



Item: AC: I-2d

Audit and Compliance Committee

Tuesday, November 14, 2023

SUBJECT: Review of the Financial Statements of FAU Direct Support Organizations: FAU Foundation, Inc. for the Year Ended June 30, 2023

PROPOSED COMMITTEE ACTION

Information Only

BACKGROUND INFORMATION

The audited financial statements of the Florida Atlantic University Foundation, Inc. are presented to keep the Board of Trustees informed about the financial status of the Foundation. The audited financial statements for the period ending June 30, 2023 were presented to the Foundation Board of Directors on November 6, 2023.

IMPLEMENTATION PLAN/DATE

N/A

FISCAL IMPLICATIONS

N/A.

Supporting Documentation: FAU Foundation Inc. Financial Statements, June 30, 2023

Presented by: Mr. Jayson Iroff, VP Financial Affairs and CFO;
Auditors, James Moore & Company

Phone: 561-297-6272

**FLORIDA ATLANTIC UNIVERSITY
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

JUNE 30, 2023 AND 2022

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Florida Atlantic University Foundation, Inc. (the Foundation), a direct-support organization and component unit of Florida Atlantic University, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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

The Foundation's 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 Foundation'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.

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 auditor's 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 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 Foundation'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 Foundation'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 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.

Supplementary Information

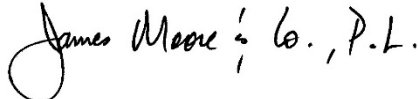
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The Schedule of Board of Directors and Executive Committee Members is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis, as required by Chapter 10.650, *Rules of the Florida Auditor General*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Board of Directors and Executive Committee Members has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023, on our consideration of the Foundation'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 Foundation'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 Foundation's internal control over financial reporting and compliance.



Gainesville, Florida
October 18, 2023

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

This section of the Florida Atlantic University Foundation, Inc.’s (the “Foundation”) annual financial statements includes management’s discussion and analysis of the financial performance of the Foundation for fiscal years ended June 30, 2023, 2022 and 2021. This discussion should be read in conjunction with the financial statements and notes.

Introduction

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (“GASB”). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Foundation’s financial statements include the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These statements are supported by notes to the financial statements and Management’s Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

The Statements of Net Position includes all assets, liabilities, deferred outflows/inflows of resources and net position account balances. The Statements of Revenues, Expenses, and Changes in Net Position present revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Operating revenues include current use (non-endowed) gifts to the Foundation, and operating expenses include distributions to the campus. Investment results are reported as non- operating revenues. Another way to assess the financial health of the Foundation is to look at the Statements of Cash Flows. Its primary purpose is to provide relevant information about the sources and uses of cash of an entity during a given period, and it helps users assess an entity’s ability to generate cash flows.

The Foundation is a Direct Support Organization (“DSO”) to Florida Atlantic University (the “University”). Our mission is to enhance the academic vision and priorities of the University through our organized fundraising activities and fund management.

Analysis of the Overall Financial Position and Results of Operation

In evaluating the financial position and short-term financial performance of the Foundation, two tools are particularly valuable: The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(Continued)

Statements of Net Position

The Statements of Net Position reflect the assets, liabilities, and deferred inflows of resources of the Foundation, using the accrual basis of accounting, and presents the financial position of the Foundation at a specified time. Assets, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the Foundation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Foundation's financial condition. The following table presents an analysis of the condensed Statements of Net Position at June 30:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets			
Current assets	\$ 95,536,912	\$ 81,685,737	\$ 53,909,857
Noncurrent assets	341,674,245	334,366,031	378,778,535
Total assets	<u>\$ 437,211,157</u>	<u>\$ 416,051,768</u>	<u>\$ 432,688,392</u>
Liabilities			
Current liabilities	\$ 10,014,943	\$ 10,783,426	\$ 3,001,842
Noncurrent liabilities	3,479,867	4,145,401	4,714,119
Total liabilities	<u>\$ 13,494,810</u>	<u>\$ 14,928,827</u>	<u>\$ 7,715,961</u>
Total Deferred Inflows of Resources	<u>\$ 37,679,520</u>	<u>\$ 38,578,914</u>	<u>\$ 39,237,718</u>
Net Position			
Net investment in capital assets	\$ 22,020,463	\$ 22,021,029	\$ 22,021,592
Restricted, non-expendable	198,795,169	190,081,571	181,748,503
Restricted, expendable	148,262,843	141,336,244	163,534,300
Unrestricted	16,958,352	9,105,183	18,430,318
Total net position	<u>\$ 386,036,827</u>	<u>\$ 362,544,027</u>	<u>\$ 385,734,713</u>

Total assets as of June 30, 2023, increased by \$21.2 million or 5.1 percent. Current assets increased \$13.8 million or 17 percent due to more Foundation funds being reported as investments, and also due to an increase in outstanding short-term receivables (net). Similarly, noncurrent assets increased \$7.3 million or 2.2 percent due primarily to an increase in net investment income, and an increase in outstanding long-term receivables (net). Specifically, total receivables (net) increased by \$2.7 million mainly due to the increase of outstanding spendable pledge receivables. Overall, total liabilities as of June 30, 2023, decreased by \$1.4 million due to more timely payments made to suppliers and to the University. The total effect of total assets minus liabilities and deferred inflows of resources increased the Foundation's net position by \$23.5 million.

A significant portion of the Foundation's net position is restricted by donors, laws or by purpose, whereas the Foundation has approximately 90% of its net position restricted, as either non-expendable or expendable. Amounts of restricted net position change on a year-to-year basis due to a variety of reasons: (i) level of contributions received, (ii) expenditures in the current year (primarily in support of the University), and (iii) investment returns.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(Continued)

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position presents the Foundation's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table presents information of the condensed Statements of Revenues, Expenses, and Changes in Net Position for the 2022-23, 2021-22 and 2020-21 fiscal years:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 28,687,416	\$ 31,200,860	\$ 30,073,585
Operating expenses	<u>33,613,007</u>	<u>33,605,629</u>	<u>21,898,884</u>
Operating income (loss)	(4,925,591)	(2,404,769)	8,174,701
Nonoperating revenues (expenses), net	<u>21,428,175</u>	<u>(26,225,932)</u>	<u>73,354,417</u>
Income (loss) before other changes in net position	<u>16,502,584</u>	<u>(28,630,701)</u>	<u>81,811,938</u>
Other changes in net position:			
Contributions to permanent endowments	<u>6,990,216</u>	<u>5,440,015</u>	<u>7,072,475</u>
Changes in net position	<u>23,492,800</u>	<u>(23,190,686)</u>	<u>88,954,413</u>
Net position, beginning of year	<u>362,544,027</u>	<u>385,734,713</u>	<u>296,313,338</u>
Adjustment to beginning net position (1)	-	-	466,962
Net position, end of year	<u>\$ 386,036,827</u>	<u>\$ 362,544,027</u>	<u>\$ 385,734,713</u>

(1) For the 2020-21 fiscal year, the Foundation's beginning net position was increased in conjunction with the implementation of GASB Statement No. 87.

