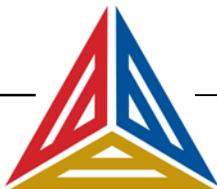


**FLORIDA ATLANTIC UNIVERSITY
RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF
FLORIDA ATLANTIC UNIVERSITY
REPORT ON AUDITED FINANCIAL STATEMENTS
For the Years Ended June 30, 2015 and 2014**

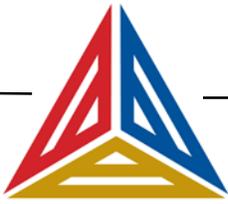


S. DAVIS & ASSOCIATES, P.A.
Certified Public Accountants & Consultants

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
For the Years Ended June 30, 2015 and 2014**

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic financial statements:	
Statements of Net Position	7
Statements of Revenues, Expenses and Change in Net Position	8
Statements of Cash Flows	9
Notes to the Financial Statements	10
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the of Directors of
Florida Atlantic University Research Corporation
Boca Raton, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Atlantic University Research Corporation ("the Corporation") (a direct support organization of Florida Atlantic University), as of June 30, 2015 and 2014, and the related notes to the financial statements which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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

HOLLYWOOD

2521 Hollywood Boulevard
Hollywood, Florida 33020
(954) 927-5900
(954) 927-5927 Fax

MIAMI

2 South Biscayne Boulevard, Suite 3200
Miami, Florida 33131
(305) 628-1510
(305) 628-1595 Fax

PALM BEACH

951 Sansbury Way, Suite 203
West Palm Beach, Florida 33411
(561) 547-0545
(561) 253-2747 Fax

TALLAHASSEE

400 N. Adams Street
Tallahassee, Florida 32301
(800) 678-6091

MEMBER

Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT – Continued

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 the Corporation as of June 30, 2015 and 2014, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT – Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Corporation's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is contained within a light blue rectangular box.

West Palm Beach, Florida
October 27, 2015

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management’s discussion and analysis of the Florida Atlantic University Research Corporation (the “Corporation”) financial statements provides an overview of the Corporation’s financial activities for the fiscal year ended June 30, 2015. The financial statements are comprised of the following:

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

The management’s discussion and analysis is designed to focus on current activities, resulting change, and currently known facts. Please read it in conjunction with the basic financial statements and the notes to financial statements. Responsibility for completeness and fairness of this information rests with the Corporation’s management.

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

The statement of net position presents the assets, liabilities, and net position of the Corporation as of the end of the fiscal year. The statement of net position portrays the Corporation’s financial condition at only one point in time, i.e., June 30, 2015. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of Florida Atlantic University Research Corporation. The statement of net position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources (if any), liabilities, deferred inflows of resources (if any), and net position (assets and deferred outflows minus liabilities and deferred inflows).

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

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

The Corporation has a net position of \$443,764 as of June 30, 2015, representing an increase of \$21,365 in net position over June 30, 2014.

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

The Corporation's net position is unrestricted and, as such, is available to the Corporation for any lawful purpose. Total assets at June 30, 2015 was \$516,972, a decrease of \$34,697 when compared to the prior year. For details of the Corporation's net position, the reader should review the statement of net position and notes to the financial statements.

Changes in total net position is summarized based on the related types of financial activity, and is presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues, both operating and non-operating, and expenses and explain how the Corporation's net position changed between fiscal years. Total revenues for the year ended June 30, 2015 amounted to \$231,529, a decrease of \$42,915 or 16% over the prior year. Total expenses were \$217,252, a decrease of \$98,533 when compared to the prior year. For details of the Corporation's financial activities, the reader should review the statements of revenues, expenses, and changes in net assets and notes to financial statements.

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

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued**

The economic position of the Corporation is strong and closely tied to the research efforts of Florida Atlantic University. The Corporation is not aware of any currently known facts, decisions, or conditions that are expected to have a significant adverse effect on the financial position or results of operations during current fiscal year other than those uncertainties having potential for the interruption of virtually all types of normal business operations.

Nature of Activities

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

During 2004, the Corporation formed Hoot/Wisdom Recordings, LLC, Hoot/Wisdom Music Publishing, LLC, and Hoot/Insight Music Publishing, LLC (collectively, the LLCs) to benefit the University’s research and educational programs. During 2015 and 2014, the LLCs generated \$2,494 and \$3,576 in revenue, respectively. As the LLCs generate financial activity, such activity will be consolidated with the Corporation’s activities.

