

**FLORIDA ATLANTIC UNIVERSITY
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

JUNE 30, 2024 AND 2023

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
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JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Florida Atlantic University Foundation, Inc. (the Foundation), a direct-support organization and component unit of Florida Atlantic University, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAS 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 GAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

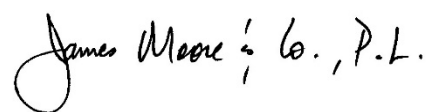
The Schedule of Expenditures of State Financial Assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied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

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Schedule of Board of Directors and Executive Committee Members but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2024, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.



Gainesville, Florida
November 6, 2024

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023

This section of the Florida Atlantic University Foundation, Inc.’s (the “Foundation”) annual financial statements includes management’s discussion and analysis of the financial performance of the Foundation for fiscal years ended June 30, 2024, 2023 and 2022. This discussion should be read in conjunction with the financial statements and notes.

Introduction

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

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

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

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

Analysis of the Overall Financial Position and Results of Operation

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023
(Continued)

Statements of Net Position

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

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|-----------------------|
| Assets | | | |
| Current assets | \$ 78,156,481 | \$ 95,536,912 | \$ 81,685,737 |
| Noncurrent assets | 384,663,279 | 341,674,245 | 334,366,031 |
| Total assets | <u>\$ 462,819,760</u> | <u>\$ 437,211,157</u> | <u>\$ 416,051,768</u> |
| Liabilities | | | |
| Current liabilities | \$ 9,421,917 | \$ 10,014,943 | \$ 10,783,426 |
| Noncurrent liabilities | 2,845,362 | 3,479,867 | 4,145,401 |
| Total liabilities | <u>\$ 12,267,279</u> | <u>\$ 13,494,810</u> | <u>\$ 14,928,827</u> |
| Total Deferred Inflows of Resources | <u>\$ 36,897,562</u> | <u>\$ 37,679,520</u> | <u>\$ 38,578,914</u> |
| Net Position | | | |
| Net investment in capital assets | \$ 22,020,463 | \$ 22,020,463 | \$ 22,021,029 |
| Restricted, non-expendable | 210,445,059 | 198,795,169 | 190,081,571 |
| Restricted, expendable | 156,643,056 | 148,262,843 | 141,336,244 |
| Unrestricted | 24,546,341 | 16,958,352 | 9,105,183 |
| Total net position | <u>\$ 413,654,919</u> | <u>\$ 386,036,827</u> | <u>\$ 362,544,027</u> |

Total assets as of June 30, 2024, increased by \$25.6 million or 5.9 percent due primarily to an increase in investment income and net realized and unrealized gains on investments. Current assets decreased \$17.4 million or 18.2 percent mainly due to a decrease in short term receivables (net) and a \$10 million decrease in short term investments held in the State Treasury SPIA investment pool. Noncurrent assets increased \$43.0 million or 12.6 percent due primarily to an increase in net investment income, and new investments in medium term securities. Overall, total liabilities as of June 30, 2024, decreased by \$1.2 million or 9.1% due to more timely payments made to suppliers and to the University. The total effect of total assets minus liabilities and deferred inflows of resources increased the Foundation's net position at June 30, 2024, by \$27.6 million.

Total assets as of June 30, 2023, increased by \$21.2 million or 5.1 percent. Current assets increased \$13.8 million or 17.0 percent due to more Foundation funds being reported as investments, and also due to an increase in outstanding short-term receivables (net). Similarly, noncurrent assets increased \$7.3 million or 2.2 percent due primarily to an increase in net investment income, and an increase in outstanding long-term receivables (net). Specifically, total receivables (net) increased by \$2.7 million mainly due to the increase of outstanding spendable pledge receivables. Overall, total liabilities as of June 30, 2023, decreased by \$1.4 million due to more timely payments made to suppliers and to the University. The total effect of total assets minus liabilities and deferred inflows of resources increased the Foundation's net position June 30, 2023, by \$23.5 million.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023
(Continued)

Statements of Net Position (Continued)

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

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position presents the Foundation's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table presents information of the condensed Statements of Revenues, Expenses, and Changes in Net Position for the 2023-2024, 2022-23, and 2021-22 fiscal years:

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|-----------------------|
| Operating revenues | \$ 25,017,470 | \$ 28,687,416 | \$ 31,200,860 |
| Operating expenses | 43,134,600 | 33,613,007 | 33,605,629 |
| Operating income (loss) | <u>(18,117,130)</u> | <u>(4,925,591)</u> | <u>(2,404,769)</u> |
| Nonoperating revenues (expenses), net | <u>39,334,238</u> | <u>21,428,175</u> | <u>(26,225,932)</u> |
| Income (loss) before other changes in net position | <u>21,217,108</u> | <u>16,502,584</u> | <u>(28,630,701)</u> |
| Other changes in net position: | | | |
| Contributions to permanent endowments | <u>6,400,948</u> | <u>6,990,216</u> | <u>5,440,015</u> |
| Changes in net position | <u>27,618,092</u> | <u>23,492,800</u> | <u>(23,190,686)</u> |
| Net position, beginning of year | 386,036,827 | 362,544,027 | 385,734,713 |
| Net position, end of year | <u>\$ 413,654,919</u> | <u>\$ 386,036,827</u> | <u>\$ 362,544,027</u> |

The Foundation's operating revenues totaled \$25.0 million for the 2023-24 fiscal year, representing a 12.8 percent decrease compared to the 2022-23 fiscal year attributable to a decrease in non-endowed donor contributions. Operating expenses totaled \$43.1 million for the 2023-24 fiscal year, representing an increase of \$9.5 million or 28.3 percent as compared to 2022-23 fiscal year, and consists of increased University support including, but not limited to academic, research and institutional support, grants and scholarships as well as funding for University infrastructure for instructional and athletic-related facilities on the Boca Raton and Jupiter campuses, as well as the expansion of the A.D. Henderson campus, a public developmental research (lab) school for K-8 students, and FAU High, a public accelerated pre-collegiate program.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023
(Continued)

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

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

Total net nonoperating revenues (expenses) totaled \$39.3 million for the 2023-24 fiscal year, versus prior year net nonoperating revenues of \$21.4 million and is primarily due to the increasingly positive market performance resulting in an increase in investment income, and net realized and unrealized gains.