The Foundation's operating revenues totaled \$28.7 million for the 2022-23 fiscal year, representing a 8.1 percent decrease compared to the 2021-22 fiscal year due mainly to a decrease in non-endowed donor contributions. Operating expenses totaled \$33.6 million for the 2022-23 fiscal year, representing an increase 0.02 percent as compared to the 2021-22 fiscal year, and consists of University support including but not limited to academic, research and institutional support, grants and scholarships as well as funding for University infrastructure spend.

Total net nonoperating revenues (expenses) totaled a \$21.4 million for the 2022-23 fiscal year, versus prior year net investment losses of \$26.2 million, and is primarily due to the significant swing in the investment markets between the year ended June 30, 2023 versus 2022, with the prior year experiencing extraordinarily low investment returns versus the current year's positive market performance. Additional information regarding investment return is highlighted in the Economic Outlook section of this analysis.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022
(Continued)

Statements of Revenues, Expenses and Changes in Net Position (Continued)

Other changes to net position include endowment contributions which totaled \$7.0 million for the 2022-23 fiscal year, representing a 28.5 percent increase compared to the 2021-22 fiscal year.

Capital Assets and Long-Term Debt Activity

The Foundation currently has one outstanding long-term debt obligation, the 2012 Certificates of Participation. Additional information pertaining to this long-term debt obligation can be found under Note 10 to the basic financial statements. In addition to the long-term debt obligation previously noted, the Foundation also has long-term liabilities for split interest obligations (annuities payable) and amounts due to resource providers.

During the 2023 year, the Foundation's capital assets decreased by \$566 for annual depreciation.

Economic Outlook

The economic outlook of the Foundation is affected by the overall economy, state and federal laws, investment returns, support received from the University, charitable contributions and various other revenue sources. Changes in state appropriations to the University may result in changes in the amount of support the Foundation receives from the University.

Budgeted revenues that fund supporting services are driven primarily from support from the University and fees assessed on charitable contributions and the endowment. Management is not aware of any factors that would have a significant impact on budgeted revenue for the next fiscal year.

Management is continually evaluating the overall impact of worldwide events such as the COVID-19 pandemic, on local and global economies and their impact on the Foundation's investments and philanthropy. The 2022-23 fiscal year captured a significant rise in capital markets related to the return of normalcy in a post-pandemic environment. Whereas, the 2021-22 fiscal year captured a significant downturn in the capital markets related to the current inflationary environment. This sharp year over year contrast is reflected in the Foundation's change in net position and is a timing issue. Management does not expect such similar variances on a forward-looking basis but future epidemics, pandemics, and other outbreaks, along with economic variability, could disrupt and have a similar adverse impact on our philanthropy, investments, and financial performance.

Requests for Information

This financial report is designed to provide a general overview of the Florida Atlantic University Foundation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Florida Atlantic University Foundation, Inc., 777 Glades Road, AD 247, Boca Raton, FL 33431.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Current assets		
Cash	\$ 7,517,033	\$ 2,923,551
Short-term investments	76,583,254	68,675,571
Pledges receivable, net	9,060,370	8,304,923
Contract receivable - FAU	605,000	588,000
Lease receivable	349,651	342,733
Other receivables and assets	1,421,604	850,959
Total current assets	95,536,912	81,685,737
Noncurrent assets		
Restricted cash	12,926	12,465
Investments	266,825,015	260,650,189
Funds held in trust by others	2,506,332	2,368,394
Pledges receivable, net	8,874,213	6,924,007
Lease receivable	38,174,296	38,523,947
Contract receivable - FAU	3,261,000	3,866,000
Capital assets, net	22,020,463	22,021,029
Total noncurrent assets	341,674,245	334,366,031
Total assets	\$ 437,211,157	\$ 416,051,768
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,962,367	\$ 6,654,142
Annuities payable	37,850	55,702
Unearned revenue	5,409,726	3,485,582
Certificates of participation	605,000	588,000
Total current liabilities	10,014,943	10,783,426
Noncurrent liabilities		
Liability to resource providers	6,567	32,148
Annuities payable	212,300	247,253
Certificates of participation	3,261,000	3,866,000
Total noncurrent liabilities	3,479,867	4,145,401
Total liabilities	\$ 13,494,810	\$ 14,928,827

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources		
Leasing	\$ 37,296,608	\$ 38,048,808
Split interest trusts	382,912	530,106
Total deferred inflows of resources	\$ 37,679,520	\$ 38,578,914
 <u>NET POSITION</u>		
Net position		
Net investment in capital assets	\$ 22,020,463	\$ 22,021,029
Restricted for:		
Nonexpendable:		
Endowments	196,288,837	187,713,177
Perpetual trusts	2,506,332	2,368,394
Expendable:		
Scholarships	34,445,774	34,211,327
Academic and research support	78,152,265	77,254,770
Institutional support and other	35,664,804	29,870,147
Total restricted	347,058,012	331,417,815
Unrestricted	16,958,352	9,105,183
Total net position	\$ 386,036,827	\$ 362,544,027
Total liabilities, deferred inflows of resources, and net position	\$ 437,211,157	\$ 416,051,768

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Contributions and grants, net	\$ 25,461,717	\$ 28,316,315
Lease income	1,529,729	1,532,616
Other income	1,695,970	1,351,929
Total operating revenues	<u>28,687,416</u>	<u>31,200,860</u>
Operating expenses		
Academic, research and institutional support	16,809,062	11,877,293
Grants and scholarships	10,942,637	10,684,991
Fundraising	3,107,843	1,977,659
Management and general	1,516,007	1,381,357
Funding of University's infrastructure	1,237,458	7,684,329
Total operating expenses	<u>33,613,007</u>	<u>33,605,629</u>
Operating income (loss)	<u>(4,925,591)</u>	<u>(2,404,769)</u>
Nonoperating revenues (expenses)		
Interest expense	(134,083)	(150,293)
Interest and dividends, net of fees	6,693,851	2,714,825
Net realized and unrealized gains (losses)	14,868,407	(28,790,464)
Total nonoperating revenues (expenses), net	<u>21,428,175</u>	<u>(26,225,932)</u>
Changes in net position before other changes	<u>16,502,584</u>	<u>(28,630,701)</u>
Other changes in net position		
Contributions to permanent endowments	6,990,216	5,440,015
Changes in net position	<u>23,492,800</u>	<u>(23,190,686)</u>
Net position, beginning of year	<u>362,544,027</u>	<u>385,734,713</u>
Net position, end of year	<u>\$ 386,036,827</u>	<u>\$ 362,544,027</u>

