

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

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## INDEPENDENT AUDITORS' REPORT

November 2, 2023

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

### Report on the Audit of the Financial Statements

#### *Opinion*

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

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

#### *Basis for Opinion*

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

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

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



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

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Rehmann Johnson LLC*

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Management's Discussion and Analysis

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

### Financial Highlights

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

### Overview of the Financial Statements

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

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

### Financial Analysis

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

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

## FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

### Management's Discussion and Analysis

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

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

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

#### Economic Condition and Outlook

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

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

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

#### Requests for Information

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

## **BASIC FINANCIAL STATEMENTS**

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## ■ Statement of Net Position

June 30, 2023

### Assets

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

### Total assets

\$ 609,170

### Net position

Unrestricted

\$ 609,170

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## ■ Statements of Revenue, Expenses and Changes in Fund Net Position For the Year Ended June 30, 2023

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

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

## FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

### ■ Statement of Cash Flows

For the Year Ended June 30, 2023

<b>Cash flows from operating activities</b>	
Cash receipts from royalties, licensing and fees	\$ 98,950
Cash receipts from grants	65,967
Cash receipts from other operating revenue	38,981
Payments to suppliers and others	<u>(184,551)</u>
<b>Net cash provided by operating activities</b>	<b>19,347</b>
<b>Cash flows from investing activities</b>	
Sale/purchase of investments	<u>3,463</u>
<b>Net change in cash</b>	<b>22,810</b>
Cash, beginning of year	<u>113,620</u>
<b>Cash, end of year</b>	<b><u>\$ 136,430</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 19,762
Adjustments to reconcile net operating income to net cash provided by operating activities	
Change in operating assets and liabilities that used cash	
Interest receivable	<u>(415)</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 19,347</u></b>

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## ■ Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Reporting Entity**

On November 21, 1990, the Florida Atlantic University Research Corporation, Inc., (the "Corporation") was incorporated as a not-for-profit organization under Chapter 617, Florida Statutes. The Corporation is a direct support organization of the Florida Atlantic University (the "University"), a part of the State university system of public universities. The Corporation was organized for the purpose of promoting, encouraging, and providing assistance to the research and training activities of the University's faculty, staff, and students. The Corporation has been granted certain rights and responsibilities for the development, protection and commercial application of defined intellectual property. The Corporation is entitled to a portion of the royalties and/or license fees associated with the intellectual property for the benefit of the University. From time to time, the Corporation may obtain ownership in partnering commercial entities related to such intellectual property. Management of the Corporation determines the value of the ownership interest in these commercial entities. The Board of Directors is the governing body of the Corporation. The University's Board of Trustees can unilaterally allow for a decertification of the Corporation and cause for dissolution of the Corporation, resulting in all assets reverting to the University. Consequently, the Corporation meets the criteria for inclusion in the University's reporting entity as a component unit.

During 2004, the Corporation formed Hoot/Wisdom Recordings, LLC; Hoot/Wisdom Music Publishing, LLC; and Hoot/Insight Music Publishing, LLC (collectively, the LLCs) to benefit the University's research and educational programs. As the LLCs generate financial activity, such activity is consolidated with the Corporation's activities.

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

#### **Basis of Presentation**

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## ■ Notes to Financial Statements

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

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

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

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

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

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

#### ***Investments***

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

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

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

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

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

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## ■ Notes to Financial Statements

### *Royalties, Licensing and Fees*

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

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

### *Grants*

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

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

### *Facilities Use and Personnel*

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

### *Use of Estimates*

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

### *Income Taxes*

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## Notes to Financial Statements

### 2. DEPOSITS

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

**Statement of Net Position**

Cash	<u>\$ 136,430</u>
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**Deposits**

Checking / savings accounts	<u>\$ 136,430</u>
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**Deposit Risk**

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

### 3. INVESTMENTS

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

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

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

**Interest Rate Risk**

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

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## ■ Notes to Financial Statements

### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As a SPIA participant, the Corporation invests in the Florida Treasury Investment Pool. The Florida Treasury Pool is rated AA-f as of June 30, 2023.

### Foreign Currency Risk

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

### Custodial Credit Risk

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

## 4. RELATED PARTY TRANSACTIONS

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



## **INTERNAL CONTROL AND COMPLIANCE**



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

November 2, 2023

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **Florida Atlantic University Research Corporation** (the "Corporation"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated November 2, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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



## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Rehmann Loborn LLC*



## Independent Auditors' Communication with Those Charged with Governance

November 2, 2023

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

We have audited the financial statements of the **Florida Atlantic University Research Corporation** (the "Corporation"), a direct support organization and component unit of Florida Atlantic University (the "University") as of and for the year ended June 30, 2023, and have issued our report thereon dated November 2, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated August 28, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated November 2, 2023.



### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on October 11, 2023.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We have identified the risks of management override of internal control, revenue recognition, and the completeness of subscription-based information technology arrangements (SBITAs) as significant risks, and have obtained an understanding of the Corporation's related controls, including control activities, relevant to such risks.

### **Qualitative Aspects of the Corporation's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. No matters have come to our attention that would require us, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. There were no such estimates effecting the financial statements at June 30, 2022.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in Attachment B to this letter.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

**Upcoming Changes in Accounting Standards**

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the Florida Atlantic University Research Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Loborn LLC*

# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## ■ Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2023 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the [Type of Government] in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the [Type of Government]. For the complete text of these and other GASB standards, visit [www.gasb.org](http://www.gasb.org) and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

### **GASB 100 ■ Accounting Changes and Error Corrections**

*Effective 06/15/2024 (your FY 2024)*

This standard clarifies the presentation and disclosure requirements for prior period adjustments to beginning net position. We do not expect this standard to have any significant effect on the [Type of Government].

### **GASB 101 ■ Compensated Absences**

*Effective 12/15/2024 (your FY 2025)*

This standard revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination.

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# FLORIDA ATLANTIC UNIVERSITY RESEARCH CORPORATION

## ■ Attachment B – Management Representations For the June 30, 2023 Audit

The following pages contain the written representations that we requested from management.