Total net nonoperating revenues (expenses) totaled \$21.4 million for the 2022-23 fiscal year, versus prior year net nonoperating expenses of \$26.2 million, and is primarily due to the significant swing in the investment markets between the year ended June 30, 2023 and 2022.

Other changes to net position include endowment contributions which totaled \$6.4 million and \$7.0 million for the 2023-2024 and 2022-23 fiscal year, respectively, representing an 8.4 percent and 28.5 percent increase compared to each respective prior fiscal year.

Capital Assets and Long-Term Debt Activity

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

There was no change in the Foundations' capital assets for 2024. During the 2023 year, the Foundation's capital assets decreased by \$566 due to annual depreciation.

Economic Outlook

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

Budgeted revenues that fund University supporting services are derived from charitable contributions and operating activities are funded from endowment management fees. Management is not aware of any factors that would have a significant impact on budgeted revenue for the next fiscal year.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023
(Continued)

Economic Outlook (Continued)

Management is continually evaluating the overall impact of worldwide events on local and global economies and their impact on the Foundation's investments and philanthropy. The 2023-24 fiscal year, consistent with the 2022-23 fiscal year, continued to capture a rise in capital markets related to the return of normalcy in a post-pandemic environment. Whereas, the 2021-22 fiscal year captured a significant downturn in the capital markets related to the interest rate and inflationary environment. This sharp year over year contrast is reflected in the Foundation's condensed Statement of Revenues, Expenses, and Changes in Net Position and is a timing issue. Management does not expect such similar variances on a forward-looking basis but future epidemics, pandemics, and other outbreaks, along with economic variability, could disrupt and have a similar adverse impact on our philanthropy, investments, and financial performance. Management is not aware of any other factors within its control that would have a significant impact on future periods.

Requests for Information

This financial report is designed to provide a general overview of the Florida Atlantic University Foundation's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Florida Atlantic University Foundation, Inc., 777 Glades Road, AD 10/Room 247, Boca Raton, FL 33431.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

| | 2024 | 2023 |
|---------------------------------------|----------------|----------------|
| <u>ASSETS</u> | | |
| Current assets | | |
| Cash | \$ 3,267,021 | \$ 7,517,033 |
| Short-term investments | 65,239,251 | 76,583,254 |
| Pledges receivable, net | 7,626,996 | 9,060,370 |
| Contract receivable - FAU | 616,000 | 605,000 |
| Lease receivable | 356,708 | 349,651 |
| Other receivables and assets | 1,050,505 | 1,421,604 |
| Total current assets | 78,156,481 | 95,536,912 |
| Noncurrent assets | | |
| Restricted cash | 13,422 | 12,926 |
| Investments | 314,015,000 | 266,825,015 |
| Funds held in trust by others | 2,708,410 | 2,506,332 |
| Pledges receivable, net | 5,443,396 | 8,874,213 |
| Lease receivable | 37,817,588 | 38,174,296 |
| Contract receivable - FAU | 2,645,000 | 3,261,000 |
| Non-depreciable capital assets | 22,020,463 | 22,020,463 |
| Total noncurrent assets | 384,663,279 | 341,674,245 |
| Total assets | \$ 462,819,760 | \$ 437,211,157 |
| <u>LIABILITIES</u> | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 3,099,016 | \$ 3,962,367 |
| Annuities payable | 35,227 | 37,850 |
| Unearned revenue | 5,671,674 | 5,409,726 |
| Certificates of participation | 616,000 | 605,000 |
| Total current liabilities | 9,421,917 | 10,014,943 |
| Noncurrent liabilities | | |
| Liability to resource providers | 5,679 | 6,567 |
| Annuities payable | 194,683 | 212,300 |
| Certificates of participation | 2,645,000 | 3,261,000 |
| Total noncurrent liabilities | 2,845,362 | 3,479,867 |
| Total liabilities | \$ 12,267,279 | \$ 13,494,810 |

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

| | 2024 | 2023 |
|---|----------------|----------------|
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Deferred inflows of resources related to: | | |
| Leasing | \$ 36,544,408 | \$ 37,296,608 |
| Split interest trusts | 353,154 | 382,912 |
| Total deferred inflows of resources | \$ 36,897,562 | \$ 37,679,520 |
| <u>NET POSITION</u> | | |
| Net position | | |
| Net investment in capital assets | \$ 22,020,463 | \$ 22,020,463 |
| Restricted for: | | |
| Nonexpendable: | | |
| Endowments | 207,736,649 | 196,288,837 |
| Perpetual trusts | 2,708,410 | 2,506,332 |
| Expendable: | | |
| Scholarships | 33,562,260 | 34,445,774 |
| Academic and research support | 73,022,658 | 78,152,265 |
| Institutional support and other | 50,058,138 | 35,664,804 |
| Total restricted | 367,088,115 | 347,058,012 |
| Unrestricted | 24,546,341 | 16,958,352 |
| Total net position | \$ 413,654,919 | \$ 386,036,827 |
| Total liabilities, deferred inflows of resources, and net position | \$ 462,819,760 | \$ 437,211,157 |