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Cash received from contributions and grants	\$ 24,680,208	\$ 38,848,539
Lease income - cash receipts	1,529,729	1,532,616
Other income - cash receipts	1,695,970	1,351,929
Cash payments for operating expenses	<u>(36,219,645)</u>	<u>(20,065,733)</u>
Net cash provided by (used in) operating activities	<u>(8,313,738)</u>	<u>21,667,351</u>
Cash flows from capital and related financing activities		
Interest paid	(134,083)	(150,293)
Principal payments on certificates of participation	<u>(588,000)</u>	<u>(574,000)</u>
Net cash used in capital and related financing activities	<u>(722,083)</u>	<u>(724,293)</u>
Cash flows from noncapital financing activities		
Cash contributions received for permanent endowments	6,990,216	5,440,015
Receipts from (distributions to) split interest trust beneficiaries	(52,805)	30,855
Payments made for construction projects (University)	<u>(1,237,458)</u>	<u>(7,684,329)</u>
Net cash provided by (used in) noncapital financing activities	<u>5,699,953</u>	<u>(2,213,459)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	273,975,530	236,388,437
Investment income	6,693,851	2,714,825
Collections of principal on contracts receivable - FAU	588,000	574,000
Purchase of investments	<u>(273,327,570)</u>	<u>(261,157,969)</u>
Net cash provided by (used in) noncapital investing activities	<u>7,929,811</u>	<u>(21,480,707)</u>
Net changes in cash and cash equivalents	<u>4,593,943</u>	<u>(2,751,108)</u>
Cash and cash equivalents, beginning of year	2,936,016	5,687,124
Cash and cash equivalents, end of year	<u>\$ 7,529,959</u>	<u>\$ 2,936,016</u>
Shown on the statement of net position as:		
Cash	\$ 7,517,033	\$ 2,923,551
Restricted cash	12,926	12,465
Total cash and cash equivalents	<u>\$ 7,529,959</u>	<u>\$ 2,936,016</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (4,925,591)	\$ (2,404,769)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Payments made for construction projects (University)	1,237,458	7,684,329
Provision for depreciation	566	563
(Increase) decrease in assets:		
Pledges receivable, net	(2,705,653)	8,553,275
Other receivables and assets	(227,912)	736,746
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,691,775)	5,778,556
Unearned revenue	1,924,144	1,978,949
Liability to resource providers	(25,581)	(1,494)
Deferred inflows of resources	(899,394)	(658,804)
Net cash provided by (used in) operating activities	<u>\$ (8,313,738)</u>	<u>\$ 21,667,351</u>

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—Florida Atlantic University Foundation, Inc. (the “Foundation”), a nonprofit organization, 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 and presentation**—The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for business-type activities, as prescribed by the Governmental Accounting Standards Board (“GASB”). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Voluntary non-exchange transactions (contributions and grants) are recognized as revenue as soon as all eligibility requirements have been met.

(c) **Classification of current and noncurrent assets and liabilities**—The Foundation considers assets and liabilities that can reasonably be expected, as part of its normal business operations, to be converted to cash or liquidated within 12 months of the Statement of Net Position date to be current. All other assets and liabilities are considered noncurrent.

(d) **Cash**—For purposes of the Statements of Cash Flows, cash includes cash on hand at the statement date. The Foundation routinely maintains deposits with financial institutions in excess of federally insured amounts (FDIC).

(e) **Pledges receivable**—Pledges receivable are written unconditional promises to make future gifts. In accordance with the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Foundation recognizes a receivable and contribution revenue at the time the pledge is made by the donor if the pledge is verifiable, measurable, probable of collection, and meets all applicable eligibility requirements. These eligibility requirements include: 1) the Foundation is stated as the recipient of the pledge; 2) the pledge is available for use and able to be sold, disbursed, consumed, or invested; 3) any contingencies on the pledge have been met; and 4) if a reimbursement of expenses, allowable costs have been incurred.

Pledge payments scheduled for collection within one year are recorded as current assets and are not discounted. Pledge payments schedule to be collected beyond one year are discounted to recognize the present value of the expected future cash flows. In subsequent years, this discount is accreted and recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. In addition, an allowance for uncollectible pledges is recorded based on management’s assessment of the collectability of outstanding pledges.

Conditional pledges, which depend on the occurrence of uncertain or specified future events, such as matching gifts from other donors, are recognized when the conditions are met.

Pledges for endowment are not recorded as revenue or a pledge receivable at the time the pledge is made, as the funds are not available to be invested in perpetuity as specified by the donor. Revenue is recognized on payments on pledges for endowments when the cash is received and is recorded in contributions to permanent endowments.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Restricted cash**—Restricted cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted. At year-end, restricted cash represents funds pledged toward University debt and held with a trustee for future debt service payments.

(g) **Investments**—The Foundation’s investments are reported at their estimated fair value based on direct or indirect publicly available trading values, with the exception of the Foundation’s alternative investments which are based on external valuation sources. 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. All investment securities are held in the Foundation’s name or in the name of its bank custodian “for the benefit of the Foundation.”

Short -term investments consist of funds invested in the State Treasury Special Purpose Investment Account (SPIA) investment pool, money market and money market deposit accounts, and short-term certificate of deposit accounts. All other investments are classified as non-current. 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 Revenues, Expenses and Changes in Net Position.

(h) **Capital assets**—Real property and improvements are carried at cost if purchased, or if donated, at their acquisition 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 changes in net position.

(i) **Donated goods, property and collections**—The value of donated goods are 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, library and other collections, were approximately \$120,000 for the year ended June 30, 2023. There were approximately \$1.1 million of donated goods for the year ended June 30, 2022.

Donated art, library and other collections are capitalized at their acquisition value on the acquisition date. Subsequently, if an asset is deemed impaired by management because the carrying amount is not recoverable and exceeds its acquisition value, the Foundation records an impairment loss in the accompanying Statements of Revenues, Expenses and Changes in Net Position. Because of the particular purpose of the donation, some collections are transferred immediately to the University.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Split interest trust 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 (annuities payable). The remaining amount of the gift is recognized as deferred inflows of resources in the period in which the Foundation receives the gift. 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. On an annual basis, the Foundation reevaluates the amount of estimated future payments. Additionally, 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.

(k) **Deferred inflows of resources**—Deferred inflows of resources represent an acquisition of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the Statements of Revenues and Expenses and Changes in Net Position because they are not revenue items relating to the current fiscal year, but to future periods. They are not shown on the Statements of Net Position in the liability section because they are not items the Foundation owes. Instead, they are presented on the Statements of Net Position as deferred inflows to reflect the fact that the recognition of the related revenue will happen at a future date. The amounts recorded as deferred inflows for the fiscal year presented result from split interest trust and sub-lease agreements.

