BOARD OF TRUSTEES
Florida Atlantic University

Item: <u>AC: I-1a</u>

AUDIT AND COMPLIANCE COMMITTEE

Friday, December 6, 2019

SUBJECT: REVIEW OF THE FINANCIAL STATEMENTS FOR FAU DIRECT SUPPORT ORGANIZATIONS: FAU FOUNDATION, INC. YEAR ENDED JUNE 30, 2019

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, 2019 were presented to the Foundation Board of Directors on October 18, 2019.

IMPLEMENTATION PLAN/DATE

Not applicable.

FISCAL IMPLICATIONS

Not applicable.

Supporting Documentation: FAU Foundation Inc. Financial Statements and Additional Information, June 30, 2019

Presented by: Mr. Jeff Atwater, VP for Financial Affairs and CFO **Phone:** 561-297-3267

Florida Atlantic University Foundation, Inc. (A Component Unit of Florida Atlantic University)

Financial Statements and Additional Information
For the Year Ended June 30, 2019

Florida Atlantic University Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Atlantic University Foundation, Inc. (the "Foundation"), a direct support organization and component unit of Florida Atlantic University, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of June 30, 2019, and the changes in its financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As further discussed in Note 15 of the basic financial statements, the Foundation currently presents its financial statements in accordance with guidance provided by the Governmental Accounting Standards Board ("GASB"); whereas in the prior year, the financial statements were reported in accordance with the Financial Accounting Standards Board ("FASB").

Other Matters

Required Supplementary Information

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

Other 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 Section 215.97, Florida Statutes and 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 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 15, 2019, 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 year ended June 30, 2019. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

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 Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement 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 Statement of Net Position includes all assets, liabilities, and deferred outflows/inflows of resources. The Statement 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 Statement 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.

In March 2018, the Florida legislature amended Chapter 2018-004(3) of the Laws of Florida to require the University Board of Trustees ("BOT") approval of all DSO Board appointees. Because of this BOT oversight requirement of DSO governance, the Florida Auditor General determined that University DSO's should present their financial statements in adherence with Governmental Accounting Standards Board ("GASB").

In the prior year, the Foundation reported its financials adhering to the Financial Accounting Standards Board ("FASB"). Due to this transition in reporting standards, comparative financial information with prior year is not available.

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 Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

Statement of Net Position

As noted earlier, net position over time, may serve as a useful indicator of financial position. The following table presents an analysis of the condensed statement of net position:

Net Position		2019
Assets:		
Current assets	$	32,749,535
Noncurrent assets		289,270,338
Total assets		322,019,873
Liabilities:		
Current liabilities		4,890,241
Noncurrent liabilities		5,893,699
Total liabilities		10,783,940
Total Deferred Inflows of Resources		391,565
Net Position:		
Net investments in capital assets		21,387,957
Restricted, non-expendable		170,554,508
Restricted, expendable		108,723,049
Unrestricted		10,178,854
Total net position	$	310,844,368

The Foundation's total net position in 2019 increased by approximately $ 2.4 million. The increase in total net position in 2019 was primarily due to market value gains of approximately $ 10.7 million on investments and approximately $ 4.2 million in contributions to permanent endowments. The Foundation's total assets exceeded its total liabilities and deferred inflows of resources by approximately $ 311 million, whereas approximately 83% of the Foundation's total assets is made up of investments.

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 the restricted net position change on a year-to-year basis based on 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.

Statement of Revenues, Expenses and Changes in Net Position

The following table presents information of the condensed statement of revenues, expenses, and changes in net position:

Changes in Net Position		2019
Operating revenues	$	31,997,110
Operating expenses		44,210,110
Operating income (loss)		(12,213,000)
Nonoperating revenues (expenses), net		10,486,581
Income (loss) before other changes in net position		(1,726,419)
Other Changes in Net Position:		
Contributions to permanent endowments		4,154,289
Changes in net position		2,427,870
Net position, beginning of the year, as restated		308,416,498
Net position, end of the year	$	310,844,368

As stated above, due to changes enacted by the Florida legislature, the Foundation is now required to present its financial statements in accordance with GASB. Under GASB, contribution revenues are reported as part of operating revenues in the year in which a donor makes its pledge to the Foundation, whereas the related expenditures are reported in operating expenses in the year(s) in which the expenditures are made. As a result, there can be a significant difference in the reporting periods of revenue and the related expense related to projects. The above condensed Statement of Revenues, Expenses and Changes in Net Position reflects an operating loss of $ 12,213,000 as a result of such differences in the timing of pledges and expenditures.