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | 2023 |
|---|----------------|----------------|
| Operating revenues | | |
| Contributions and grants, net | \$ 22,109,131 | \$ 25,461,717 |
| Lease income | 1,525,158 | 1,529,729 |
| Other income | 1,383,181 | 1,695,970 |
| Total operating revenues | 25,017,470 | 28,687,416 |
| Operating expenses | | |
| Academic, research and institutional support | 21,689,175 | 16,809,062 |
| Grants and scholarships | 12,014,058 | 10,942,637 |
| Fundraising | 2,347,356 | 3,107,843 |
| Management and general | 1,544,672 | 1,516,007 |
| Funding of University's infrastructure | 5,539,339 | 1,237,458 |
| Total operating expenses | 43,134,600 | 33,613,007 |
| Operating loss | (18,117,130) | (4,925,591) |
| Nonoperating revenues (expenses) | | |
| Interest expense | (116,861) | (134,083) |
| Interest and dividends, net of fees | 8,962,851 | 6,693,851 |
| Net realized and unrealized gains (losses) | 30,488,248 | 14,868,407 |
| Total nonoperating revenues (expenses), net | 39,334,238 | 21,428,175 |
| Changes in net position before other changes | 21,217,108 | 16,502,584 |
| Other changes in net position | | |
| Contributions to permanent endowments | 6,400,984 | 6,990,216 |
| Changes in net position | 27,618,092 | 23,492,800 |
| Net position, beginning of year | 386,036,827 | 362,544,027 |
| Net position, end of year | \$ 413,654,919 | \$ 386,036,827 |

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

| | 2024 | 2023 |
|---|-----------------|----------------|
| Cash flows from operating activities | | |
| Cash received from contributions and grants | \$ 27,235,270 | \$ 24,680,208 |
| Lease income - cash receipts | 1,525,158 | 1,529,729 |
| Other income - cash receipts | 1,383,181 | 1,695,970 |
| Cash payments for operating expenses | (38,520,708) | (36,219,645) |
| Net cash used in operating activities | (8,377,099) | (8,313,738) |
| Cash flows from capital and related financing activities | | |
| Interest paid | (116,861) | (134,083) |
| Principal payments on certificates of participation | (605,000) | (588,000) |
| Net cash used in capital and related financing activities | (721,861) | (722,083) |
| Cash flows from noncapital financing activities | | |
| Cash contributions received for permanent endowments | 6,400,984 | 6,990,216 |
| Receipts from (distributions to) split interest trust beneficiaries | (20,240) | (52,805) |
| Payments made for construction projects (University) | (5,539,339) | (1,237,458) |
| Net cash provided by noncapital financing activities | 841,405 | 5,699,953 |
| Cash flows from investing activities | | |
| Proceeds from sales and maturities of investments | 298,533,552 | 273,975,530 |
| Investment income | 8,962,851 | 6,693,851 |
| Collections of principal on contracts receivable - FAU | 605,000 | 588,000 |
| Purchase of investments | (304,093,364) | (273,327,570) |
| Net cash provided by noncapital investing activities | 4,008,039 | 7,929,811 |
| Net changes in cash and cash equivalents | (4,249,516) | 4,593,943 |
| Cash and cash equivalents, beginning of year | 7,529,959 | 2,936,016 |
| Cash and cash equivalents, end of year | \$ 3,280,443 | \$ 7,529,959 |
| Shown on the statement of net position as: | | |
| Cash | \$ 3,267,021 | \$ 7,517,033 |
| Restricted cash | 13,422 | 12,926 |
| Total cash and cash equivalents | \$ 3,280,443 | \$ 7,529,959 |
| Reconciliation of operating loss to net cash used in operating activities | | |
| Operating loss | \$ (18,117,130) | \$ (4,925,591) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Payments made for construction projects (University) | 5,539,339 | 1,237,458 |
| Provision for depreciation | - | 566 |
| (Increase) decrease in assets: | | |
| Pledges receivable, net | 4,864,191 | (2,705,653) |
| Other receivables and assets | 720,750 | (227,912) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (863,351) | (2,691,775) |
| Unearned revenue | 261,948 | 1,924,144 |
| Liability to resource providers | (888) | (25,581) |
| Deferred inflows of resources | (781,958) | (899,394) |
| Net cash used in operating activities | \$ (8,377,099) | \$ (8,313,738) |

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

(a) **Reporting entity**—Florida Atlantic University Foundation, Inc. (the “Foundation”), a nonprofit organization, is organized under Florida Law as a direct support organization to the Florida Atlantic University (the “University” or “FAU”). The Foundation’s mission is to receive, hold, invest and administer private gifts on behalf of the University. The Foundation operates independently from the University and has qualified under Internal Revenue Code Section 501 (c)(3), and Florida Statutes Chapter 1004.28. Any person or organization contributing money, stock or any other property in support of the University does so through the Foundation.

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

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

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

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

Pledge payments scheduled for collection within one year are recorded as current assets and are not discounted. Pledge payments scheduled to be collected beyond one year are discounted to recognize the present value of the expected future cash flows. In addition, an allowance for uncollectible pledges is recorded based on management’s assessment of the collectability of outstanding pledges.

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

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

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

(g) **Investments**—The Foundation’s investments are reported at their estimated fair value based on direct or indirect publicly available trading values, with the exception of the Foundation’s alternative investments which are based on external valuation sources. The Foundation’s investment policy provides for the investment portfolio to be managed by an Outsourced Chief Investment Officer and to be invested primarily in domestic and international equity, fixed income securities, and alternative investments such as hedge funds, private equity and real asset funds, according to specified allocations, except where donor restrictions may apply. All investment securities are held in the Foundation’s name or in the name of its bank custodian “for the benefit of the Foundation.”

Short -term investments consist of funds invested in the State Treasury Special Purpose Investment Account (SPIA) investment pool, money market and money market deposit accounts, and short-term certificate of deposit accounts. All other investments are classified as non-current. Investment income and losses are allocated to each fund on a monthly basis, based on the average daily balance for each fund.

Investment income (including realized and unrealized gains and losses) is reflected in the Statements of Revenues, Expenses and Changes in Net Position.

(h) **Capital assets**—Real property, improvements, and collections, including art and library items, 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 \$5,000. Maintenance and repairs are charged to expense when incurred. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the changes in net position.

