreement, HBOIF transferred funds from their four Specialty License Plate revenues to fund research projects and marketing with the University. These transfers are recorded on the Foundation's Statements of Financial Position as a "liability to resource provider." The amount of this liability at June 30, 2015 and 2014 were approximately \$ 75,000 and \$ 200,000, respectively.

Note 17 – Commitments and Contingencies

The Foundation may be involved in litigation, audits and tax examinations which arise in the normal course of operations. Management believes that the amount of liability resulting from such activities, if any, would not materially impact the Foundation. At June 30, 2015, management did not know of any pending or potential litigation, audits or tax examinations against the Foundation.

The Foundation previously entered into an affinity agreement with a bank, whereby the bank would solicit credit card business from the FAU Alumni Association's "members" and in return pay royalties. The contract allows for annual advances of \$ 120,000, which is established as deferred revenue until the revenue is earned. Deferred revenues for the year ended June 30, 2015 and 2014, as a result of this arrangement, were approximately \$ 309,000 and \$ 330,000, respectively.

SUPPLEMENTAL INFORMATION
AND SCHEDULES

**Florida Atlantic University Foundation, Inc.
 Schedule of Board and Directors and
 Executive Committee Members
 June 30, 2015**

At June 30, 2015, the membership of the Foundation's Board of Directors was comprised of the following individuals, along with their respective terms:

MEMBER	TERM EXPIRES
Bruce H. Allen '71***	April 2015
Andrew Clark, Ph.D. '80, '83	April 2016
Stephen Constantine '82	April 2017
Christopher Fluehr**	April 2017
Ira J. Gelb, M.D.*	April 2016
Kathleen (Kathi) Grace*	April 2018
Brett Greenberg**	April 2017
Dale Gregory	April 2018
Bonnie Kaye	April 2017
Michael Kaufman	April 2018
Gary Lesser	April 2017
Lewis Long	April 2018
Stewart I. Martin '89	April 2018
Patricia A. McKay '78**	April 2017
Raymond Monteleone '92	April 2017
Ken Porpora '98	April 2017
Brian Poulin	April 2018
Dr. Marta Rendon	April 2017
Robert Robes '93	April 2016
Robert K. Rollins	April 2018
Edward Sabin*	April 2017
Phil Smith '69	April 2016
Christopher C. Wheeler	April 2016
Dr. Lorna Sohn Williams	April 2017
J. Michael Woody	April 2016
Dr. Richard Yules	April 2016
John Zells	April 2018

LIMITED PURPOSE DIRECTORS

Howard R. Cooper (Investment)	April 2017
Michael J. Crowley '79, '80 (Investment)	April 2017
Richard Etner, Jr., SIOR (Real Estate)	April 2017
Steven Oyer (Investment)	April 2017
Jay Shein (Investment)	April 2017

Florida Atlantic University Foundation, Inc.
Schedule of Board and Directors and
Executive Committee Members
(continued)
June 30, 2015

EX-OFFICIO MEMBERS

Dr. John Kelly	University President
David Kian**	Interim Chief Executive Officer
Bill Deigan	Lifelong Learning Representative
Terry Fedele	Chairman, Caring Hearts Auxiliary
Kathryn Edmunds	Student Government President
Tiffany Weimar	FAU Alumni Association
Daniel Cane*	Board of Trustees Representative
Marlis Hadeed	University Club President
Chris Beetle, Ph.D.	Faculty Staff Representative
Audrey Sterenfeld	Lifelong Learning Representative

EMERITUS

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

- * Indicates members of the Executive Committee
- ** Indicates Officer
- *** Indicates the Chairman of the Foundation's Board of Directors

**Florida Atlantic University Foundation, Inc.
Schedule of Receipts, Expenditures and
Endowment Balances for Eminent Scholars Program
For the Year Ended June 30, 2015**