The Foundation's operating revenues, consisting generally of current expendable contributions for the benefit of the University, totaled approximately $ 32 million for 2019. Operating expenses for 2019 totaled approximately $ 44.2 million, which consists of University support such as academic, research and institutional support, grants and scholarships as well as infrastructure spend ($ 20 million or approximately 45% of operating expenses). Pledges from donors related to current year operating expenses have been reported as contribution revenues both in the current year, as well as considered recognized in prior years. While the GASB presentation reflects a current operating loss, each project is overseen by the Foundation to ensure that cumulative spending is within the donor pledge amounts. Nonoperating revenues, net, of approximately $ 10.5 million consisted primarily of investment returns (unrealized and realized gains and losses on investments, interest, and dividends). Additions to permanent endowments made up the entire balance of Other Changes in Net Position.

The transition to GASB also required a restatement to the net position of approximately $ 7.1 million, as the Foundation removed permanent endowment pledges and split interest trust agreements. Due to the change in accounting standards, those permanent endowment pledges are no longer recorded in the financial statements as of June 30, 2019.

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 and amounts due to resource providers.

During the 2019 year, the Foundation's capital assets increased by approximately $ 4.5 million. The entire increase of assets is included as art, library and other collections under Note 7 which were received from various donors.

Economic Factors

Management is not aware of any external factors other than systematic market risks affecting its investments, and general economic conditions affecting donor giving, that would have a significant impact on future periods.

Request 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 295, Boca Raton, FL 33431.

BASIC FINANCIAL STATEMENTS

Florida Atlantic University Foundation, Inc.
Statement of Net Position
June 30, 2019

Assets:		
Current Assets:		
Cash	$	3,456,823
Short-term investments		18,078,862
Pledges receivable, net		9,475,851
Net investment in direct financing - type lease		547,000
Other assets		1,190,999
Total current assets		32,749,535
Noncurrent Assets:		
Restricted cash		5,100
Investments		248,598,132
Funds held in trust by others		3,288,648
Pledges receivable, net		10,403,501
Net investment in direct financing - type lease		5,587,000
Capital assets, net		21,387,957
Total noncurrent assets		289,270,338
Total assets	$	322,019,873
Liabilities:		
Current Liabilities:		
Accounts payable and accrued expenses	$	2,863,966
Annuities payable		53,368
Unearned revenue		1,425,907
Certificates of participation		547,000
Total current liabilities		4,890,241
Noncurrent Liabilities:		
Liability to resource providers		25,947
Annuities payable		280,752
Certificates of participation		5,587,000
Total noncurrent liabilities		5,893,699
Total liabilities		10,783,940
Deferred Inflows of Resources:		
Split interest trusts		391,565
Net Position:		
Net investment in capital assets		21,387,957
Restricted for:		
Nonexpendable:		
Endowments		167,265,860
Perpetual trusts		3,288,648
Expendable:		
Scholarships		26,358,783
Academic and research support		61,349,352
Institutional support and other		21,014,914
Total restricted		279,277,557
Unrestricted		10,178,854
Total net position		310,844,368
Total liabilities, deferred inflows of resources, and net position	$	322,019,873

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

Florida Atlantic University Foundation, Inc.
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues:		
Contributions, net	$	28,936,679
Rental income		1,063,524
Other income		1,996,907
Total operating revenues		31,997,110
Operating Expenses:		
Academic, research and institutional support		13,522,086
Grants and scholarships		7,904,492
Fundraising		1,944,973
Management and general		755,425
Funding of University's infrastructure		20,083,134
Total operating expenses		44,210,110
Operating income (loss)		(12,213,000)
Nonoperating Revenues (Expenses):		
Loss on disposition of capital assets		(16,205)
Interest expense		(192,801)
Interest and dividends, net of fees		4,696,860
Net realized and unrealized gains (losses) on investments		5,998,727
Total nonoperating revenues (expenses)		10,486,581
Income (loss) before other changes in net position		(1,726,419)
Other Changes in Net Position:		
Contributions to permanent endowments		4,154,289
Changes in net position		2,427,870
Net Position, beginning of year, as restated (Note 15)		308,416,498
Net Position, end of year	$	310,844,368