(l) **Unearned revenues**—Any cash collected on conditional pledges is recorded as unearned revenue until such time as the condition has been met. Unearned revenues represent resources received by the Foundation before it has earned the revenues, including grants and other agreements.

(m) **Net position**—The net position of the Foundation is reported in three categories as follows:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted: Restricted net position represents net position that is restricted by constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation. Restricted funds include:

Nonexpendable: Net position in this category includes permanent endowments. These funds are subject to donor restrictions, which are invested in perpetuity in order to generate investment income and appreciation to be expended for the benefit of the University.

In addition, nonexpendable includes perpetual trust funds that are not in the possession or under control by the Foundation.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(1) **Summary of Significant Accounting Policies:** (Continued)

Expendable: Net position in this category relates to contributions restricted by the donors to be expended for specific purposes in support of the University. Accumulated investment income and appreciation on permanent endowment investments in excess of donor contributions are classified as restricted and expendable.

Unrestricted: Net position in this category is not subject to donor-imposed restrictions. The Foundation first expends restricted funds for donor purposes prior to utilizing unrestricted funds. The Foundation's unrestricted net position may be designated for specific purposes by their Board of Directors.

(n) **Classification of revenues and expenses**—Contributions, grants, and pledges for purposes other than endowments are recognized as operating revenues in the period received or pledged. Additions to nonexpendable endowments are recognized when cash or other assets are received. Operating revenues also include lease income from the sub-leasing agreement of a certain parcel of real property that was assumed by the Foundation. Disbursements in support of the University and certain administrative expenses incurred in conducting the business of the Foundation are presented in the financial statements as operating expenses. Nonoperating revenues and expenses include investment income, and net realized and unrealized appreciation or depreciation in the fair value of investments. Contributions for permanent endowments are classified as other changes in net position.

(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) **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(q) **Reclassifications**—Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. These reclassifications had no effect on the 2022 change in net position.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(2) **Cash:**

The Foundation maintains cash for operating needs in checking and deposit accounts, with Federal Deposit Insurance Corporation (FDIC) insured financial institutions.

(a) **Custodial credit risk**—Custodial credit risk is the risk that the Foundation will not be able to recover its cash from financial institutions in the event of the financial institutions' failure. The Foundation periodically maintains cash balances in excess of FDIC limits.

It is the Foundation's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Under Florida statutes, Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral.

Eligible collateral to public deposits is dependent upon the depository institution's financial history and its compliance with Florida Statutes, Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

As of June 30, 2023, the recorded amount of Foundation's deposits was \$7,517,033 and the bank account balance was \$7,645,167. As of June 30, 2022, the recorded amount of Foundation's deposits was \$2,923,551 and the bank account balance was \$2,824,469.

(3) **Pledges Receivable:**

Pledges receivable are summarized in the following table as of June 30:

	2023	2022
Pledges receivable	\$ 19,137,215	\$ 16,466,268
Less: unamortized discount	(364,147)	(294,075)
Less: allowance for uncollectible pledges	(838,485)	(943,263)
Total pledges receivable, net	\$ 17,934,583	\$ 15,228,930
	2023	2022
Current	\$ 9,060,370	\$ 8,304,923
Noncurrent	8,874,213	6,924,007
Total pledges receivable, net	\$ 17,934,583	\$ 15,228,930

For the year ended June 30, 2023, management estimated that 2.7% of all current and future pledges and 100% of all past due pledges would be established as the 2023 allowances. Additionally, pledges are recorded at their present value. The Federal Reserve discount rate of 5.25% was applied to future cash flows for pledges made in 2023, and rates ranging from 0.25% to 3.00% was applied to future cash flows for pledges made in 2022 and earlier.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(3) **Pledges Receivable:** (Continued)

For the year ended June 30, 2022, management estimated that 2.9% of all current and future pledges and 100% of all past due pledges would be established as the 2022 allowances. Additionally, pledges are recorded at their present value. The Federal Reserve discount rate of 1.75% was applied to future cash flows for pledges made in 2022, and rates ranging from 0.25% to 3.00% was applied to future cash flows for pledges made in 2021 and earlier.

(4) **Investments:**

Investments at June 30, 2023 consisted of the following:

<u>Investment Type</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Domestic equities	\$ -	\$ 112,026,518	\$ 112,026,518
International equities	-	46,741,417	46,741,417
Hedge funds	-	6,968,547	6,968,547
Commodity funds	-	5,974,283	5,974,283
Private equity funds	-	53,036,259	53,036,259
Money market funds and other deposits	32,936,153	-	32,936,153
Domestic fixed income	-	38,979,588	38,979,588
State Treasury Special Purpose Investment Account	43,647,101	-	43,647,101
Real estate funds	-	329,353	329,353
International fixed income	-	2,769,050	2,769,050
	<u>\$ 76,583,254</u>	<u>\$ 266,825,015</u>	<u>\$ 343,408,269</u>

Investments at June 30, 2022 consisted of the following:

<u>Investment Type</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Domestic equities	\$ -	\$ 85,621,325	\$ 85,621,325
International equities	-	56,547,422	56,547,422
Hedge funds	-	41,569,765	41,569,765
Commodity funds	-	6,739,352	6,739,352
Private equity funds	-	51,717,404	51,717,404
Money market funds and other deposits	26,529,337	-	26,529,337
Domestic fixed income	-	14,111,548	14,111,548
State Treasury Special Purpose Investment Account	42,146,234	-	42,146,234
Real estate funds	-	864,052	864,052
International fixed income	-	3,479,321	3,479,321
	<u>\$ 68,675,571</u>	<u>\$ 260,650,189</u>	<u>\$ 329,325,760</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) **Investments:** (Continued)

Interest rate risk:

Interest rate risk exists when there is a possibility that changes in interest rate could adversely affect the fair value of the investments. Generally, the longer the time to maturity, the greater the exposure is to interest rate risk.