Fund Name	Corpus Balance at 07/01/2014	Endowment Balance at 07/01/2014	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2015	Corpus Balance at 06/30/2015
Fully endowed:								
Dorothy F. Schmidt Eminent Scholar Schmidt Chair in Humanities	\$ 5,006,000	\$ 8,557,836	\$ -	\$ 120,360	\$ (182,266)	\$ -	\$ 8,495,930	\$ 5,006,000
Dorothy F. Schmidt Distgd Eminent School Chair of Performing Arts	5,001,255	8,047,392	-	115,852	(195,924)	-	7,967,320	5,001,255
John M. DeGrove Eminent Scholar Chair in Growth Mng & Dev	2,274,070	3,432,537	-	47,722	(120,027)	-	3,360,232	2,274,070
Helen Karpelena Persson Eminent Scholar Chair in Com Caring	1,758,721	2,342,249	-	32,640	(129,139)	-	2,245,750	1,758,721
Eugene and Christine E. Lynn Eminent Scholar Chair in Business	999,900	2,094,565	-	27,522	(33,820)	-	2,088,267	999,900
Charles E. Schmidt Eminent Scholar Chair in Engineering	1,148,560	1,922,419	-	26,074	(31,612)	-	1,916,881	1,148,560
Eminent Scholar Chair in Turkish Studies	889,800	1,798,875	-	18,046	(21,879)	-	1,795,042	889,800
John Thomas Ladue McGinty Eminent Scholar Chair in Biology	1,060,336	1,762,901	-	24,293	(69,294)	(1,413)	1,716,487	1,060,336
Dr. Robert J. Morrow Eminent Scholar Chair in Social Science	1,053,125	1,667,360	-	23,103	(69,071)	1,000	1,622,392	1,053,125
Glenwood and Martha Creech Eminent Scholar Chair in Science	1,028,466	1,643,146	-	22,834	(47,928)	-	1,618,052	1,028,466
Office Depot Eminent Scholar Chair Small Business Research	1,020,000	1,579,568	-	20,442	(25,127)	-	1,574,883	1,020,000
Charles Stewart Mott Eminent Scholar Chair in Comm Education	1,010,355	1,567,086	-	21,631	(77,780)	-	1,510,937	1,010,355
Raddock Family Eminent Scholar Chair in Holocaust Studies	1,139,665	1,562,724	-	22,414	(90,274)	10,076	1,504,940	1,139,665
Dorothy F. Schmidt Eminent Scholar Chair in the Performing Arts	1,035,674	1,505,555	-	20,471	(30,984)	-	1,495,042	1,035,674
Herbert & Elaine Gimmelstob Eminent Scholar Chair in Judaic Std	1,116,050	1,497,128	-	20,441	(66,705)	-	1,450,864	1,116,050
William F. Dietrich Eminent Scholar Chair in Philosophy	1,045,505	1,434,600	-	19,854	(27,583)	-	1,426,871	1,045,505
Christine E. Lynn Eminent Scholar Chair in Nursing	1,033,725	1,405,077	-	19,832	(66,275)	-	1,358,634	1,033,725
Total	\$ 27,621,207	\$ 43,821,018	\$ -	\$ 603,531	\$ (1,285,688)	\$ 9,663	\$ 43,148,524	\$ 27,621,207

**Florida Atlantic University Foundation, Inc.
Schedule of Receipts, Expenditures and
Endowment Balances for Ethics Scholars Program
For the Year Ended June 30, 2015**

Fund Name	Corpus Balance at 07/01/2014	Endowment Balance at 07/01/2014	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2015	Corpus Balance at 06/30/2015
Fully endowed:								
Dr. Floyd Koch Business Ethics Scholarship Fund	\$ 500,000	\$ 626,212	\$ -	\$ 8,834	\$ (32,799)	\$ -	\$ 602,247	\$ 500,000
Edward E. Shoaf Honors College Ethics Scholarship Fund	300,000	396,859	-	5,599	(18,445)	-	384,013	300,000
Edward E. Shoaf Ethics Scholarship Fund	300,000	358,928	50,000	5,927	(13,935)	-	400,920	350,000
J.M. Rubin Foundation Honors College Ethics Scholarship Fund	260,000	314,967	35,000	4,735	(13,783)	-	340,919	295,000
Mildred A. Becker Ethics Scholarship Endowment Fund	200,000	260,012	-	3,558	(12,336)	-	251,234	200,000
Hilda A Krinzman Ethics Scholarship Fund	212,688	257,013	-	3,602	(14,403)	-	246,212	212,688
Total	<u>\$ 1,772,688</u>	<u>\$ 2,213,991</u>	<u>\$ 85,000</u>	<u>\$ 32,255</u>	<u>\$ (105,701)</u>	<u>\$ -</u>	<u>\$ 2,225,545</u>	<u>\$ 1,857,688</u>