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

Florida Atlantic University Foundation, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash Flows From Operating Activities:		
Cash received from contributions	$	23,141,961
Rental income - cash receipts		1,063,524
Other income - cash receipts		1,996,907
Cash payments for operating expenses		(24,716,475)
Net cash provided by (used in) operating activities		1,485,917
Cash Flows From Capital and Related Financing Activities:		
Interest paid		(192,801)
Principal payments on certificates of participation		(534,000)
Net cash provided by (used in) capital and related financing activities		(726,801)
Cash Flows From Noncapital Financing Activities:		
Cash contributions received for permanent endowments		4,154,289
Cash contributions received for split interest trusts		101,785
Distributions to split interest trust beneficiaries		(62,499)
Payments made for construction projects (University)		(14,312,877)
Net cash provided by (used in) noncapital financing activities		(10,119,302)
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments		57,274,328
Investment income		4,773,207
Collections of principal on direct financing-type lease		534,000
Purchases of investments		(51,641,712)
Net cash provided by (used in) investing activities		10,939,823
Net increase (decrease) in cash		1,579,637
Cash, beginning of year		1,877,186
Cash, end of year	$	3,456,823

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

Florida Atlantic University Foundation, Inc.
Statement of Cash Flows
(continued)
For the Year Ended June 30, 2019

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	$	(12,213,000)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) Operating Activities:		
Donations received art, library and other collections, net		(4,535,303)
Payments made for construction projects (University)		14,312,877
Provision for depreciation		756
(Increase) decrease in assets:		
Pledges receivable, net		(722,639)
Other assets		6,502,695
Restricted cash		13,086
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(1,385,620)
Unearned revenue		(536,776)
Deferred inflows of resources		49,841
Net cash provided by (used in) operating activities	$	1,485,917

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

Note 1 - Reporting Entity and Significant Accounting Policies

(a) Reporting entity:

Florida Atlantic University Foundation, Inc. (the "Foundation"), 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) 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 statement 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. 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 for a term or perpetuity; 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.

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

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.

(f) Restricted cash:

Restricted cash represents claims to amounts that are restricted as to withdrawal or use for other than current operations. Restricted cash as of June 30, 2019 consisted of funds restricted by donor request, pledged towards University debt and a deposit "project" account with a trustee to be used for future construction projects.

(g) Investments:

The Foundation's investments are reported at their fair value based on 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 pooled investments with the State Treasury, money market and money market deposit accounts through the Insured Cash Sweep program. All endowments and other investments are classified as non-current regardless of maturity due to restrictions limiting the Foundation's ability to use these investments.

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 statement 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 change 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 $ 4,500,000 for the year ended June 30, 2019.

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

Donated art, library and other collections are capitalized at their acquisition value on the acquisition date. Subsequently, if an asset becomes impaired because the carrying amount is not recoverable and exceeds its acquisition value, the Foundation records an impairment loss in the accompanying statement of revenues, expenses and changes in net position. Because of the particular purpose of the donation, some collections are transferred immediately to the University.

(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. The remaining amount of the gift is recognized as deferred inflows 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 statement of revenues and expenses because they are not revenue items relating to the current fiscal year, but to future periods. They are not shown on the statement of net position in the liability section because they are not items the Foundation owes. Instead, they are presented on the statement 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 agreements.

(l) Unearned revenues:

Any cash collected on conditional pledges is recorded as a refundable advance 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.

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

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

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 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 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 rental 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 additions to 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) Date of management review:

Subsequent events were evaluated by management through October 15, 2019, which is the date the financial statements were available to be issued.