(i) **Donated goods, property and collections**—The value of donated goods are recorded in the financial statements as revenue and is either capitalized or expensed to the University. Donated goods, other than in-kind resources contributed by the University, including art, library and other collections, were approximately \$1.9 million for the year ended June 30, 2024. There were approximately \$120,000 of donated goods for the year ended June 30, 2023.

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

(j) **Split interest trust agreements**—The Foundation accepts gifts subject to split interest agreements. A split interest agreement is created when a donor contributes assets to the Foundation or places them in a trust for the benefit of the Foundation, but the Foundation is not the sole beneficiary of the assets economic value. These gifts are in the form of Charitable Gift Annuities or Charitable Remainder Annuities which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor’s trust or contractual agreement. At the time of agreement, gifts are recorded at the estimated fair market value of the asset received net of any applicable liability (annuities payable). The remaining amount of the gift is recognized as deferred inflows of resources in the period in which the Foundation receives the gift. Liabilities include the present value of projected future distributions to the annuity or trust beneficiaries and are determined using the Internal Revenue Service rate for computing charitable deductions for such gifts in effect at the time of the gift. On an annual basis, the Foundation reevaluates the amount of estimated future payments. Additionally, the Foundation holds qualifying assets in excess of the minimum gift annuity reserves required by Florida law. The reserve amount is calculated following assumptions set forth by Florida Statute in Section 627.481(2)(a)1.b.

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

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

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

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

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

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

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

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

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

(n) **Classification of revenues and expenses**—Contributions, grants, and pledges for purposes other than endowments are recognized as operating revenues in the period received or pledged. Additions to nonexpendable endowments are recognized when cash or other assets are received. Operating revenues also include lease income from the sub-leasing agreement of a certain parcel of real property that was assumed by the Foundation. Disbursements in support of the University and certain administrative expenses incurred in conducting the business of the Foundation are presented in the financial statements as operating expenses. Nonoperating revenues and expenses include investment income, and net realized and unrealized appreciation or depreciation in the fair value of investments. Contributions for permanent endowments are classified as other changes in 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) **Recently issued accounting pronouncements**—GASB has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. The Foundation has not currently determined what, if any, impact implementation of the following will have on its financial statements.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The objective is to provide users of governmental financial statements with essential information about risks related to an entity's vulnerabilities due to certain concentrations or constraints. It is effective for fiscal years beginning after June 15, 2024.

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability. It is effective for fiscal years beginning after June 15, 2025.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(2) **Cash:**

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

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

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

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

As of June 30, 2024, the recorded amount of Foundation's deposits was \$3,267,021 and the bank account balance was \$3,179,831. As of June 30, 2023, the recorded amount of Foundation's deposits was \$7,517,033 and the bank account balance was \$7,645,167.

(3) **Pledges Receivable:**

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

| | 2024 | 2023 |
|---|---------------|---------------|
| Pledges receivable | \$ 14,990,806 | \$ 19,137,215 |
| Less: unamortized discount | (738,840) | (364,147) |
| Less: allowance for uncollectible pledges | (1,181,574) | (838,485) |
| Total pledges receivable, net | \$ 13,070,392 | \$ 17,934,583 |
| | 2024 | 2023 |
| Current | \$ 7,626,996 | \$ 9,060,370 |
| Noncurrent | 5,443,396 | 8,874,213 |
| Total pledges receivable, net | \$ 13,070,392 | \$ 17,934,583 |

For the year ended June 30, 2024, management estimated that 2.8% of all current and future pledges and 100% of all past due pledges would be established as the 2024 allowances. Additionally, pledges are recorded at their present value. The Federal Reserve discount rate of 5.5% was applied to future cash flows for pledges made in 2024, and rates ranging from 0.25% to 5.25% was applied to future cash flows for pledges made in 2023 and earlier.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

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

(4) **Investments:**

Investments at June 30, 2024, consisted of the following:

| <u>Investment Type</u> | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
|--|----------------------|-----------------------|-----------------------|
| Domestic equities | \$ - | \$ 130,229,505 | \$ 130,229,505 |
| International equities | - | 56,504,789 | 56,504,789 |
| Hedge funds | - | 1,014,392 | 1,014,392 |
| Commodity funds | - | 6,966,011 | 6,966,011 |
| Private equity funds | - | 57,553,080 | 57,553,080 |
| Money market funds and other deposits | 33,202,079 | 2,777,890 | 35,979,969 |
| Domestic fixed income | - | 54,989,410 | 54,989,410 |
| State Treasury Special Purpose Investment Account | 32,037,172 | - | 32,037,172 |
| Real estate funds | - | 311,614 | 311,614 |
| International fixed income | - | 3,668,309 | 3,668,309 |
| | <u>\$ 65,239,251</u> | <u>\$ 314,015,000</u> | <u>\$ 379,254,251</u> |

Investments at June 30, 2023, consisted of the following:

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Interest rate risk:

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

The future maturities of the securities held in fixed income investments at June 30, 2024, are as follows:

| <u>Investment Type</u> | <u>Total Fair Value</u> | <u>Less than 1</u> | <u>1 to 5</u> | <u>More than 5</u> |
|----------------------------|-------------------------|----------------------|---------------------|---------------------|
| Domestic fixed income | \$ 54,989,410 | \$ 40,641,911 | \$ 6,882,220 | \$ 7,465,279 |
| International fixed income | 3,668,309 | 1,989,485 | 1,638,273 | 40,551 |
| | <u>\$ 58,657,719</u> | <u>\$ 42,631,396</u> | <u>\$ 8,520,493</u> | <u>\$ 7,505,830</u> |

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

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

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, 2024 and 2023, the credit ratings of the Foundation's domestic and international fixed income securities are summarized as follows:

| <u>Rating</u> | <u>Fair Value</u> | |
|----------------|----------------------|----------------------|
| | <u>2024</u> | <u>2023</u> |
| AAA / Aaa | \$ 27,748,033 | \$ 6,959,930 |
| AA+ / AA / AA- | 7,843,624 | 31,504,000 |
| A+ / A / A- | 13,440,591 | 2,769,050 |
| BBB+ | 646,129 | - |
| BB | - | 515,658 |
| B | 8,979,342 | - |
| | <u>\$ 58,657,719</u> | <u>\$ 41,748,638</u> |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Concentration of credit risk:

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the Foundation to greater risks resulting from adverse conditions or developments. The Foundation’s investment policy requires diversification of investments to reduce the potential of a single security, or single sector of securities from having a significant impact on the portfolio. GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, requires disclosure when the percentage is 5% or more of the total investments in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investments pools, or other pooled investments are excluded from this requirement. At June 30, 2024 and 2023, there were no known individual investments exceeding the 5% threshold.