**Florida Atlantic University Foundation, Inc.
Schedule of Receipts, Expenditures and
Endowment Balances for Major Gifts Program
For the Year Ended June 30, 2015**

Fund Name	Corpus Balance at 07/01/2014	Endowment Balance at 07/01/2014	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2015	Corpus Balance at 06/30/2015
Endowed Professorships:								
Lucy Henderson Edmondson Professorship in Elementary Education	\$ 2,761,197	\$ 3,976,142	-	\$ 55,927	(182,840)	-	\$ 3,849,229	\$ 2,761,197
Ronald and Elizabeth Blake Professorship in Nursing	225,000	353,643	-	4,875	(5,969)	-	352,549	225,000
LLS Distinguished Professorship in Current Affairs	250,000	347,720	-	4,755	(11,775)	-	340,700	250,000
Lifelong Learning Society Professorship in Social Science	150,000	345,873	-	4,610	(6,151)	-	344,332	150,000
LLS Distinguished Professorship in Arts & Humanities	250,000	330,274	-	4,488	(11,510)	-	323,252	250,000
Nona and Peter Gordon Endowed Professorship in Early Childhood Education	199,319	322,223	-	4,407	(11,888)	-	314,742	199,319
Charles E. Schmidt Professorship in Engineering	157,784	310,433	-	4,397	3,420	-	318,250	157,784
Henry Epstein Professorship in Urban and Regional Planning	150,262	301,101	-	3,993	(32,716)	-	272,378	150,262
John Wymmer Endowed Professorship in Nursing	184,321	271,177	-	3,745	(13,787)	-	261,135	184,321
Sensormatic Professorship in Marketing	150,000	250,966	-	3,266	(4,012)	-	250,220	150,000
Adelaide R. Snyder Professorship in Ethics	160,775	248,422	-	3,408	(4,843)	(200)	246,787	160,775
Motorola Endowed Professorship for Electrical and Computer Engineering	162,000	246,096	-	3,355	(10,883)	-	238,568	162,000
Sharon Phillips Raddock Professorship in Holistic Nursing	152,821	240,705	-	3,305	(13,937)	-	230,073	152,821
Lifelong Learning Society Professorship in Science	150,050	240,041	-	3,338	(15,604)	-	227,775	150,050
Bingham Professorship in Creative Writing	150,000	235,408	-	3,256	(12,339)	500	226,825	150,000
Lifelong Learning Society Professorship in Arts and Humanities	150,215	230,989	-	3,165	(3,848)	-	230,306	150,215
Rabbi Ario S. Hyams Library Professorship	150,000	221,855	-	3,028	(15,004)	-	209,879	150,000
William F. Dietrich Professorship in Philosophy	150,013	221,253	-	2,995	(11,952)	-	212,296	150,013
SunTrust/South Florida Professorship in Finance	150,000	218,930	-	3,116	(3,830)	-	218,216	150,000
Frances and Milton Levenson Professorship in Japanese Studies	150,200	215,578	-	2,987	(4,225)	-	214,340	150,200
J.M. Rubbin Foundation Professorship in Engineering	150,000	205,738	-	2,808	(10,624)	-	197,922	150,000

**Florida Atlantic University Foundation, Inc.
Schedule of Receipts, Expenditures and
Endowment Balances for Major Gifts Program
(continued)
For the Year Ended June 30, 2015**