Note 2 - Cash

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

Note 2 - Cash (continued)

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 statues, 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 equal to between 50% and 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, corporate bonds) 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, 2019, the recorded amount of cash and cash equivalents of the Foundation's deposits was $ 3,456,823 and the bank account balance was $ 3,544,690.

Note 3 - Pledges Receivable

Pledges receivable are summarized as of June 30, 2019 as follows:

Pledges receivable	$	21,268,315
Less: unamortized discount		(870,796)
Less: allowance for uncollectible pledges		(518,167)
Total pledges receivable, net	$	19,879,352

These amounts are classified in the accompanying statement of net position as follows:

Current	$	9,475,851
Noncurrent		10,403,501
Total pledges receivable, net	$	19,879,352

Management estimated that 1.3% of all current and future pledges would be established as the 2019 allowances. Additionally, pledges are recorded at their present value. The Federal Reserve discount rate of 3.00% was applied to future cash flows for pledges made in 2019, and rates ranging from 0.75% to 2.00% was applied to future cash flows for pledges made in 2018 and earlier.

In addition to the pledges receivable noted above, the Foundation has approximately $ 7 million in permanent endowments pledges, which are not recorded in adherence with Government Accounting Standards Board ("GASB").

Note 4 - Investments

The Foundation is the beneficiary of numerous conditional promises to give. A conditional promise is one that requires an event in the future to take place before the promise becomes binding to the donor. At June 30, 2011, the Foundation had pledges conditional upon legislative appropriation from the Florida Department of Education's Major Gifts Program, of approximately $ 9,273,000. Some of the outstanding matching gifts have been on the priority list since the 2006-2007 fiscal year. The Florida Legislature did not appropriate funding for the fiscal years 2011 through 2019. Accordingly, these pledges have not been recorded as receivables. Effective July 1, 2011, the state matching gift program was temporarily suspended until the backlog of eligible matches are paid by the State of Florida.

Investments at June 30, 2019 consisted of the following:

Investment Type	Current	Noncurrent	Total
International equities	$ -	$ 59,953,640	$ 59,953,640
Domestic equities	-	58,232,790	58,232,790
Hedge funds	-	46,138,592	46,138,592
Domestic fixed income	-	31,026,853	31,026,853
Real asset funds	-	24,578,531	24,578,531
Private equity funds	-	23,259,176	23,259,176
State Treasury Special Purpose Investment Account	9,580,123	-	9,580,123
Money market funds and other deposits	8,498,739	-	8,498,739
International fixed income	-	5,408,550	5,408,550
	$ 18,078,862	$ 248,598,132	$ 266,676,994

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.

Scheduled maturities (in years) of investments held by the Foundation as of June 30, 2019 are as follows:

Investment Type	Total Fair Value	Less than 1	1 to 5	More than 5
Domestic fixed income	$ 31,026,853	$ 30,854,432	$ 172,421	$ -
International fixed income	5,408,550	3,206,255	2,202,295	-
	$ 36,435,403	$ 34,060,687	$ 2,374,716	$ -

Note 4 - Investments (continued)

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, 2019, the credit ratings of the Foundation's domestic and international fixed income securities are summarized as follows:

Rating	Fair Value
A-	$ 14,423,012
AA	10,345,555
BBB+	5,954,538
AA-	5,382,296
AAA	204,672
AAA-BBB	66,279
AAAm	32,185
Not Rated	26,866
	$ 36,435,403

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, 2019, the Foundation had various ETF's and index funds with one investment company. Investments with this company made up approximately 26% of the portfolio, invested between seven separate funds. The Foundation has one other investment which makes up approximately 8% of the investment portfolio.

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.

Note 4 - Investments (continued)

The Foundation seeks to mitigate custodial risk by investing in the Insured Cash Sweep "ICS" program. This program places funds in increments of up to $ 250,000 with non-redundant banks throughout the United States, thereby protecting all funds with FDIC insurance. At June 30, 2019, the Foundation had total deposits of approximately $ 6,779,000 in this program, which is classified as investments. The Foundation also has protection, with limits, under the Securities Investor Protection Corporation (SIPC).