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

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
STATEMENTS OF NET POSITION
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 516,570	\$ 543,578
Due from FAU	-	-
Prepaid and deposits	-	7,500
Interest receivables	402	591
Total Current Assets	<u>516,972</u>	<u>551,669</u>
 Total Assets	 <u>\$ 516,972</u>	 <u>\$ 551,669</u>
 LIABILITIES AND NET POSITION:		
Current Liabilities:		
Accounts payable	\$ 197	\$ 15,266
Royalties payable	37,706	15,626
Due to FAU	-	36,758
Total Current Liabilities	<u>37,903</u>	<u>67,650</u>
Deferred Inflows of Resources:		
Deferred revenue	<u>35,305</u>	<u>61,620</u>
Total Deferred Inflows of Resources	<u>35,305</u>	<u>61,620</u>
Net Position:		
Total Net Position – Unrestricted	<u>443,764</u>	<u>422,399</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 516,972</u>	<u>\$ 551,669</u>

See notes to financial statements.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Nongovernmental grants and contracts	\$ 44,971	\$ 128,004
Program revenue	13,648	1,862
Royalties	172,930	144,578
Total Operating Revenues	<u>231,529</u>	<u>274,444</u>
Operating Expenses:		
Contractual and program expenses	134,106	98,603
Royalty expenses	61,540	186,723
Other operating expenses	21,606	30,459
Total Operating Expenses	<u>217,252</u>	<u>315,785</u>
Operating income (loss)	<u>14,297</u>	<u>(41,341)</u>
Non-operating revenues:		
Gain/(loss) on investment	<u>7,068</u>	<u>4,833</u>
Increase (decrease) in net assets	21,365	(36,508)
Net position at beginning of year	422,399	458,907
Net position at end of year	<u>\$ 443,764</u>	<u>\$ 422,399</u>

See notes to financial statements.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Cash flows from operating activities:		
Cash receipts from grants and contracts	\$ 44,974	\$ 128,004
Cash receipts from program revenue	13,648	1,862
Cash receipts from royalties	135,224	128,951
Payments to suppliers for goods and services	(191,161)	(293,057)
Net cash provided by (used in) operating activities	2,682	(34,240)
Cash flows from investing activities:		
Interest received	7,470	6,199
Net cash provided by investing activities	7,470	6,199
Cash flows from financing activities:		
Net advances (to) from FAU	(36,758)	34,883
Net cash (used in) provided by financing activities	(36,758)	34,883
Net (decrease) increase in cash and cash equivalents	(26,606)	6,842
Cash and cash equivalents, beginning of year	543,578	536,736
Cash and cash equivalents, end of year	\$ 516,972	\$ 543,578
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ 14,297	\$ (41,341)
Adjustments to reconcile changes in unrestricted net assets to net cash provided by (used in) operating activities:		
Change in operating assets and liabilities:		
Decrease in accounts receivable	189	-
Increase in prepaid and deposits	7,500	(7,500)
Increase in accounts payable	(15,069)	4,434
Increase in deferred inflows	(26,315)	791
Increase in royalties payable	22,080	9,376
Net cash provided by (used in) operating activities	\$ 2,682	\$ (34,240)

See notes to financial statements.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Basis of Accounting

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

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

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

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

Cash and Cash Equivalents

The Corporation's excess cash is placed in an interest-bearing account at a qualified depository bank and with the Florida State Treasury. At year-end, the Corporation's cash and cash equivalents are comprised of the following:

	2015	2014
Cash in Bank	\$ 40,877	\$ 52,050
Equity in the State of Florida's Local Government Treasury Investment Pool	475,693	491,528
	\$ 516,570	\$ 543,578

Florida Statutes provide guidelines within which units of local governments may invest their surplus funds. The carrying amount of deposits and equity in the investment pool is a reasonable estimate of fair value at June 30, 2015 and 2014. All of the Corporation's cash and cash equivalents are fully insured.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of each of the respective assets. Property and equipment consists of the following at June 30, 2015 and 2014:

Furniture and equipment	\$ 5,302	30 years estimated useful life
Less: accumulated depreciation	(5,302)	
Property and equipment, net	\$ -	

Property and equipment was fully depreciated at June 30, 2014.