Fund Name	Corpus Balance at 07/01/2014	Endowment Balance at 07/01/2014	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2015	Corpus Balance at 06/30/2015
Endowed Scholarships and Fellowships:								
Harriet L. Wilkes College Scholarship Fund	17,961,799	26,131,320	-	357,583	(1,299,135)	(75,000)	25,114,768	17,961,799
Henry Morrison Flagler Scholarship Fund	5,280,352	6,703,911	400	94,728	(345,742)	75,000	6,528,297	5,280,752
Essie C. Grain Nursing Scholarship Fund	1,821,861	2,712,844	-	38,255	(133,265)	-	2,617,834	1,821,861
DeLisle Memorial Scholarship Fund	1,527,375	2,016,930	-	27,703	(33,619)	-	2,011,014	1,527,375
June and Ira Gelb M.D. Scholarship Fund	840,775	1,270,450	1,752	13,528	(44,637)	-	1,241,093	892,028
Helen Shoaf Memorial Scholarship	992,668	1,266,058	-	17,899	(58,318)	-	1,225,639	992,668
Esther Saylor Rothenberger Scholarship	1,020,078	1,229,248	-	(3,050)	(44,551)	-	1,181,647	1,020,078
Daniel B. and Aurel B. Newell Doctoral Fellowships	645,518	910,909	-	12,827	(45,680)	-	878,056	645,518
Mary Fraser Scholastic Trust Fund	651,012	891,225	-	12,264	(21,155)	-	882,334	651,012
William Fabricant Scholarship	450,000	681,519	-	9,397	(39,145)	-	651,771	450,000
Edgewater Pointe Estates Scholarship	320,572	461,835	-	6,342	(7,701)	-	460,476	320,572
W. DePan Memorial Scholarship	280,319	443,838	-	6,079	(13,387)	-	436,530	280,319
Nathan & Marion Crosby Holocaust and Judaic Studies Scholarship Fund	301,733	431,499	-	5,710	(6,996)	-	430,213	301,733
James and Zita Hayes and Zita Founders Honors Scholarship	335,068	423,443	100	5,976	(21,807)	-	407,712	335,168
Dr. Vincent R Saurino Fellowship for Graduate Students	330,093	420,698	-	5,964	(18,984)	-	407,678	330,093
David Neil Krinzman Memorial Scholarship Fund	304,247	389,060	-	5,319	(19,502)	-	374,877	304,247
Goizueta Foundation Scholars Fund	300,000	373,654	-	5,185	(15,338)	-	363,501	300,000
Fred and Kit Bigony Scholarship Fund	275,000	356,281	225,000	7,201	(27,861)	-	560,621	500,000
Angelos Langadas Scholarship	257,500	338,124	-	4,815	(10,874)	-	332,065	257,500
Ethics Scholarship Endowment	250,549	316,565	-	4,391	(17,367)	-	303,589	250,549
Virginia & Douglas Stewart Excellence in Honors Faculty Award	252,000	315,642	-	4,378	(16,300)	-	303,720	252,000

**Florida Atlantic University Foundation, Inc.
Schedule of Receipts, Expenditures and
Endowment Balances for Major Gifts Program
(continued)
For the Year Ended June 30, 2015**