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, 2019 was as follows:

Type		Fair Value
International equities	$	59,953,640
International fixed income		5,408,550
	$	65,362,190

External Investments Pools:

The Foundation reported investments at fair value totaling $ 9,580,123 at June 30, 2019, in the State Treasury Special Purpose Investment Account ("SPIA") investment pool, representing ownership of a share of the pool, not the underlying securities. 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 Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.71 years and fair value factor of 1.0103 at June 30, 2019. 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 Comprehensive Annual Financial 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:

Note 4 - Investments (continued)

- 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).

Net Asset Value (NAV) – In accordance with GASB No. 72, certain investments which use NAV as a practical expedient to determine fair value are excluded from the fair value hierarchy.

The following tables present the Foundation's investments measured at fair value as of June 30, 2019, which include investments and funds held in trust by others, on the statement of net position. The assets are classified in accordance fair value hierarchy as follows:

Investments in:	Level 1	Level 2	Level 3	Investments Valued at NAV	2019 Total
Equities	$ 118,186,430	$ -	$ -	$ -	$ 118,186,430
Other	15,224,758		-	78,751,541	93,976,299
Fixed income	31,053,107	5,382,296	-	-	36,435,403
External investment pool: SPIA	-	-	9,580,123	-	9,580,123
Funds held in trust by others	3,200,954	-	-	-	3,200,954
Total investments measured at fair value	$ 167,665,249	$ 5,382,296	$ 9,580,123	$ 78,751,541	261,379,209
Investments not measured at fair value: Money market funds and other deposits					8,586,433
Total investments and funds held in trust by others					$ 269,965,642

Note 4 - Investments (continued)

The following tables provide additional disclosures of alternative investments held by the Foundation, as of June 30, 2019:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (a)	$ 23,259,176	$ 19,019,092	Duration of Partnership	N/A
Long-short strategy (b)	18,895,471	-	Quarterly and Semi-Annually	60 to 180 days
Multi - strategy (c)	12,497,510	-	Quarterly, Over One Year and Duration of Partnership	60 to 70 days and N/A
Real assets (d)	9,353,773	1,500,983	Monthly and Duration of Partnership	30 days and N/A
Distressed strategy (e)	5,342,499	-	Quarterly and Duration of Partnership	75 days and N/A
Relative value credit strategy (f)	4,969,642	-	Quarterly	45 days
Global macro strategy (g)	3,170,018	-	Monthly	60 days
Small/Micro cap healthcare strategy (h)	1,263,452	-	Semi-Annually	30 days
Total	$ 78,751,541	$ 20,520,075		

(a) Private equity: This class includes several private equity funds some of which offer investments into any of three separate strategies: venture capital, private equity (buyouts) and emerging markets. Investments are made with a limited partner agreement, which prohibits redemption of the investment. Instead, distributions are received through the liquidation of the underlying assets of the fund.

(b) Long-short strategy: This class includes investments in hedge funds that invest in both long and short-term equity securities. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

(c) Multi strategy: This class invests in long and short-term credit as well as distressed and special situations.

(d) Real assets: This class includes several real estate funds that invest primarily in public REITS, private open-end core real estate funds and a portfolio of directly held properties. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

(e) Distressed strategy: This class invests in long and short-term credit as well as directional strategies that take advantage of the distressed markets.

Note 4 - Investments (continued)

(f) Relative value credit strategy: This class invests in both long and short-term vehicles, primarily in the credit space.

(g) Global macro strategy: This class includes investments in hedge funds strategies, which utilizes top-down fundamental approach to identify and exploit economic and financial imbalances in asset markets. The funds will invest in global interest rates, fixed-income instruments, credit instruments, currencies, commodities, equities, and their associate derivatives.

(h) Small/Micro cap healthcare strategy: This class invests primarily in a long-only strategy, which invests in small and micro capitalization healthcare companies which are publicly listed.

Interest and dividend income reflected in the statement of revenues, expenses and changes in net position for the year ended June 30, 2019 is presented net of the estimated investment manager/custodian fees of approximately $ 1,976,000.

Note 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, 2019, consisted of the following at their fair value:

Domestic equities	$	1,830,391
International equities		631,115
Domestic fixed income		594,771
International fixed income		144,677
Money market funds and other deposits		87,694
Total Funds Held in Trust	$	3,288,648

Note 6 - Endowments

The Foundation has over 460 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.