Custodial credit risk:

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

Foreign currency risk:

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

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

| | Fair Value | |
|----------------------------|-------------------|---------------|
| Type | 2024 | 2023 |
| International equities | \$ 56,504,789 | \$ 46,741,417 |
| International fixed income | 3,668,309 | 2,769,050 |
| | \$ 60,173,098 | \$ 49,510,467 |

External investment pools:

The Foundation reported investments at fair value totaling \$32,037,172 and \$43,647,101 at June 30, 2024 and 2023, respectively, in the State of Florida Special Purpose Investment Account (“SPIA”) investment pool, representing ownership of a share of the pool, not the underlying securities. SPIA pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Council per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

At June 30, 2024, the State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.23 years and fair value factor of 0.9958. At June 30, 2023, the State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.02 years and fair value factor of 0.9667.

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

Fair value hierarchy:

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy disclosure framework which prioritizes and ranks the level of market price observability used in measuring investment at fair value. Various inputs are used in determining the fair value of investments. Inputs broadly refer to the assumptions that market participants use to make valuation decisions. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. An investment's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. These inputs are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

- Level 1 - inputs that are observable and reflect quoted market prices (unadjusted) in active markets for identical investments that the Foundation can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in active markets for similar securities, securities valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 - inputs that are unobservable for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

| Investment Type | Assets at Fair Values as of June 30, 2024 | | | |
|---|---|---------------------|----------------------|------------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Domestic equities | \$ 130,229,505 | \$ - | \$ - | \$ 130,229,505 |
| International equities | 56,504,789 | - | - | 56,504,789 |
| Domestic fixed income | 54,989,410 | - | - | 54,989,410 |
| Commodity funds | 6,966,011 | - | - | 6,966,011 |
| International fixed income | - | 3,668,309 | - | 3,668,309 |
| Real estate funds | - | - | 311,614 | 311,614 |
| External investment pool - SPIA | - | - | 32,037,172 | 32,037,172 |
| Funds held in trust for others | 2,708,410 | - | - | 2,708,410 |
| Total | <u>\$ 251,398,125</u> | <u>\$ 3,668,309</u> | <u>\$ 32,348,786</u> | <u>287,415,220</u> |
| Investments measured at NAV (a) | | | | <u>58,567,472</u> |
| Investments at fair value | | | | \$ 345,982,692 |
| Money market funds and other deposits | | | | 35,979,969 |
| Total investments and funds held in trust for others | | | | <u><u>\$ 381,962,661</u></u> |

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

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

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

| Strategy | As of June 30, 2024 | | As of June 30, 2023 | | Redemption | |
|--------------------------|----------------------|----------------------|----------------------|----------------------|---|------------------------|
| | Fair Value | Unfunded Commitments | Fair Value | Unfunded Commitments | Redemption Frequency | Notice Period |
| Hedge funds (a) | \$ 1,014,392 | \$ - | \$ 6,968,547 | \$ - | Monthly, Quarterly, Semi-Annually, Over One-Year, and Duration of Partnership | 60 to 180 days and N/A |
| Private equity funds (b) | <u>57,553,080</u> | <u>21,234,623</u> | <u>53,036,259</u> | <u>9,172,656</u> | N/A | N/A |
| | <u>\$ 58,567,472</u> | <u>\$ 21,234,623</u> | <u>\$ 60,004,806</u> | <u>\$ 9,172,656</u> | | |

(a) Hedge funds: This class includes various hedge funds which invests in both long and short-term equity securities, distressed and special situations, directional strategies, small and micro capitalization healthcare companies, as well as, global interest rates, credit instruments, currencies, and commodities. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

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

(5) **Funds Held in Trust by Others:**

The Foundation is the sole beneficiary of certain trusts that are not in its possession or under its control but are held and administered by outside trustees. These funds are included in Note 4 in the fair value hierarchy. The Foundation recognizes the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or when the Foundation is notified of its existence. The present value is calculated using discount rates the year in which the trust was established.

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

| | <u>2024</u> | <u>2023</u> |
|---------------------------------------|---------------------|---------------------|
| Domestic equities | \$ 1,675,398 | \$ 1,494,672 |
| Domestic fixed income | 413,079 | 443,453 |
| International equities | 512,278 | 472,275 |
| Money market funds and other deposits | <u>107,655</u> | <u>95,932</u> |
| Total funds held in trust by others | <u>\$ 2,708,410</u> | <u>\$ 2,506,332</u> |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(6) Endowments:

The Foundation has fully endowed funds established for the support of the students, programs and faculty of the various colleges at Florida Atlantic University. Endowments include both donor restricted endowment funds and funds designated by the Foundation or college to function as endowments.

The Foundation interprets the State of Florida’s Uniform Prudent Management of Institutional Funds Act (FUPMIFA), as requiring the Board of Directors to use reasonable care, skill, and caution as exercised by a prudent investor, in considering the investment, management, and expenditures of endowment funds. The spending policy is set with the goal of the preservation of the long-term purchasing power of the endowment fund, absent explicit donor stipulations to the contrary.