<u>Fund Name</u>	<u>Corpus Balance at 07/01/2014</u>	<u>Endowment Balance at 07/01/2014</u>	<u>Contributions</u>	<u>Income</u>	<u>Expenditures</u>	<u>Interfund Transfer</u>	<u>Endowment Balance at 06/30/2015</u>	<u>Corpus Balance at 06/30/2015</u>
Endowed Scholarships and Fellowships (continued):								
Milton & Gladys Meisner Scholarships	211,644	305,163	-	4,220	(11,658)	-	297,725	211,644
M. Brenn Green Scholarship in Social Science	168,949	304,050	-	4,164	(10,076)	-	298,138	168,949
Andrew R. and Marjorie C. Buglione Endowed Scholarship Fund	250,841	303,213	-	4,139	(5,037)	-	302,315	250,841
LLS College of Nursing Graduate Stipend Endowment	250,000	293,195	-	4,152	(14,337)	-	283,010	250,000
James P. and Eloise M Latham Scholarship in Geography	173,259	283,689	-	3,883	(14,591)	-	272,981	173,259
Christine E. Lynn Nursing Assistance Program	200,000	281,144	100,000	5,360	(13,122)	-	373,382	300,000
Fanjul Academic and Community Excellence Award	150,000	279,027	-	3,832	(9,659)	-	273,200	150,000
Helen Shoaf Memorial Nursing Scholarship	200,000	262,864	150,000	3,111	(15,930)	-	400,045	350,000
Annette Van Howe Women's Studies Scholarship	196,660	256,959	-	3,565	(8,335)	-	252,189	196,660
Eric Alexander Engineering and Computer Science Scholarship	200,051	243,935	-	3,323	(8,061)	-	239,197	200,051
Lawrence A. Sanders Memorial Fellowship in English	150,000	241,797	25,000	3,570	(13,690)	-	256,677	175,000
Lawrence A. Sanders Memorial Fellowship in Creative Writing	175,000	238,049	-	3,124	(3,783)	-	237,390	175,000
James M. Cox, Jr./Palm Beach Post Scholarship in Journalism	151,500	231,277	-	3,176	(6,880)	-	227,573	151,500
Joseph Conaway Undergraduate Theater Scholarship	150,300	227,112	-	3,116	(7,528)	-	222,700	150,300
James A. Woodruff, Jr. Scholarship in Memory of Hazel Gates Woodruff	160,000	225,843	-	3,183	(11,891)	-	217,135	160,000
Ernest O. Melby Fellowships FAU National Alumni Association Scholarship	151,065	223,810	-	3,157	(11,660)	-	215,307	151,065
Mrs. Charles "Binny" Foster Scholarship	156,227	221,645	2,575	3,122	(12,555)	-	214,787	158,802
Mrs. Charles "Binny" Foster Scholarship	149,735	220,113	-	3,009	(8,369)	-	214,753	149,735
Joshua Logan Graduate Scholarship	152,000	217,027	-	2,935	(18,558)	-	201,404	152,000

**Florida Atlantic University Foundation, Inc.
Schedule of Receipts, Expenditures and
Endowment Balances for Major Gifts Program
(continued)
For the Year Ended June 30, 2015**

<u>Fund Name</u>	<u>Corpus Balance at 07/01/2014</u>	<u>Endowment Balance at 07/01/2014</u>	<u>Contributions</u>	<u>Income</u>	<u>Expenditures</u>	<u>Interfund Transfer</u>	<u>Endowment Balance at 06/30/2015</u>	<u>Corpus Balance at 06/30/2015</u>
Endowed Scholarships and Fellowships (continued):								
Howard Guggenheim Endowed Scholarship	152,214	216,026	-	3,052	(11,031)	-	208,047	152,214
Eleanor R. Baldwin Genesis Scholarship Fund	150,270	215,741	-	2,953	(7,207)	-	211,487	150,270
Frances and Victor Ginsberg Scholarship	154,750	214,221	-	3,019	(11,190)	-	206,050	154,750
Genesis Belle Glade Teachers Scholarship	151,000	205,189	500	2,873	(11,439)	-	197,123	151,500
Fields Genesis Scholarship	150,000	202,323	-	2,835	(11,466)	-	193,692	150,000
Dr. Floyd F. Koch Graduate Scholarship in Science/Medicine	150,671	201,754	-	2,640	(8,224)	-	196,170	150,671
Blue Cross Blue Shield Health Scholars	150,000	200,504	-	2,842	(9,463)	-	193,883	150,000
Toppel Family Foundation Endowed Genesis Scholarship	150,000	199,351	-	2,810	(9,435)	-	192,726	150,000
Alice Griffin AAUW Graduate Fellowship Endowment	150,000	195,444	-	2,690	(5,786)	-	192,348	150,000
Dorothy & Marshall Andersen Scholarship Endowment	150,857	194,681	-	2,661	(9,753)	-	187,589	150,857
Lee J. and Esther Steindel Scholarship	153,909	188,676	-	2,642	(9,229)	-	182,089	153,909
Marian Altman Memorial Honors Scholarship	151,060	185,198	-	2,610	(9,391)	-	178,417	151,060
Dr. Floyd F. Koch Honors Scholarship	150,000	184,217	-	2,601	(9,480)	-	177,338	150,000
Mildred and Rudy Reis Endowed Scholarship	150,000	183,688	-	2,577	(4,401)	-	181,864	150,000
The Marsh Scholarship Fund	150,000	179,527	-	2,539	(8,903)	-	173,163	150,000
Reid Nix Endowed Scholarship Fund	123,000	167,869	-	2,373	(8,000)	-	162,242	123,000
Hank Watson Scholarship Fund Lawrence and Florence A. DeGeorge C Trust Honors Scholarship	103,610	128,370	-	1,806	(4,708)	-	125,468	103,610
DeGeorge C Trust Honors Scholarship	100,000	116,812	-	1,651	(5,918)	-	112,545	100,000