Note 6 - Endowments (continued)

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

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 the end of the third quarter 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, 2019:

	Restricted Nonexpendable	Restricted Expendable	Total
Endowments	$ 167,265,860	$ 55,088,918	$ 222,354,778
Funds functioning as endowments	-	1,892,773	1,892,773
Totals	$ 167,265,860	$ 56,981,691	$ 224,247,551

Funds with Deficiencies: From time to time, the fair value of certain endowments may fall under historical cost values (original gift/book value), and therefore, are considered to be underwater. There were no underwater endowments at June 30, 2019.

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019
Capital assets, not being depreciated:				
Land	$ 4,439,639	$ -	$ -	$ 4,439,639
Art, library and other collections	12,410,374	4,535,303	-	16,945,677
Total capital assets, not being depreciated	16,850,013	4,535,303	-	21,385,316
Capital asset, being depreciated:				
Buildings and improvements	237,000	-	203,000	34,000
Total capital assets, being depreciated	237,000	-	203,000	34,000

Note 7 - Capital Assets (continued)

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019
Less accumulated depreciation for:				
Buildings and improvements	217,398	756	186,795	31,359
Total accumulated depreciation	217,398	756	186,795	31,359
Total capital assets being depreciated, net	19,602	(756)	16,205	2,641
Total capital assets, net	$ 16,869,615	$ 4,534,547	$ 16,205	$ 21,387,957

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

Note 8 - Split Interest Trusts

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, 2019, is considered to be restricted expendable.

The valuation of split interest trust liabilities (annuities payable) falls into the Level 1 category of the fair value hierarchy, as discussed in Note 4. The estimated fair value 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.

Note 9 - Sub-Leasing Arrangement

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

The Foundation then entered into a ground lease agreement with a developer whereby the developer agreed to construct a retail complex on the site and lease the space to various entities. Pursuant to the ground lease agreement, the developer is to provide the Foundation with a monthly base rent from the commencement date through its expiration in January 2073. The base rent increases by 6% every ten years. The lease also provides for an additional $ 5 per square foot in excess of 152,000 square feet of consumer services area during years 1 through 10 and shall be adjusted upward by 6% every ten years. The current excess square footage provision in the contract increases the base rental income by approximately $ 99,000 annually. The lease provided rental income of approximately $ 1,053,000 in 2019, relating to this agreement.

Note 9 - Sub-Leasing Arrangement (continued)

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

Year Ending June 30,	Estimated Future Minimum Rentals
2020	$ 1,053,000
2021	1,068,000
2022	1,113,000
2023	1,113,000
2024	1,113,000
2025 - 2034	11,334,000
2035 - 2044	13,081,000
2045 - 2054	14,867,000
2055 - 2064	15,594,000
2065 - 2073	14,049,000
	$ 74,385,000

Note 10 - Long-Term Liabilities

Direct Financing-Type Lease and 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.

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.

Note 10 - Long-Term Liabilities (continued)

Long-term liabilities activity for the year ended June 30, 2019 was as follows:

	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019	Due Within One Year
Certificates of participation	$ 6,668,000	$ -	$ 534,000	$ 6,134,000	$ 547,000
Annuities payable (Note 8)	367,883	76,661	110,424	334,120	53,368
Liability to resource providers (Note 12)	25,947	-	-	25,947	-
	$ 7,061,830	$ 76,661	$ 644,424	$ 6,494,067	$ 600,368

At June 30, 2019, the minimum lease payments to be received from the University and the payments due on the 2012 Certificates, for each of the five succeeding fiscal years and thereafter, are estimated to be approximately as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 547,000	$ 179,669	$ 726,669
2021	559,000	163,647	722,647
2022	574,000	147,274	721,274
2023	588,000	130,461	718,461
2024	605,000	113,238	718,238
2025-2029	2,904,000	292,585	3,196,585
2030	357,000	10,457	367,457
Total	$ 6,134,000	$ 1,037,331	$ 7,171,331

Note 11 - Related Party Transactions

Florida Atlantic University: The Foundation committed $ 750,000 to the University in fiscal year 2019 for fiscal year 2020 tuition waivers from earnings from the University Commons rent revenues (Note 9) and has a continuing commitment to provide First Generation funds for scholarships from University Commons rent revenues.