The goal of the investment program for the endowment assets is to provide a total return equivalent to or greater than the endowment’s financial requirements over the “Time Horizon.” The endowment’s financial requirements are the sum of the spending rate, the long-term inflation rate, the aggregate costs of portfolio management, and any growth factor, which the Foundation’s Investment Committee may, from time to time, determine appropriate. The Board of Directors, in consultation with its investment advisors, monitors the Foundation’s target goal of 8.85% compared to the expected long-term return, which is periodically reevaluated.

The Foundation has a policy to distribute typically 3.9% (spending rate) of the average fair value of the prior 20 quarters of an endowment that has satisfied the criteria for corpus protection. The Foundation calculates spending at June 30th prior to the new fiscal year.

The following table displays the total ending endowment balances for nonexpendable endowments, donor-restricted endowments, and unrestricted funds functioning as endowments, as of June 30, 2024:

| | <u>Restricted Nonexpendable</u> | <u>Restricted Expendable</u> | <u>Total</u> |
|---------------------------------|-------------------------------------|----------------------------------|-----------------------|
| Endowments | \$ 207,736,649 | \$ 87,393,864 | \$ 295,130,513 |
| Funds functioning as endowments | - | - | - |
| Totals | <u>\$ 207,736,649</u> | <u>\$ 87,393,864</u> | <u>\$ 295,130,513</u> |

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

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

Funds with deficiencies: From time to time, the fair value of certain endowments may fall under historical cost values (original; gift/book value), and therefore, are considered to be underwater. At June 30, 2024, the Foundation had approximately \$66,055 in underwater endowments. At June 30, 2023, the Foundation had approximately \$381,019 in underwater endowments.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(7) Capital Assets:

Capital assets' activity for the year ended June 30, 2024 and 2023 was as follows:

| Description of Asset | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 |
|---|----------------------------|-----------------|-------------|-----------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 4,439,639 | \$ - | \$ - | \$ 4,439,639 |
| Art, library, and other collections | 17,580,824 | - | - | 17,580,824 |
| Total capital assets not being depreciated | <u>22,020,463</u> | <u>-</u> | <u>-</u> | <u>22,020,463</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 34,000 | - | - | 34,000 |
| Less accumulated depreciation | <u>(34,000)</u> | <u>-</u> | <u>-</u> | <u>(34,000)</u> |
| Total capital assets being depreciated, net | - | - | - | - |
| Total capital assets, net | <u>\$ 22,020,463</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,020,463</u> |
| | | | | |
| Description of Asset | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 |
| Capital assets not being depreciated | | | | |
| Land | \$ 4,439,639 | \$ - | \$ - | \$ 4,439,639 |
| Art, library, and other collections | 17,580,824 | - | - | 17,580,824 |
| Total capital assets not being depreciated | <u>22,020,463</u> | <u>-</u> | <u>-</u> | <u>22,020,463</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 34,000 | - | - | 34,000 |
| Less accumulated depreciation | <u>(33,434)</u> | <u>(566)</u> | <u>-</u> | <u>(34,000)</u> |
| Total capital assets being depreciated, net | 566 | (566) | - | - |
| Total capital assets, net | <u>\$ 22,021,029</u> | <u>\$ (566)</u> | <u>\$ -</u> | <u>\$ 22,020,463</u> |

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(8) Split Interest Trust:

The Foundation records split interest trust internally as expendable or nonexpendable depending on whether the donors' restrictions specify the balance will be distributed to a campus program account or an endowment at the end of the trust. The net amounts are recorded to deferred inflows of resources instead of net position. The entire balance of deferred inflows of resources related to split interest trusts at June 30, 2024 and 2023, are considered to be restricted expendable.

The asset of split interest trust liabilities (annuities payable) falls into the money market funds and other deposits category for the years ended June 30, 2024 and 2023, as discussed in Note 2. The estimated fair value of the liability is established by calculating the net present value of the payments to the lifetime beneficiaries by Foundation, based on input assumptions from actuarial tables for remaining time until maturity, and pay out and earnings rates.

(9) Sub-Leasing Arrangement:

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

The Foundation then entered into a ground lease agreement with a developer whereby the developer agreed to construct a retail complex on the site and lease the space to various entities. Pursuant to the ground lease agreement, the developer is to provide the Foundation with a monthly base lease income from the commencement date through its expiration in January 2073. The base lease income increases by 6% every ten years. The lease also provides for an additional \$5 per square foot in excess of 152,000 square feet of consumer services area during years 1 through 10 and shall be adjusted upward by 6% every ten years. In addition, the lease provides for an additional 1% of gross revenues to be added to the base lease income through year 40 of the lease and 5% thereafter. The lease provided income of approximately \$1,525,000 in 2024 and \$1,530,000 in 2023 relating to this agreement.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

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

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| 2025 | \$ 356,708 | \$ 760,228 | \$ 1,116,936 |
| 2026 | 363,908 | 753,028 | 1,116,936 |
| 2027 | 371,253 | 745,683 | 1,116,936 |
| 2028 | 378,747 | 738,189 | 1,116,936 |
| 2029 | 386,392 | 730,544 | 1,116,936 |
| 2030 – 2034 | 2,238,867 | 3,526,845 | 5,765,712 |
| 2035 – 2039 | 2,587,755 | 3,282,765 | 5,870,520 |
| 2040 – 2044 | 3,057,611 | 3,004,809 | 6,062,420 |
| 2045 – 2049 | 3,499,354 | 2,674,166 | 6,173,520 |
| 2050 – 2054 | 4,076,875 | 2,300,059 | 6,376,934 |
| 2055 – 2059 | 4,632,948 | 1,861,752 | 6,494,700 |
| 2060 – 2064 | 5,342,168 | 1,368,144 | 6,710,312 |
| 2065 – 2069 | 6,038,853 | 796,287 | 6,835,140 |
| 2070 – 2073 | 4,842,857 | 181,954 | 5,024,811 |
| Total | <u>\$ 38,174,296</u> | <u>\$ 22,724,453</u> | <u>\$ 60,898,749</u> |