**Florida Atlantic University Foundation, Inc.
Schedule of Receipts, Expenditures and
Endowment Balances for Major Gifts Program
(continued)
For the Year Ended June 30, 2015**

Fund Name	Corpus Balance at 07/01/2014	Endowment Balance at 07/01/2014	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2015	Corpus Balance at 06/30/2015
Program Endowments:								
Ann C. Kunkel Endowment for the Pine Jog Environmental Center Charles E. Schmidt	10,149,433	13,125,178	-	(150,844)	(229,612)	(112,550)	12,632,172	10,149,433
Biomedical Endowment	10,000,075	12,974,041	-	170,701	(276,911)	-	12,867,831	10,000,075
Christine Lynnn Endowment Fund	4,000,001	6,015,302	-	82,664	(336,254)	(6,000)	5,755,712	4,000,001
Carl DeSantis Business and Economics Center for the Study and Development of the Motion Picture and Entertainment								
Industry Endowment	4,000,876	5,283,675	-	73,353	(181,478)	-	5,175,550	4,000,876
Abacoa Fund	4,000,752	5,137,505	-	71,281	(260,612)	-	4,948,174	4,000,752
Davimos Family Endowment for excellence in Science	1,750,752	2,409,874	-	33,710	(83,336)	-	2,360,248	1,750,752
Janice and Julian Weiss Endowment	1,974,792	2,404,874	-	33,043	(110,362)	-	2,327,555	1,974,792
Libby Dodson Endowment for Nursing Excellence	1,760,931	2,390,158	-	32,939	(115,850)	-	2,307,247	1,760,931
Adams Center for IT Product Management and Entrepreneurship	1,811,771	2,357,209	9,380	33,601	(65,197)	-	2,334,993	1,811,771
Alan B. Larkin Endowed Fund	1,748,369	2,215,650	270	62,640	(179,030)	18,473	2,118,003	1,748,539
Christine E. Lynn Center for Caring Endowed Fund	1,275,000	1,718,528	-	23,537	(70,472)	-	1,671,593	1,275,000
Edward W. and Lee Hill Snowdon Harbor Branch								
Manned Submersibles	1,012,500	1,645,946	-	22,848	(27,701)	-	1,641,093	1,012,500
Pine Jog Endowment Fund	1,021,700	1,343,393	-	(15,455)	(23,501)	(11,525)	1,292,912	1,021,700
The Anne Boykin Institute- Advancement of Caring Nursing	1,002,455	1,253,619	520	17,554	(69,786)	-	1,201,907	1,002,975
Lucille B. and Jacob Friedland Pine Jog Friends Art Endowment	-	1,040,146	465,107	3,207	(59,582)	(485,103)	960,568	-
Carole & Barry Kaye Integrative Art Education/ Outreach	158,760	928,105	-	-	(15,280)	-	916,032	158,760
Chastain-Johnston Middle East Studies Enhancement Project Endowment	750,230	892,304	585	12,814	(41,451)	6,200	870,452	750,230
Sir Richard Doll Chair	700,455	849,833	-	12,028	(27,871)	(1,500)	832,490	700,455
	600,000	705,110	-	10,009	(38,384)	-	676,735	600,000

**Florida Atlantic University Foundation, Inc.
Schedule of Receipts, Expenditures and
Endowment Balances for Major Gifts Program
(continued)
For the Year Ended June 30, 2015**