The future maturities of the securities held in fixed income investments at June 30, 2023 are as follows:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>More than 5</u>
Domestic fixed income	\$ 38,979,588	\$ -	\$ 2,831,132	\$ 36,148,456
International fixed income	2,769,050	1,781,955	987,095	-
	<u>\$ 41,748,638</u>	<u>\$ 1,781,955</u>	<u>\$ 3,818,227</u>	<u>\$ 36,148,456</u>

The future maturities of the securities held in fixed income investments at June 30, 2022 are as follows:

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>More than 5</u>
Domestic fixed income	\$ 14,111,548	\$ -	\$ 1,984,410	\$ 12,127,138
International fixed income	3,479,321	2,536,543	942,778	-
	<u>\$ 17,590,869</u>	<u>\$ 2,536,543</u>	<u>\$ 2,927,188</u>	<u>\$ 12,127,138</u>

Credit risk:

Credit risk exists when there is a possibility the debt issuer may be unable to fulfill its obligations. The following schedule of credit ratings of Foundation investments summarizes the fair value of the fixed income securities subject to credit risk. The Foundation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's or Moody's investor services. The Foundation has certain domestic and international fixed income securities with an assigned defined rating, while the remaining have a range of ratings based on their investment composition.

At June 30, the credit ratings of the Foundation's domestic and international fixed income securities are summarized as follows:

<u>Rating</u>	<u>Fair Value</u>	
	<u>2023</u>	<u>2022</u>
A+	\$ 2,769,050	\$ 3,479,321
AA-	31,504,000	3,728,327
AAA	6,959,930	6,339,910
BB	515,658	4,043,311
	<u>\$ 41,748,638</u>	<u>\$ 17,590,869</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) **Investments:** (Continued)

Concentration of credit risk:

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the Foundation to greater risks resulting from adverse conditions or developments. 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. GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, requires disclosure when the percentage is 5% or more of the total investments in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investments pools, or other pooled investments are excluded from this requirement. At June 30, 2023 and 2022, there were no known individual investments exceeding the 5% threshold.

Custodial credit risk:

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be accessible in a timely manner. Substantially all of the Foundation's investments are issued, registered or held in the name of the Foundation by custodian banks and brokers, as its agent. As a result, management believes that custodial risk is remote.

Foreign currency risk:

Exposure from foreign currency risk results from investments in foreign currency denominated equity, fixed income and alternative investments in addition to some foreign currency investments held within U.S. mutual funds. The Foundation maintains significant international investments by investing in mutual funds and alternative investments that are broadly diversified over many developed markets and exposure to emerging markets.

The foreign currency risk by investment type at June 30, was as follows:

Type	Fair Value	
	2023	2022
International equities	\$ 46,741,417	\$ 56,547,422
International fixed income	2,769,050	3,479,321
	\$ 49,510,467	\$ 60,026,743

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) **Investments:** (Continued)

External investments pools:

The Foundation reported investments at fair value totaling \$43,647,101 and \$42,146,234 at June 30, 2023 and 2022, respectively, in the State of Florida Special Purpose Investment Account (“SPIA”) investment pool, representing ownership of a share of the pool, not the underlying securities. SPIA pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. 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. At June 30, 2023, the State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor’s, had an effective duration of 3.02 years and fair value factor of 0.9667. At June 30, 2022, the State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor’s, had an effective duration of 2.66 years and fair value factor of 0.9479. Participants contribute to the State Treasury

SPIA investment pool on a dollar basis. These funds are commingled, and a fair value of the pool is determined from the individual values of the underlying securities. The fair value of the underlying securities is summed, and a total pool fair value is determined. A fair value factor is calculated by dividing the pool’s total fair value by the pool participant’s total balances. The fair value factor is the ratio used to determine the fair value of an individual participant’s pool balance. The Foundation relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State’s Annual Report.

Fair value hierarchy:

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy disclosure framework which prioritizes and ranks the level of market price observability used in measuring investment at fair value. Various inputs are used in determining the fair value of investments. Inputs broadly refer to the assumptions that market participants use to make valuation decisions. 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. These inputs are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes 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).

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) **Investments:** (Continued)

The following tables present the Foundation's investments measured at fair value, which include investments and funds held in trust by others, on the Statements of Net Position. Certain investments which use NAV as a practical expedient or its equivalent to determine fair value are excluded from the fair value hierarchy. The fair value amounts presented in this table are reported for the purpose of reconciling the fair value hierarchy to the investments as shown on the Statements of Net Position. The assets are classified in accordance with the fair value hierarchy as follows:

Investment Type	Assets at Fair Values as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 112,026,518	\$ -	\$ -	\$ 112,026,518
International equities	46,741,417	-	-	46,741,417
Domestic fixed income	38,979,588	-	-	38,979,588
Commodity funds	5,974,283	-	-	5,974,283
International fixed income	-	2,769,050	-	2,769,050
Real estate funds	-	-	329,353	329,353
External investment pool - SPIA	-	-	43,647,101	43,647,101
Funds held in trust for others	2,506,332	-	-	2,506,332
Total	<u>\$ 206,228,138</u>	<u>\$ 2,769,050</u>	<u>\$ 43,976,454</u>	<u>252,973,642</u>
Investments measured at NAV (a)				<u>60,004,806</u>
Investments at fair value				<u>\$ 312,978,448</u>
Money market funds and other deposits				<u>32,936,153</u>
Total investments and funds held in trust for others				<u><u>\$ 345,914,601</u></u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) **Investments:** (Continued)

Investment Type	Assets at Fair Values as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Domestic equities	\$ 85,518,594	\$ -	\$ -	\$ 85,518,594
International equities	56,547,422	-	-	56,547,422
Domestic fixed income	14,111,548	-	-	14,111,548
Commodity funds	6,739,352	-	-	6,739,352
International fixed income	-	3,479,321	-	3,479,321
Real estate funds	-	-	864,052	864,052
External investment pool - SPIA	-	-	42,146,234	42,146,234
Funds held in trust for others	2,368,394	-	-	2,368,394
Total	<u>\$ 165,285,310</u>	<u>\$ 3,479,321</u>	<u>\$ 43,010,286</u>	<u>211,774,917</u>
Investments measured at NAV (a)				<u>93,287,169</u>
Investments at fair value				<u>\$ 305,062,086</u>
Money market funds and other deposits				<u>26,632,068</u>
Total investments and funds held in trust for others				<u><u>\$ 331,694,154</u></u>

(a) In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Statement of Net Position.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(4) Investments: (Continued)

The following table discloses all investments whose fair value is calculated using NAV as a practical expedient.

Strategy	As of June 30, 2023		As of June 30, 2022		Redemption	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Hedge funds (a)	\$ 6,968,547	\$ -	\$ 41,569,765	\$ -	Monthly, Quarterly, Semi-Annually, Over One-Year, and Duration of Partnership	60 to 180 days and N/A
Private equity funds (b)	<u>53,036,259</u>	<u>9,172,656</u>	<u>51,717,404</u>	<u>11,818,255</u>	N/A	N/A
	<u>\$ 60,004,806</u>	<u>\$ 9,172,656</u>	<u>\$ 93,287,169</u>	<u>\$ 11,818,255</u>		

(a) Hedge funds: This class includes various hedge funds which invests in both long and short-term equity securities, distressed and special situations, directional strategies, small and micro capitalization healthcare companies, as well as, global interest rates, credit instruments, currencies, and commodities. 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.