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Patent Costs

The cost of patents acquired is amortized using the straight-line methods over the benefit life of the agreement. There was no amortization expense recorded for the years ended June 30, 2015 and 2014.

Revenue Recognition

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

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

Research and Development

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

Income Tax

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

Management analyzes tax positions in jurisdictions where it is required to file income tax returns. Interest and penalties attributable to income taxes, if any, are included in operating expenses. Based on its evaluation, management did not identify any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease. The Corporation is no longer subject to income tax examinations for the fiscal years prior to 2012.

Use of Estimates

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

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

NOTE 2 – PATENT COSTS

Patent costs consist of the following at June 30, 2015 and 2014:

Patents	\$ 6,697
Less: accumulated amortization	<u>(6,697)</u>
Total patent costs	<u><u>\$ -</u></u>

NOTE 3 – NONGOVERNMENTAL GRANTS AND CONTRACTS

Nongovernmental contracts and grant revenue, consisting of reimbursements under contracts with various entities, totaled \$44,971 and \$128,004 for the years ended June 30, 2015 and 2014, respectively.

NOTE 4 – ROYALTY AGREEMENTS

The Corporation has several royalty agreements with third parties for the use of certain patents that expire through 2015. The royalty agreements generally provide for sales-based royalties with specific minimum requirements, and may include a patent purchase option.

Under separate agreements with the University and the patent's inventor portions of the royalty proceeds are shared between the inventor and the University. During 2015 and 2014, approximately \$47,900 and \$57,800, respectively, was disbursed or accrued as payable to patent inventors and approximately \$13,700 and \$114,000, respectively, was disbursed or accrued to the University under these agreements.

NOTE 5 – RELATED PARTY TRANSACTIONS

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

**FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION,
A DIRECT SUPPORT ORGANIZATION OF FLORIDA ATLANTIC UNIVERSITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

Related to a lawsuit settlement prior to 2009, the Corporation received certain funds to administer for related parties, primarily the College of Medicine, which were recorded as revenue. In turn, the Corporation committed to support the College of Medicine with a portion of the proceeds. During 2015 and 2014, the Corporation paid \$548 and \$0, respectively, of support which was recorded as other operating expenses in the accompanying statement of revenues, expenses and changes in net position.

NOTE 6 – FEDERAL GRANTS AND CONTRACTS

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

NOTE 7 – INTEREST RATE AND CREDIT RISKS

Interest rate risk

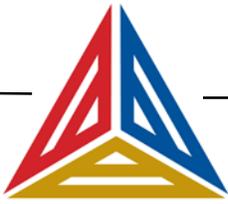
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Corporation measures interest rate risk inherent in its portfolio by measuring the modified duration of its excess cash invested in the State of Florida's Treasury Investment Pool (the Treasury Pool). The Corporation has no specific limitations with respect to this metric. The modified duration for the Corporation's investment in the Treasury Pool is 2.38 years.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool's rating from Standard and Poors is A+ f and AA Af as of June 30, 2015 and 2014, respectively.

NOTE 8 – SUBSEQUENT EVENTS

Management evaluated activity of the Corporation subsequent to June 30, 2015 through October 27, 2015 for events that require the recognition in the financial statements or disclosure in the notes thereto.



S. DAVIS & ASSOCIATES, P.A.

Certified Public Accountants & Consultants

**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 Research Corporation
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 Research Corporation ("the Corporation"), as of June 30, 2015, and the related notes to the financial statements which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated October 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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.

HOLLYWOOD

2521 Hollywood Boulevard
Hollywood, Florida 33020
(954) 927-5900
(954) 927-5927 Fax

MIAMI

2 South Biscayne Boulevard, Suite 3200
Miami, Florida 33131
(305) 628-1510
(305) 628-1595 Fax

PALM BEACH

951 Sansbury Way, Suite 203
West Palm Beach, Florida 33411
(561) 547-0545
(561) 253-2747 Fax

TALLAHASSEE

400 N. Adams Street
Tallahassee, Florida 32301
(800) 678-6091

MEMBER

Florida Institute of Certified Public Accountants
American Institute of Certified Public Accountants

**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* – CONTINUED**

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 Corporation’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 organization’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 organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above a light blue horizontal line.

West Palm Beach, Florida
October 27, 2015