



Item: AC: I-2b

## Audit and Compliance Committee

Tuesday, November 14, 2023

**SUBJECT: Review of the Financial Statements of FAU Direct Support Organizations: FAU Research Corporation for the Year Ended June 30, 2023**

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### PROPOSED COMMITTEE ACTION

Information Only

### BACKGROUND INFORMATION

The audited financial statements of the Florida Atlantic University Research Corporation (FAURC) are presented to keep the Board of Trustees informed about the financial status of the Corporation. The audited financial statements are for the period ended June 30, 2023 and were presented to the FAURC Board of Directors on November 1, 2023.

### IMPLEMENTATION PLAN/DATE

N/A

### FISCAL IMPLICATIONS

N/A.

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**Supporting Documentation:** FAU Research Corporation Financial Statements, June 30, 2023

**Presented by:** Mr. Jayson Iroff, VP Financial Affairs and CFO

**Phone:** 561-297-6272

Florida Atlantic University  
Research Corporation  
(A Component Unit of  
Florida Atlantic University)

Year Ended  
June 30, 2023

Financial  
Statements

**Rehmann**

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

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## INDEPENDENT AUDITORS' REPORT

November 2, 2023

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the **Florida Atlantic University Research Corporation** (the "Corporation"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Independent Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's 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 black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Management's Discussion and Analysis

These financial statements are the responsibility of management of the *Florida Atlantic University Research Corporation* (the "Corporation"). We offer readers this narrative overview and analysis for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- Ending net position at June 30, 2023 \$ 609,170
- Change in total net position for the year ended June 30, 2023 40,734

### Overview of the Financial Statements

**Basic Financial Statements.** The Corporation's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board. The Corporation is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. See Note 1 to the financial statements for a summary of the Corporation's significant accounting policies.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

### Financial Analysis

The Corporation's net position increased \$40,734 over the course of the fiscal year 2023 to a total of \$609,170. Explanations for those changes are provided below.

|                     | Net Position |            |
|---------------------|--------------|------------|
|                     | 2023         | 2022       |
| <b>Assets</b>       |              |            |
| Current assets      | \$ 609,170   | \$ 568,436 |
| <b>Net position</b> |              |            |
| Unrestricted        | \$ 609,170   | \$ 568,436 |

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Management's Discussion and Analysis

The following condensed financial information was derived from the statement of revenues, expenses and changes in fund net position and reflects how the Corporation's net position changed during the fiscal year:

|                                  | Change in Net Position |                   |
|----------------------------------|------------------------|-------------------|
|                                  | 2023                   | 2022              |
| Operating revenues               | \$ 204,313             | \$ 218,142        |
| Operating expenses               | 184,551                | 182,437           |
| Investment gain (loss)           | 20,972                 | (13,109)          |
| <b>Change in net position</b>    | <b>40,734</b>          | <b>22,596</b>     |
| Net position, beginning of year  | 568,436                | 545,840           |
| <b>Net position, end of year</b> | <b>\$ 609,170</b>      | <b>\$ 568,436</b> |

For the year ended June 30, 2023, the increase in net position was primarily due to the SPIA investment loss of \$13,109 in 2022 as compared to the investment gain of \$20,972 in 2023.

### Economic Condition and Outlook

The Corporation make-up of cash and investments contains funds invested in the State of Florida Special Purpose Investment Account (SPIA); which totaled \$609,170 and \$568,436 at June 30, 2023 and 2022, respectively.

After approval by the Board of Directors of the Florida Atlantic University Research Corporation Policy regarding Investments in Start-Up Companies, FAURC invested \$67,000 in the future equity of Atlantia Bioworx, Inc., a bioactive research firm. The Corporation may invest an additional \$33,000 for a total investment of \$100,000 when certain operational goals are met, as described in the agreement.

In addition to our existing intellectual property agreements that consistently generate revenue for FAURC, there are also newly executed agreements that could result in additional revenue as early as this fiscal year. One such license agreement with Elkurt, Inc. could yield an upfront fee resulting in an increase in net income of \$20,000 to the Corporation as well as future milestone payments and royalties.