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

Certificates of participation: Effective November 30, 2012, the Foundation issued the 2012 Certificates of Participation (“Certificates”) to refund the then existing 1999 and 2000 Certificates. In support of the University’s needs, the funds provided by the original issuances were used to finance the cost to construct an honors college dormitory facility on the John D. MacArthur Campus located in Jupiter, Florida. The 2012 Certificates are payable in annual principal installments ranging from \$347,000 to \$661,000 with semi-annual interest payments at a 2.93% fixed rate through maturity, May 2030. The Foundation previously entered into master lease agreements with the Florida Board of Education (the Board), whereby the Foundation is obligated to pay the Board \$1 per year for each dormitory until the later of May 2029, or the date that the certificates are paid in full. The Foundation further entered into agreements to lease the buildings to the University, in exchange for the University’s paying all amounts due under the Certificates. This agreement transferred ownership to the University and therefore is not governed by GASB No. 87. The amounts due from FAU related to this agreement match the balances due under the Certificates.

The Foundation guarantees the Certificates unconditionally and shall maintain minimum unrestricted expendable net assets of \$1,300,000; provided; it shall not constitute an event of default if the amount of such net assets fall below the minimum threshold due to the application of certain current accounting standards. In the event that the Foundation is unable to maintain the required minimum net assets and cure such deficiency as set forth in the agreement, the Foundation may alternatively defray an event of default by depositing with the trustee (debt service reserve fund account) an amount equal to the maximum annual debt service of the 2012 Certificates. Further, the University has agreed to timely fund such reserve account, if required, to avoid an event of default by the Foundation under its guarantee.

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Long-term liabilities' activity for the year ended June 30, 2024, was as follows:

| | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 | Due Within One Year |
|--|---------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
| Certificates of participation | \$ 3,866,000 | \$ - | \$ 605,000 | \$ 3,261,000 | \$ 616,000 |
| Annuities payable (Note 8) | 250,150 | 73,878 | 94,118 | 229,910 | 35,227 |
| Liability to resource providers (Note 12) | 6,567 | - | 888 | 5,679 | - |
| | <u>\$ 4,122,717</u> | <u>\$ 73,878</u> | <u>\$ 700,006</u> | <u>\$ 3,496,589</u> | <u>\$ 651,227</u> |

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

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

At June 30, 2024, the minimum lease payments to be received from the University and the payments due on the 2012 Certificates are estimated to be as follows:

| Year Ending June 30 | Principal | Interest | Total |
|--------------------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 616,000 | \$ 95,517 | \$ 711,517 |
| 2026 | 631,000 | 77,474 | 708,474 |
| 2027 | 649,000 | 58,991 | 707,991 |
| 2028 | 661,000 | 39,982 | 700,982 |
| 2029 | 347,000 | 20,621 | 367,621 |
| 2030 | 357,000 | 10,457 | 367,457 |
| Total | <u>\$ 3,261,000</u> | <u>\$ 303,042</u> | <u>\$ 3,564,042</u> |

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

(11) Related Party Transactions:

Florida Atlantic University: During the years ended June 30, 2024 and 2023, the Foundation funded University scholarships from earnings from the University Commons lease revenues (Note 9). For the years ended June 30, 2024 and 2023, the Foundation funded \$500,000 in recruitment scholarships each year and \$150,000 each year in First Generation Matching Grant Program funds. Additionally, the Foundation funded \$200,000 in transfer student scholarships each year.

In fiscal year 2011, the Florida Atlantic University Finance Corp (“FAUFC”), a separate direct support organization of the University, entered into a loan agreement for the construction of an on-campus football stadium. The stadium hosted its first home game on October 15, 2011. Among other operating revenues of the stadium, the agreement requires that all revenues associated with priority and premium seating of the stadium are to be pledged toward this credit facility. During the years ended June 30, 2024 and 2023, the Foundation collected priority seating revenues of approximately \$842,000 and \$703,000, respectively. At June 30, 2024 and 2023, the Foundation had an amount due to FAUFC of approximately \$173,000 and \$348,000, respectively, in regards to the priority seating. These amounts are included in other receivables and assets in the accompanying Statements of Net Position. In compliance with the loan agreement, the Foundation transferred these pledged revenues to the lending financial institution on a monthly basis. The Foundation records the gift portion, associated with seating fees, as contribution revenue; however, proceeds related to goods and services of the stadium are treated as agency transactions not affecting the Statements of Revenues, Expenses and Changes in Net Position. The Foundation is neither a borrower nor a guarantor on this infrastructure loan. The University retains the obligation to fulfill commitments entered into in connection with the sales of goods and services, including sales tax.

During the years ended June 30, 2024 and 2023, the Foundation funded University infrastructure projects and capital assets including, but not limited to, furniture and equipment totaling approximately \$4,250,000 and \$1,170,000, respectively. For the year ended June 30, 2024, such construction projects consisted of the Jupiter STEM/Life Sciences Building on the University’s MacArthur Campus in Jupiter, Florida, Athletic facilities projects, the Wallach Institute for Holocaust & Jewish Studies, and the A.D. Henderson/FAU High DRS on the Boca Raton Campus. The Foundation’s funding of University infrastructure projects is reflected in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

The Foundation is a direct support organization of Florida Atlantic University, and as such transfers and receives funds to support the academic programs, scholarships and salaries of faculty members on a monthly basis. At June 30, 2024 and 2023, the total amount due to the University was approximately \$2,349,000 and \$2,811,000, respectively, and is reflected in accounts payable and accrued expenses in the accompanying Statements of Net Position. At June 30, 2024 and 2023, the total amount due from the University was approximately \$321,000 and \$421,000 respectively, and is reflected in other receivables and assets in the accompanying Statements of Net Position.