In fiscal year 2011, the Florida Atlantic University Finance Corp (FAUFC), a separate direct support organization of the University, entered into a loan agreement for the construction of an on-campus football stadium. The stadium hosted its first home game on October 15, 2011. Among other operating revenues of the stadium, the agreement requires that all revenues associated with priority and premium seating of the stadium are to be pledged toward this credit facility. During the year ended June 30, 2019, the Foundation collected approximately $ 133,000 of priority seating revenues. In compliance with the loan agreement, the Foundation transferred these pledged revenues to the lending financial institution on a monthly basis. 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 statement 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.

Note 11 - Related Party Transactions (continued)

During the year ended June 30, 2019, the Foundation funded to the University approximately $ 19.7 million, for the construction of a University complex and facility; and is reflected in funding of University's infrastructure in the accompanying statement of revenues, expenses and changes in net position.

The Foundation is supported in its goals by the University's Division of Institutional Advancement. Support from the University includes office space, equipment and funding for operating expenses and salaries for advancement personnel who are critical in the operations of the Foundation. The Foundation has estimated the cost of operational support from the University to be approximately $ 7,154,000 for the year ended June 30, 2019.

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

Note 12 - Harbor Branch Oceanographic Institute Foundation

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

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

Funds managed on behalf of HBOIF are recorded on the Foundation's Statement of Net Position as a "liability to resource provider." The amount of this liability at June 30, 2019 was approximately $ 26,000.

Note 13 - Commitments and Contingencies

The Foundation may be involved in litigation, audits and tax examinations which arise in the normal course of operations. Management believes that the amount of liability resulting from such activities, if any, would not materially impact the Foundation. At June 30, 2019, management did not know of any pending or potential litigation, audits or tax examinations against the Foundation.

The Foundation previously entered into an affinity agreement with a bank, whereby the bank would solicit credit card business from the FAU Alumni Association's "members" and in return pay royalties. The contract allows for annual advances of $ 120,000, which is established as unearned revenue until the revenue is earned. Unearned revenues for the year ended June 30, 2019, as a result of this arrangement, were approximately $ 139,000.

Note 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.

Note 15 - Restatement of Beginning Net Position

In March 2018, the Florida legislature amended Chapter 2018-004(3) of the Laws of Florida to require the University Board of Trustees ("BOT") approval of all DSO Board appointees. Because of this BOT oversight requirement of DSO governance, the Florida Auditor General determined that University DSO's should present their basic financial statements in accordance with the guidance provided by the Governmental Accounting Standards Board ("GASB").

Based on the information above, the net position of the Foundation's business-type activities has been restated to change its reporting policies from those set by the Financial Accounting Standards Board ("FASB") to now follow those set forth by the Governmental Accounting Standards Board ("GASB"), in fiscal year 2019.

Net position, June 30, 2018, as previously reported	$ 315,560,638
Split interest trust agreements	(341,724)
Permanent endowment pledges	(6,802,416)
Net position, June 30, 2018, as restated	$ 308,416,498

Note 16 - Subsequent Event

Subsequent to year-end, the Foundation entered into an agreement with the University to provide advanced funding from the outstanding pledge commitments, for the construction of the Schmidt Family Complex for Academic and Athletic Excellence. This agreement stated that the Foundation will make available up to $ 10,000,000 for the University, to draw advances. The Foundation will receive interest on the amounts advanced at a rate of 2.5% per annum. Interest amounts will accrue monthly on the outstanding balance and will be paid annually on June 30 or if requested, another mutually agreed upon date.