### Requests for Information

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Vice President, Financial Management and Research Corporation Treasurer – Division of Research, Florida Atlantic University Research Corporation, FAU Harbor Branch, 5600 US 1 North, Link Building, Room 244, Fort Pierce, FL 34946.

## **BASIC FINANCIAL STATEMENTS**

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Statement of Net Position

June 30, 2023

### Assets

|                     |    |         |
|---------------------|----|---------|
| Cash                | \$ | 136,430 |
| Investment          |    | 404,962 |
| Other investments   |    | 67,000  |
| Interest receivable |    | 778     |
|                     |    | <hr/>   |

### Total assets

**\$ 609,170**

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### Net position

|              |    |                |
|--------------|----|----------------|
| Unrestricted | \$ | <b>609,170</b> |
|--------------|----|----------------|

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Statements of Revenue, Expenses and Changes in Fund Net Position

For the Year Ended June 30, 2023

|                                     |                          |
|-------------------------------------|--------------------------|
| <b>Operating revenues</b>           |                          |
| Royalties, licensing and fees       | \$ 98,950                |
| Grants                              | 65,967                   |
| Other operating revenue             | <u>39,396</u>            |
| <b>Total operating revenues</b>     | <b><u>204,313</u></b>    |
| <b>Operating expenses</b>           |                          |
| Program and other expenses          | 127,439                  |
| Royalty, licensing and fee expenses | <u>57,112</u>            |
| <b>Total operating expenses</b>     | <b><u>184,551</u></b>    |
| Operating income                    | 19,762                   |
| <b>Non-operating expenses</b>       |                          |
| Net investment gain                 | <u>20,972</u>            |
| <b>Change in net position</b>       | <b>40,734</b>            |
| Net position, beginning of year     | <u>568,436</u>           |
| <b>Net position, end of year</b>    | <b><u>\$ 609,170</u></b> |

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Statement of Cash Flows

For the Year Ended June 30, 2023

### Cash flows from operating activities

|  |                  |
|--|------------------|
| Cash receipts from royalties, licensing and fees | \$ 98,950        |
| Cash receipts from grants                        | 65,967           |
| Cash receipts from other operating revenue       | 38,981           |
| Payments to suppliers and others                 | <u>(184,551)</u> |

**Net cash provided by operating activities** **19,347**

### Cash flows from investing activities

|                              |              |
|------------------------------|--------------|
| Sale/purchase of investments | <u>3,463</u> |
|------------------------------|--------------|

**Net change in cash** **22,810**

Cash, beginning of year 113,620

**Cash, end of year** **\$ 136,430**

### Reconciliation of operating income to net cash provided by operating activities

|  |              |
|--|--------------|
| Operating income   | \$ 19,762    |
| Adjustments to reconcile net operating income to net cash provided by operating activities |              |
| Change in operating assets and liabilities that used cash                                  |              |
| Interest receivable  | <u>(415)</u> |

**Net cash provided by operating activities** **\$ 19,347**

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the *Florida Atlantic University Research Corporation* (the "Corporation") conform to generally accepted accounting principles as applied to business-type activities. The following is a summary of the significant policies.

#### **Reporting Entity**

On November 21, 1990, the Florida Atlantic University Research Corporation, Inc., (the "Corporation") was incorporated as a not-for-profit organization under Chapter 617, Florida Statutes. The Corporation is a direct support organization of the Florida Atlantic University (the "University"), a part of the State university system of public universities. The Corporation was organized for the purpose of promoting, encouraging, and providing assistance to the research and training 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. From time to-time, the Corporation may obtain ownership in partnering commercial entities related to such intellectual property. Management of the Corporation determines the value of the ownership interest in these commercial entities. The Board of Directors is the governing body of the Corporation. The University's Board of Trustees can unilaterally allow for a decertification of the Corporation and cause for dissolution of the Corporation, resulting in all assets reverting to the University. Consequently, the Corporation meets the criteria for inclusion in the University's reporting entity as a component unit.