Fund Name	Corpus Balance at 07/01/2014	Endowment Balance at 07/01/2014	Contributions	Income	Expenditures	Interfund Transfer	Endowment Balance at 06/30/2015	Corpus Balance at 06/30/2015
Program Endowments (continued):								
John Q. Adams and Ann B. Adams Fund Endowment (Mayan Studies)	450,000	594,637	15,000	8,476	(41,469)	-	576,644	450,000
Mark Swiatlo Judaica Library Acquisition Fund	229,621	448,445	-	5,722	(7,026)	-	447,141	229,621
Kresge Foundation Science Initiative Challenge Fund	259,789	347,682	-	4,761	(15,397)	-	337,046	259,789
Center for Study of Values and Violence	248,192	344,977	-	4,755	(5,821)	(4,284)	339,627	248,192
University Club Library Endowment	195,180	327,404	-	4,641	(5,698)	-	326,347	195,180
Lawrence A. Sanders Writer in Residence	231,500	310,911	-	4,302	(16,954)	-	298,259	231,500
George and Wilma Elmore Scientific and Technical Equipment Endowment	150,500	253,628	-	3,504	(4,300)	-	252,832	150,500
Emanuel Erwin Halpern Fund	151,100	250,690	-	3,496	(4,292)	-	249,894	151,100
Cindy & Stuart Markowitz MD End Fund for Biomed Science	194,100	243,870	200	3,350	(11,117)	-	236,303	194,300
J.M. Ruben Foundation Ocean Engineering Endowment	150,000	230,261	-	3,169	(3,844)	-	229,586	150,000
University Club Library Galaxy Endowment	171,640	224,966	-	3,179	(6,885)	-	221,260	171,640
Herbert and Elaine Gimmelstob Judaic Studies	160,100	223,932	-	3,065	(7,246)	-	219,751	160,100
Tecore Endowment Fund	150,000	204,980	-	2,793	(7,882)	-	199,891	150,000
Margaret S. Kramer Chemistry Endowment	150,000	204,585	-	2,789	(3,416)	-	203,958	150,000
May Smith Lecture Series on Post-Holocaust Christian - Jewish Fields Music Equipment Endowment	163,710	200,852	450	2,827	(12,186)	-	191,943	163,810
Robin B. Smith Honors Innovation Fund	141,518	179,723	-	2,463	(4,351)	-	177,835	141,518
FAU National Alumni Association Library Endowment	102,055	171,030	-	2,334	(11,059)	-	162,305	102,055
The Anne Boykin Healing Garden	12,135	141,410	-	1,990	(7,544)	-	135,856	12,135
Dr. Charles W. Finkl Jr. Opportunities Endowment Fund	100,000	125,197	-	1,711	(2,079)	-	124,829	100,000
Total	\$ 97,826,040	\$ 135,579,158	\$ 996,839	\$ 1,488,755	\$ (5,384,434)	\$ (595,989)	\$ 132,084,329	\$ 98,381,858

Florida Atlantic University Foundation, Inc.
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2015

<u>Grantor/Project Title</u>	<u>State CSFA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
State Agency Name:			
Direct Project:			
State of Florida,			
Department of Education -			
University Major Gifts Program	48.074	-	\$ 2,886,502
State of Florida,			
Department of Highway Safety			
and Motor Vehicles -			
Specialty License Plate			
Fund	76.031	-	<u>57,308</u>
Total expenditures of state financial assistance			\$ <u><u>2,943,810</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes the state project activity of Florida Atlantic University Foundation, Inc. (the "Foundation") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General.

Note 2 - Contingency

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

INTERNAL CONTROLS AND COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Florida Atlantic University Foundation, Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

Purpose of this Report

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 8, 2015

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

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

Report on Compliance for Each Major State Project

We have audited the Florida Atlantic University Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in *the Florida Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Foundation's major state project for the year ended June 30, 2015. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Foundation's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on the Major State Project

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 8, 2015

**Florida Atlantic University Foundation, Inc.
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2015**

A. Summary of Auditor’s Results

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

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

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

B. Findings - Financial Statements Audit

No matters are reported.

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

No matters are reported.

D. Other Issues

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