(b) Private equity funds: 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.

(5) 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 are included in Note 4 in the fair value hierarchy. 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.

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

	<u>2023</u>	<u>2022</u>
Domestic equities	\$ 1,494,672	\$ 1,381,638
Domestic fixed income	443,453	417,101
International equities	472,275	466,924
Money market funds and other deposits	95,932	102,731
Total funds held in trust by others	<u>\$ 2,506,332</u>	<u>\$ 2,368,394</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(6) Endowments:

The Foundation has 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.

The Foundation interprets the State of Florida’s Uniform Prudent Management of Institutional Funds Act (FUPMIFA), as requiring the Board of Directors 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.

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 8.95% compared to the expected long-term return, which is periodically reevaluated.

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 criteria for corpus protection. The Foundation calculates spending at June 30th prior to the new fiscal year.

The following table displays the total ending endowment balances for nonexpendable endowments, donor-restricted endowments, and unrestricted funds functioning as endowments, as of June 30, 2023:

	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Total</u>
Endowments	\$ 196,288,837	\$ 69,866,464	\$ 266,155,301
Funds functioning as endowments	-	1,284,433	1,284,433
Totals	<u>\$ 196,288,837</u>	<u>\$ 71,150,897</u>	<u>\$ 267,439,734</u>

The following table displays the total ending endowment balances for nonexpendable endowments, donor-restricted endowments, and unrestricted funds functioning as endowments, as of June 30, 2022:

	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Total</u>
Endowments	\$ 187,713,177	\$ 68,371,816	\$ 256,084,993
Funds functioning as endowments	-	2,042,401	2,042,401
Totals	<u>\$ 187,713,177</u>	<u>\$ 70,414,217</u>	<u>\$ 258,127,394</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. At June 30, 2023, the Foundation had approximately \$381,019 in underwater endowments. At June 30, 2022, the Foundation had approximately \$173,000 in underwater endowments.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(7) Capital Assets:

Capital assets' activity for the year ended June 30, 2023 and 2022 was as follows:

Description of Asset	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 4,439,639	\$ -	\$ -	\$ 4,439,639
Art, library, and other collections	17,580,824	-	-	17,580,824
Total capital assets not being depreciated	22,020,463	-	-	22,020,463
Capital assets being depreciated				
Buildings and improvements	34,000	-	-	34,000
Less accumulated depreciation	(33,434)	(566)	-	(34,000)
Total capital assets being depreciated, net	566	(566)	-	-
Total capital assets, net	\$ 22,021,029	\$ (566)	\$ -	\$ 22,020,463
Description of Asset	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 4,439,639	\$ -	\$ -	\$ 4,439,639
Art, library, and other collections	17,580,824	-	-	17,580,824
Total capital assets not being depreciated	22,020,463	-	-	22,020,463
Capital assets being depreciated				
Buildings and improvements	34,000	-	-	34,000
Less accumulated depreciation	(32,871)	(563)	-	(33,434)
Total capital assets being depreciated, net	1,129	(563)	-	566
Total capital assets, net	\$ 22,021,592	\$ (563)	\$ -	\$ 22,021,029

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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(8) Split Interest Trust:

The Foundation records split interest trust internally as expendable or nonexpendable depending on whether the donors' restrictions specify the balance will be distributed to a campus program account or an endowment at the end of the trust. The net amounts are recorded to deferred inflows of resources instead of net position. The entire balance of deferred inflows of resources related to split interest trusts at June 30, 2023 and 2022, are considered to be restricted expendable.

The asset of split interest trust liabilities (annuities payable) falls into the money market funds and other deposits category for the years ended June 30, 2023 and 2022, as discussed in Note 4. The estimated fair value of the liability is established by calculating the net present value of the payments to the lifetime beneficiaries by Foundation, based on input assumptions from actuarial tables for remaining time until maturity, and pay out and earnings rates.

(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.

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 lease income from the commencement date through its expiration in January 2073. The base lease income 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. In addition, the lease provides for an additional 1% of gross revenues to be added to the base lease income through year 40 of the lease and 5% thereafter. The lease provided income of approximately \$1,530,000 in 2023 and \$1,533,000 in 2022 relating to this agreement.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(9) **Sub-Leasing Arrangement:** (Continued)

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 349,651	\$ 767,285	\$ 1,116,936
2025	356,708	760,228	1,116,936
2026	363,908	753,028	1,116,936
2027	371,253	745,683	1,116,936
2028	378,747	738,189	1,116,936
2029 – 2033	2,138,018	3,570,526	5,708,544
2034 – 2038	2,536,557	3,333,963	5,870,520
2039 – 2043	2,937,168	3,064,652	6,001,820
2044 – 2048	3,430,119	2,743,401	6,173,520
2049 – 2053	3,932,669	2,380,029	6,312,698
2054 – 2058	4,541,285	1,953,415	6,494,700
2059 – 2063	5,169,117	1,473,107	6,642,224
2064 – 2068	5,919,375	915,766	6,835,141
2069 – 2073	6,099,372	292,465	6,391,837
Total	<u>\$ 38,523,947</u>	<u>\$ 23,491,737</u>	<u>\$ 62,015,684</u>

(10) **Long-Term Liabilities:**

Certificates of participation: Effective November 30, 2012, the Foundation issued 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 \$347,000 to \$661,000 with semi-annual interest payments at a 2.93% fixed rate through maturity, May 2030. 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. This agreement transferred ownership to the University and therefore is not governed by GASB No. 87. The amounts due from FAU related to this agreement match the balances due under the Certificates.

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.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(10) **Long-Term Liabilities:** (Continued)

Long-term liabilities' activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Certificates of participation Annuities payable (Note 8)	\$ 4,454,000	\$ -	\$ 588,000	\$ 3,866,000	\$ 605,000
Liability to resource providers (Note 12)	302,955	2,897	55,702	250,150	37,850
	32,148	-	25,581	6,567	-
	<u>\$ 4,789,103</u>	<u>\$ 2,897</u>	<u>\$ 669,283</u>	<u>\$ 4,122,717</u>	<u>\$ 642,850</u>

Long-term liabilities' activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Certificates of participation Annuities payable (Note 8)	\$ 5,028,000	\$ -	\$ 574,000	\$ 4,454,000	\$ 588,000
Liability to resource providers (Note 12)	272,100	30,855	-	302,955	55,702
	33,642	-	1,494	32,148	-
	<u>\$ 5,333,742</u>	<u>\$ 30,855</u>	<u>\$ 575,494</u>	<u>\$ 4,789,103</u>	<u>\$ 643,702</u>

At June 30, 2023, 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 as follows:

Year Ending June 30	Principal	Interest	Total
2024	\$ 605,000	\$ 113,238	\$ 718,238
2025	616,000	95,517	711,517
2026	631,000	77,474	708,474
2027	649,000	58,991	707,991
2028	661,000	39,982	700,982
2029 – 2032	704,000	31,077	735,077
Total	<u>\$ 3,866,000</u>	<u>\$ 416,279</u>	<u>\$ 4,282,279</u>

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(11) Related Party Transactions:

Florida Atlantic University: During the years ended June 30, 2023 and 2022, the Foundation funded University scholarships from earnings from the University Commons lease revenues (Note 9). For the years ended June 30, 2023 and 2022, the Foundation funded \$500,000 in recruitment scholarships each year and \$150,000 and \$350,000, respectively, in First Generation Matching Grant Program funds. Additionally, the Foundation funded \$200,000 in transfer student scholarships for the year ended June 30, 2023.