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. As the LLCs generate financial activity, such activity is consolidated with the Corporation's activities.

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

#### **Basis of Presentation**

All operations of the Corporation are accounted for in a single enterprise fund (a type of proprietary fund). Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Notes to Financial Statements

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Restricted net position is reported for assets that are subject to restrictions beyond the Corporation's control, less any liabilities payable from such restricted assets. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Assets, Liabilities and Equity**

#### ***Deposits and Investments***

Cash and cash equivalents consist of demand deposits in banks. For the purposes of the statement of cash flows, the Corporation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

#### ***Investments***

Investments include the State of Florida Special Purpose Investment Account ("SPIA"). The fair value of the Corporation's position in the SPIA is the same as the value of the pooled shares. SPIA funds are combined with State funds and invested as part of the Treasury Investment Pool in various short-term liquid investments and fixed income securities. The funds can be withdrawn at any time and are reported at fair value.

#### ***Equity Ownership***

The Corporation has acquired equity positions in commercial enterprises as consideration for various license agreements. The Corporation has no cost basis for these positions and their fair value is not subject to reasonable estimations. Accordingly, the value of these investments is not reflected on the statement of net position.

If the positions become actively traded equities and the fair value can be determined, then the Corporation records the equity on its statement of net position at fair value and recognizes related income.

#### ***Patent and Related Costs***

Patent, license, trademark and copyright application costs are expensed as incurred.

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Notes to Financial Statements

### *Royalties, Licensing and Fees*

The Corporation enters into royalty and licensing agreements with third parties for the use of certain patents that expire through 2044. These agreements generally provide for sales-based royalties with specific minimum requirements and may include a patent purchase option. Additionally, the Corporation collects fees related to patent generation, divesture and investing (funding) fee. Under separate agreements with the University and the patent's inventor, a portion of the proceeds are shared with the inventor and the University.

Royalties, licensing and fee revenue are recorded when an amounts owed to the Corporation can be determined and invoiced, based on the terms of the agreement. Once the funds have been received by the Corporation, the University will invoice the Corporation on a semi-annual basis, for its share. Other amounts are also accrued and paid to the inventor.

### *Grants*

Grants are recorded when amounts are earned by the Corporation, based on the terms of the grant. Once funds have been received, the University will invoice the Corporation for its share of grant revenue received by the Corporation.

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 agencies. Although that is a possibility, the Corporation deems the contingency remote.

### *Facilities Use and Personnel*

Facilities and personnel are provided at no cost to the Corporation by the University.

### *Use of Estimates*

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

### *Income Taxes*

The Corporation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Corporation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from the membership. The Corporation has been classified as not a private foundation.

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Notes to Financial Statements

### 2. DEPOSITS

Following is a reconciliation of deposit balances for the Corporation as of June 30, 2022:

#### Statement of Net Position

|      |                   |
|------|-------------------|
| Cash | <u>\$ 136,430</u> |
|------|-------------------|

#### Deposits

|                             |                   |
|-----------------------------|-------------------|
| Checking / savings accounts | <u>\$ 136,430</u> |
|-----------------------------|-------------------|

#### Deposit Risk

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. State law does not require and the Corporation does not have a policy for deposit custodial credit risk. As of June 30, 2023, none of the Corporation's bank balances were exposed to custodial credit risk.

### 3. INVESTMENTS

The Corporation is authorized to invest in the State of Florida Special Purpose Investment Account ('SPIA'). SPIA pooled investments with the State Treasury are not registered with the SEC. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Council per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. SPIA pooled investments are recorded at fair value based on net asset value of the pool, which is consistent with the treatment of "2a-7 like" pool.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the Corporation's recurring fair value measurements as of June 30, 2023 are valued based on the Corporation's share of the pool (Level 3 inputs).

#### Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. The Corporation's investment policy does not have a provision which limits investment maturity as a mean of managing exposure to fair value losses arising from increasing interest rates. The effective duration of the Florida Treasury Investment Pool is 3.02 years at June 30, 2023.