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

FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

The University acquired the Harbor Branch Oceanographic Institute (HBOI) on January 1, 2008. HBOI is a research institute within the University and is located in Fort Pierce, Florida. HBOI is supported by its separate foundation, the Harbor Branch Oceanographic Institute Foundation, (HBOIF). The HBOIF was certified as an official Direct Support Organization (DSO) of the University in May 2008.

In prior years, the Foundation agreed with the HBOIF to expand operations and provide for the administration of HBOIF funds and fundraising activities. However, the HBOIF now operates as a separate entity, records their own revenue from specialty license plates and administers its own endowment. For the years ended June 30, 2024 and 2023, the Foundation has neither solicited nor received donations related to HBOIF.

Funds managed on behalf of HBOIF represent HBOIF revenue received in prior years as previously agreed upon. Such funds are recorded on the Foundation's Statements of Net Position as a "liability to resource provider." The amount of this liability was approximately \$5,700 and \$6,600 at June 30, 2024 and 2023, respectively.

(13) **Commitments and Contingencies:**

From time-to-time, the Foundation may be involved in litigation, audits and tax examinations which arise in the normal course of operations. Management believes that the amount of liability resulting from such activities, if any, would not materially impact the Foundation. At June 30, 2024, management did not know of any pending or potential litigation, audits or tax examinations against the Foundation.

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

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

OTHER INFORMATION

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF BOARD OF DIRECTORS AND
EXECUTIVE COMMITTEE MEMBERS
JUNE 30, 2024**

| MEMBER | CURRENT TERM EXPIRES |
|-----------------------|-----------------------------|
| Charles Cartwright | June 2026 |
| Phyllis Gladstein | June 2026 |
| Noel Gonzalez '04 | June 2026 |
| Daniel Joseph '11* | June 2025 |
| Paul Kilgallon* | June 2024 |
| Stewart Martin '89 | June 2026 |
| Michael L. Miller** | June 2025 |
| Peter Moore | June 2025 |
| Pamela Rondi Noel '03 | June 2024 |
| Brian Poulin*** | June 2025 |
| Sally Rowley-Williams | June 2024 |
| Keith Sanders '81* | June 2025 |
| Steve Schmidt** | June 2026 |
| Richard Stone | June 2025 |
| Ian Swartz '93 | Nov 2026 |
| Raul Valero '10* | June 2026 |
| Ettore (Ed) Ventrice* | June 2025 |
| Cheryl Wilke '88** | June 2027 |

LIMITED PURPOSE DIRECTORS

| | |
|-------------------|-----------|
| William E. Morris | June 2026 |
| Michael Yoon '96 | June 2025 |

EX-OFFICIO MEMBERS, VOTING

| | |
|-------------------|----------------------------------|
| Dr. Stacy Volnick | University President |
| Earnie Ellison* | Board of Trustees Representative |

EX-OFFICIO MEMBERS, NON-VOTING

| | |
|--------------------|--|
| Terry Fedele | Chair, Caring Hearts Auxiliary |
| Stephen Wertheimer | Chair, Osher Lifelong Learning Institute (OLLI), Boca Raton |
| Arthur Solomon | Chair, OLLI, Jupiter |
| Justine Avila '05 | Chair, FAU Alumni Association |
| Kimberly Dunn | Faculty Senate President |
| Dalia Calvillo | President, Student Government |

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF BOARD OF DIRECTORS AND
EXECUTIVE COMMITTEE MEMBERS
JUNE 30, 2024**

EMERITUS

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

* Indicates members of the Executive Committee

** Indicates Officer

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Atlantic University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated November 6, 2024.

Report on Internal Control Over Financial Reporting

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

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

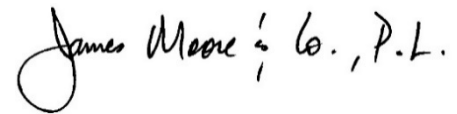
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Gainesville, Florida
November 6, 2024

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

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

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited the Florida Atlantic Foundation, Inc.'s (the Foundation) compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Foundation's major state projects for the year ended June 30, 2024. The Foundation's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2024.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

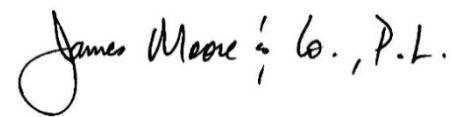
Report on Internal Control over Compliance

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

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

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

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

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

Gainesville, Florida
November 6, 2024

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2024**

| <u>Grantor/Project Title</u> | <u>State CSFA Number</u> | <u>Contract Number</u> | <u>Expenditures</u> |
|---|------------------------------|------------------------|---------------------|
| State Agency Name: | | | |
| Direct Project: | | | |
| State of Florida, Department of Education University Major Gifts Program | 48.074 | - | \$ 2,146,104 |
| State of Florida Department of Highway Safety and Motor Vehicles Specialty License Plate Fund | 76.031 | - | 70,338 |
| Total expenditures of state financial assistance | | | <u>\$ 2,216,442</u> |

Notes to Schedule of Expenditures of State Financial Assistance:

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

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the state project activity of Florida Atlantic University Foundation, Inc. (the "Foundation") under projects of the state government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Florida Auditor General. Because the Schedule presents only a selected portion of the operations of the Foundation it is not intended to and does not present the net position, changes in net position, or cash flows of the Foundation. Expenditures reported on the Schedule are reported on the accrual basis of accounting.

(2) **Contingency:**

Project expenditures are subject to audit and adjustment by the grantor agencies. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the Foundation. In the opinion of management, all program expenditures included on the accompanying Schedule are in compliance with the terms of the grant agreements and applicable laws and regulations.

(3) **Interest:**

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

**FLORIDA ATLANTIC UNIVERSITY FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

Section I. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

State Projects

Internal control over major state projects:

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

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

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

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

Dollar threshold used to distinguish between the type A and type B projects: \$664,933

Section II. Financial Statement Findings None reported

Section III. State Project Findings and Questions Costs None reported