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, 2023 and 2022, the Foundation collected priority seating revenues of approximately \$521,084 and \$230,000, respectively. At June 30, 2023 and 2022, the Foundation had an amount due to FAUFC of approximately \$348,000 and due from FAUFC \$47,000, respectively, in regards to the priority seating. These amounts are included in other receivables and assets in the accompanying Statements of Net Position. In compliance with the loan agreement, the Foundation transferred these pledged revenues to the lending financial institution on a monthly basis. 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 Revenues, Expenses and Changes in Net Position. 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.

During the years ended June 30, 2023 and 2022, the Foundation funded University infrastructure projects totaling approximately \$1,170,000 and \$6,180,000, respectively. For the year ended June 30, 2023, such construction projects consisted of the Jupiter STEM/Life Sciences Building on the University’s MacArthur Campus in Jupiter, Florida, Athletic facilities projects, the Wallach Institute for Holocaust & Jewish Studies Project, and the A.D. Henderson/FAU High DRS on the Boca Raton Campus. The Foundation’s funding of University infrastructure projects is reflected in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The Foundation is a direct support organization of Florida Atlantic University, and as such transfers and receives funds to support the academic programs, scholarships and salaries of faculty members on a monthly basis. At June 30, 2023 and 2022, the total amount due to the University was approximately \$2,811,000 and \$5,655,000, respectively, and is reflected in accounts payable and accrued expenses in the accompanying Statements of Net Position. At June 30, 2023 and 2022, the total amount due from the University was approximately \$421,000 and \$77,000 respectively, and is reflected in other receivables and assets in the accompanying Statements of Net Position.

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. Per management, all such transactions are undertaken in the best interest of the Foundation and follow established procedures.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

(12) **Harbor Branch Oceanographic Institute Foundation, Inc.:**

The University acquired the Harbor Branch Oceanographic Institute (HBOI) on January 1, 2008. HBOI is a research institute within the University and is located in Fort Pierce, Florida. 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 certain donations continue to be solicited and collected by the Foundation.

Funds managed on behalf of HBOIF are recorded on the Foundation's Statements of Net Position as a "liability to resource provider." The amount of this liability at June 30, 2023 and 2022, was approximately \$6,600 and \$32,000, respectively.

(13) **Commitments and Contingencies:**

From time-to-time, 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, 2023, management did not know of any pending or potential litigation, audits or tax examinations against the Foundation.

(14) **Pensions and Other Post Employment Benefit Plans:**

The Foundation follows the GASB standards requiring the employer to recognize its proportionate share of the net position liability, in regard to Pensions and Other Post Employment Benefit Plans. However, since all employees including those working at the Foundation are considered to be University employees, the University does not determine a separate net liability amount for University personnel working for the Foundation.

SUPPLEMENTARY INFORMATION

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
 SCHEDULE OF BOARD OF DIRECTORS AND
 EXECUTIVE COMMITTEE MEMBERS
 JUNE 30, 2023**

MEMBER	CURRENT TERM EXPIRES
Zach Berg '97, '00*	June 2023
Phyllis Gladstein	June 2024
Daniel Joseph '11	June 2025
Paul Kilgallon	June 2024
Stewart Martin '89**	June 2025
Patricia McKay '78*	June 2023
Michael L. Miller	June 2024
Peter Moore	June 2025
William E. Morris	June 2023
Pamela Rondi Noel '03	June 2024
Brian Poulin**	June 2024
Sally Rowley -Williams*	June 2024
Keith Sanders '81	June 2025
Steve Schmidt***	June 2026
Richard Stone	June 2025
Raul Valero '10	June 2024
Ettore (Ed) Ventrice*	June 2025
Cheryl Wilke '88**	June 2024

LIMITED PURPOSE DIRECTORS

Michael Yoon '96	June 2025
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EX-OFFICIO MEMBERS, VOTING

Dr. Stacy Volnick	University President
Barbara Feingold*	Board of Trustees Representative

EX-OFFICIO MEMBERS, NON-VOTING

Terry Fedele	Chair, Caring Hearts Aux
Stephen Wertheimer	Chair, OLLI Boca
Arthur Solomon	Chair, OLLI Jupiter
Thomas Zeichman '09	Chair, FAU Alumni Association
Kimberly Dunn	Faculty Senate President

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF BOARD OF DIRECTORS AND
EXECUTIVE COMMITTEE MEMBERS
JUNE 30, 2023

EMERITUS

Kathleen Assaf	Director Emeritus
Ronald Assaf	Director Emeritus
Eleanor R. Baldwin	Director Emeritus
Marjorie Pearlson	Director Emeritus
Lois Pope	Director Emeritus
Brian Utley	Director Emeritus

* Indicates members of the Executive Committee

** Indicates Officer

*** Indicates the Chairman of the Foundation's Board of Directors

COMPLIANCE SECTION

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

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

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 business-type activities and aggregate remaining fund information of Florida Atlantic University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 18, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

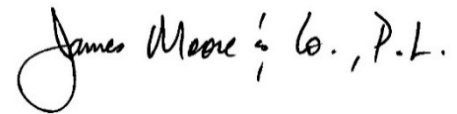
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 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 entity'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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J".