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Notes to Financial Statements

### 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. As a SPIA participant, the Corporation invests in the Florida Treasury Investment Pool. The Florida Treasury Pool is rated AA-f as of June 30, 2023.

### Foreign Currency Risk

State law and investment policy do not authorize the Treasury Investment Pool to purchase investments in foreign currencies; therefore, the Treasury Investment Pool is not exposed to foreign currency risk.

### Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (for example, a broker-dealer) to a transaction, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of another party. As applicable, the investments are held by the Corporation's custodial institution and registered in the Corporation's name. Investments in the State of Florida Special Purpose Investment funds are not subject to custodial credit risk.

## 4. 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.



## **INTERNAL CONTROL AND COMPLIANCE**

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

November 2, 2023

Honorable members of the Board of Directors  
of the Florida Atlantic University Research Corporation  
Boca Raton, FL

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 the **Florida Atlantic University Research Corporation** (the "Corporation"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated November 2, 2023.

### **Report on 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) as a basis for designing 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.

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 or significant deficiencies may exist that have not been identified.



## **Report on 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 financial statements. 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 Corporation'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rehmann Lobson LLC*

November 2, 2023

Rehmann Robson  
500 University Blvd, Suite 215  
Jupiter, FL 33458

This representation letter is provided in connection with your audit of the financial statements of the **Florida Atlantic University Research Corporation** (the "Corporation") as of and for the year ended June 30, 2023, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the Corporation in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 2, 2023:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 28, 2023, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
4. With respect to the nonattest services provided, which include any assistance you provided in drafting the financial statements and related notes, we have performed the following:
  - a. Made all management decisions and performed all management functions;

- b. Assigned a competent individual to oversee the services;
  - c. Evaluated the adequacy of the services performed;
  - d. Evaluated and accepted responsibility for the result of the service performed; and
  - e. Established and maintained internal controls, including monitoring ongoing activities.
5. We acknowledge our responsibility for 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.
  6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
  7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
  8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
  9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
  10. There were no uncorrected misstatements.
  11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
  12. With regard to items reported at fair value:
    - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
    - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
    - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
    - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
  13. All funds and activities are properly classified.
  14. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
  15. All components of net position and fund balance classifications have been properly reported.
  16. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
  17. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
  18. All interfund and intra-entity transactions and balances have been properly classified and reported.
  19. Deposit and investment risks have been properly and fully disclosed.

20. All required supplementary information is measured and presented within the prescribed guidelines.

### **Information Provided**

21. We have provided you with:

- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
- b. Additional information that you have requested from us for the purpose of the audit; and
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

22. All transactions have been recorded in the accounting records and are reflected in the financial statements.

23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

24. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a. Management;
- b. Employees who have significant roles in internal control; or
- c. Others where the fraud could have a material effect on the financial statements.

25. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.

26. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

27. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

28. We have a process to track the status of audit findings and recommendations.

29. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

30. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

31. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.

32. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

33. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
34. The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
35. We have disclosed to you all guarantees, whether written or oral, under which the Corporation is contingently liable.
36. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
37. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
38. The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
39. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
40. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

#### **Required Supplementary Information**

41. With respect to the required supplementary information accompanying the financial statements:
  - a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
  - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

**Lynn Asseff**

Lynn Asseff  
cn=Lynn Asseff, o=AVP, Financial Management,  
ou=Division of Research, email=lasseff@fau.edu, c=US  
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Lynn Asseff, FAURC Treasurer, Division of Research AVP Financial Management

**Gregg B. Fields**

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Gregg B. Fields, FAURC President, FAU Interim Vice President for Research

**Signature:** Gregg B. Fields  
Gregg B. Fields (Nov 2, 2023 15:28 EDT)

**Email:** fieldsg@fau.edu

# Rev 1\_11-2-23\_FAURC Managment Rep Letter FY 2023\_LA signed

Final Audit Report

2023-11-02

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