SUPPLEMENTARY INFORMATION

Florida Atlantic University Foundation, Inc.
Schedule of Board of Directors and
Executive Committee Members
June 30, 2019

At June 30, 2019, the membership of the Foundation's Board of Directors was comprised of the following individuals, along with their respective terms:

MEMBER	CURRENT TERM EXPIRES
Bruce H. Allen '71	June 2020
Zach Berg '97, '00*	June 2022
Cheryl Budd	June 2022
Dr. Ira Gelb	June 2021
Phyllis Gladstein**	June 2021
Michael Kaufman	June 2021
Stewart I. Martin ‘89***	June 2026
Patricia A. McKay ‘78*	June 2023
Melissa Miller '94, '96, '04	June 2022
Michael Miller	June 2023
Peter Moore	June 2022
William E. Morris	June 2020
Maurice Plough Jr.	June 2022
Brian Poulin**	June 2023
Dr. Marta Rendon	June 2020
Robert Robes ‘93	June 2020
Sally Rowley -Williams*	June 2021
Steve Schmidt**	June 2026
Sue Skemp*	June 2022
Ettore (Ed) Ventrice	June 2022
Jay Weinberg*	June 2022
Cheryl Wilke '88	June 2021
Dr. Lorna Williams	June 2020

LIMITED PURPOSE DIRECTORS

Keith Arnold (Philanthropy)	June 2022
Howard R. Cooper (Investment)	June 2020
Michael J. Crowley '80, '81 (Investment)	June 2020
Richard Etner, Jr., (Real Estate)	June 2022
Dale Gregory (Audit, Finance, Philanthropy)	June 2019
Raymond Monteleone '92 (Audit, Finance, Nominating & Governance)	June 2021
Steven Oyer (Investment)	June 2020
Jay Shein (Investment)	June 2020
John Zells (Audit, Real Estate)	June 2020

EX-OFFICIO MEMBERS

Dr. John Kelly	University President
Danita Nias**	CEO FAU Foundation
Seth Emmer	Lifelong Learning Representative
Terry Fedele	Chairman, Caring Hearts Auxiliary
Dr. Michael Dennis	Board of Trustees Representative
Pablo Paez '03 '08	FAU Alumni Association
Kyle MacDonald '19	Student Government President
Kevin Wagner	Faculty Senate President
Kathryn Rendo	Lifelong Learning Representative

EMERITUS

Kathleen Assaf	Director Emeritus
Ronald Assaf	Director Emeritus
Eleanor R. Baldwin	Director Emeritus
Herman Becker	Director Emeritus
Dr. Ira J. Gelb	Director Emeritus
Marjorie Pearlson	Director Emeritus
Lois Pope	Director Emeritus
Brian Utley	Director Emeritus
Elizabeth S. Zinman	Director Emeritus

* Indicates members of the Executive Committee

** Indicates Officer

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Atlantic University Foundation, Inc. (the "Foundation"), a direct support organization and component unit of Florida Atlantic University, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statement, and have issued our report thereon date October 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 15, 2019

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

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

Report on Compliance for Each Major State Project

We have audited the Florida Atlantic University Foundation, Inc.'s (the "Foundation") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Foundation's major state project for the year ended June 30, 2019. The Foundation's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state projects.

Auditor's Responsibility

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

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

Opinion on the Major State Project

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 15, 2019

Florida Atlantic University Foundation, Inc.
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2019

Grantor/Project Title	State CSFA Number	Contract Number	Expenditures
State Agency Name:			
Direct Project:			
State of Florida, Department of Education - University Major Gifts Program	48.074	-	$ 2,909,151
State of Florida, Department of Highway Safety and Motor Vehicles - Specialty License Plate Fund	76.031	-	68,232
Total expenditures of state financial assistance			$ 2,977,383

Note 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, 2019. 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.

Note 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.

Note 3 - Interest

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

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Florida Atlantic University Foundation, Inc. (the "Foundation").

2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of the Foundation were disclosed during the audit.

4. No material weaknesses relating to the audit of the major state project are reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Florida Auditor General*.

5. The auditor's report on compliance for the major state project for the Foundation expresses an unmodified opinion.

6. There are no audit findings relative to the major state project for the Foundation reported in Part C of this schedule.

7. The project tested as a major project is as follows:

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

8. The threshold for distinguishing Type A and Type B projects was $ 750,000.

B. Findings - Financial Statements Audit

No matters are reported.

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

No matters are reported.

D. Other Issues

1. A separate management letter was not issued.

2. No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.

3. No corrective action plan is required because there were no findings reported under the Florida Single Audit Act.