Gainesville, Florida
October 18, 2023

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

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

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the Florida Atlantic Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Foundation's major state projects for the year ended June 30, 2023. The Foundation's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 each of its major state projects for the year ended June 30, 2023.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state project. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, Government Auditing Standards, and Chapter 10.650, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

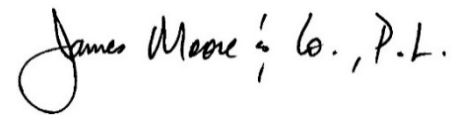
Report on Internal Control over Compliance

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 a 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 as combination of deficiencies, in internal control over compliance with the 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida
October 18, 2023

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2023**

<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	-	\$ 2,192,744
State of Florida Department of Highway Safety and Motor Vehicles Specialty License Plate Fund	76.031	-	67,871
Total expenditures of state financial assistance			<u>\$ 2,260,615</u>

Notes to Schedule of Expenditures of State Financial Assistance:

(1) **Basis of Presentation and Summary of Significant Accounting Policies:**

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the state project activity of Florida Atlantic University Foundation, Inc. (the "Foundation") under programs of the state government for the year ended June 30, 2023. 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 Florida Auditor General. Because the Schedule presents only a selected portion of the operations of the Foundation it is not intended to and does not present the net position, changes in net position, or cash flows of the Foundation. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

(2) **Contingency:**

Program 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 program expenditures included on the accompanying Schedule are in compliance with the terms of the grant agreements and applicable laws and regulations.

(3) **Interest:**

No funds, including interest earned on such funds, are due back to the state government.

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

State Projects

Internal control over major state projects:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major state projects: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General* Yes No

Identification of major state projects: **State of Florida**
CSFA No: 48.074
Department of Education - University
Major Gifts Program

Dollar threshold used to distinguish between the type A and type B projects: \$678,185

Section II. Financial Statement Findings None reported

Section III. State Project Findings and Questions Costs None reported



October 18, 2023

James Moore & Co., P.L.
Certified Public Accountants
5931 NW 1st Place
Gainesville, FL 32607-2063

This representation letter is provided in connection with your audit of the financial statements of the business-type activity and each major fund of Florida Atlantic University Foundation, Inc. (the Foundation) as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Foundation in accordance with accounting principles generally accepted 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, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 18, 2023:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 26, 2022, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
5. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
6. We have a process to track the status of audit findings and recommendations.
7. We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
8. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes and are in

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accordance with the provisions of GASB Statement No. 72, Fair Value Measurement and Application.

9. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
10. 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.
11. There are no uncorrected misstatements that are material, either individually and in the aggregate, to the financial statements taken as a whole.
12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
13. All funds and activities are properly classified.
14. All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
15. Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Special items and extraordinary items have been properly classified and reported.
18. Deposit and investment risks have been properly and fully disclosed.
19. Capital assets are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is measured and presented within the prescribed guidelines.
21. With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

22. We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

23. All transactions have been recorded in the accounting records and are reflected in the financial statements.
24. 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.
25. We have provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.
26. We have no knowledge of any fraud or suspected fraud that affects the Foundation and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
27. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. 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.
30. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
31. The Foundation has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
32. We have disclosed to you all guarantees, whether written or oral, under which the Foundation is contingently liable.
33. 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 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. 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.
34. 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.
35. There are no:
 - 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 laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

36. The Foundation 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.
37. We have complied with all aspects of donor restrictions, grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
38. There have been no cybersecurity breaches or other cyber events whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements
39. The methods and significant inputs and assumptions used to determine fair values of financial instruments are appropriate for financial statement measurement and disclosure purposes.
40. The Foundation had the following related party transactions and balances as of June 30, 2023:

Due from Florida Atlantic University	\$ 421,337
Due to Florida Atlantic University	2,810,522
Due to Florida Atlantic Finance Corporation	348,000

Supplementary Information

With respect to the supplementary information accompanying the financial statements:

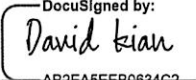
41. We acknowledge our responsibility for the required supplementary information in accordance with GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.
42. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.
43. 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.

Other Matters

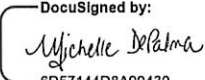
44. With respect to the preparation of form 990 and assistance with the implementation of GASB 87 *Leases*, we are responsible for:
 - Making all management decisions and performing all management functions;
 - Assigning a competent individual to oversee the services;
 - Evaluating the adequacy of the services performed;
 - Evaluating and accepting responsibility for the results of the services performed; and
 - Establishing and maintaining internal controls, including monitoring ongoing activities.
45. With respect to state financial assistance, we represent the following to you:
 - o We are responsible for understanding and complying with and have complied with the requirements of Section 215.97, Florida Statutes, Florida Single Audit Act.
 - o We are responsible for the preparation and presentation of the schedule of expenditures of federal awards and state financial assistance (SEFA) in accordance with Chapter 69I-5.003, Florida Administrative Code.
 - o We believe the SEFA, including its form and content, is fairly presented in accordance with the Florida Single Audit Act.

- The methods of measurement or presentation have not changed from those used in the prior period.
- We believe the significant assumptions or interpretations underlying the measurement or presentation of the SEFA, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- We are responsible for including the auditors' report on the SEFA in any document that contains the schedule and that indicates that the auditor has reported on such information.
- We have identified and disclosed all of our government projects and related activities subject to the Florida Single Audit compliance audit.
- We have, in accordance with the Florida Single Audit Act, identified in the SEFA, expenditures made during the audit period for all awards provided by state agencies in the form of grants, cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- We have provided to you our interpretations of any compliance requirements that may have varying interpretations.
- We have made available to you all state financial assistance (including amendments, if any) and any other correspondence relevant to state projects and related activities that have taken place with state agencies or pass-through entities.
- We have received no requests from a state agency to audit one or more specific projects as a major project.
- We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of state financial assistance, including the results of other audits or program reviews, or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to period covered by the auditors' report.
- We have disclosed to you any communications from state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to state project financial reports and claims for advances and reimbursements.
- State project financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the SEFA).
- The copies of state project financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective state agency or pass-through entity, as applicable.
- We have monitored subrecipients, as necessary/applicable, to determine if they have expended subawards in compliance with state statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Florida Single Audit Act.
- We have issued management decisions for audit findings that relate to state financial assistance we make to subrecipients, if any. Additionally, we have followed-up ensuring that the subrecipients have taken the appropriate and timely action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the state financial assistance provided to the subrecipient from the pass-through entity.

- We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.
- We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Florida Single Audit Act, as applicable.
- We have charged costs to state projects in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Florida Single Audit Act, and we have provided you with all information on the status of the follow-up on prior audit findings by state awarding agencies and pass-through entities, including all management decisions.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- We are responsible for understanding and complying with the requirements of state statutes, regulations, and the terms and conditions of state financial assistance related to each of our state projects and have identified and disclosed to you the state statutes, regulations, and the terms and conditions of state financial assistance that are considered to have a direct and material effect on each major state project; and we have complied with these direct and material compliance requirements.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for state projects that provide reasonable assurance that we are managing our state financial assistance in compliance with state statutes, regulations, and the terms and conditions of the state financial assistance that could have a material effect on our state projects. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.

Signature:  AB2EA6EEB0624C2...

Title: CEO

Signature:  6D57144D8A00430...

Title: Chief Financial Officer