Florida Gulf Coast University Board of Trustees
January 16, 2007

SUBJECT: Florida Gulf Coast University Foundation, Inc. Audited Financial Statements

PROPOSED BOARD ACTION

Accept the Florida Gulf Coast University Foundation, Inc. Independent Auditor’s Report (2005-06)

BACKGROUND INFORMATION

Each direct support organization of a state university is required to conduct an annual audit of its accounts and records by an independent certified public accountant in accordance with Section 1004.28(5), Florida Statutes. FGCU Rule 6C10-1.005(6), F.A.C. requires that annual reports related to FGCU direct support organizations be submitted to the FGCU Board of Trustees.

The firm of Schultz Chaipel & Co. LLP, has completed the 2005-06 audit report of the Foundation. The FGCU Foundation Board of Directors approved the audit at its September 20, 2006 meeting. The report is presented to the Florida Gulf Coast University Board of Trustees for acceptance. Upon acceptance, the report will be forwarded to the Florida Auditor General as required by law.


Legal Review by: General Counsel Wendy Morris (December 18, 2006)

Prepared & Submitted by: Vice President for Advancement, and Executive Director of the Florida Gulf Coast University Foundation Steve Magiera
FLORIDA GULF COAST UNIVERSITY FOUNDATION, INC.

FINANCIAL STATEMENTS

JUNE 30, 2006
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Florida Gulf Coast University Foundation, Inc.
Fort Myers, Florida

We have audited the accompanying basic financial statements of Florida Gulf Coast University Foundation, Inc. (the "Foundation"), a direct support organization and component unit of Florida Gulf Coast University, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Gulf Coast University Foundation, Inc. as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2006, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance of certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.
The management’s discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Foundation. The accompanying schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Schultz, Chaipel, Redovan, Baker & Co., LLP
August 25, 2006
Florida Gulf Coast University Foundation, Inc.

Management’s Discussion and Analysis

Overview of the Financial Statements and Financial Analysis

Florida Gulf Coast University Foundation, Inc. (the Foundation) is a direct support organization and component unit of Florida Gulf Coast University (a governmental agency). The Foundation accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board (GASB).

The Foundation is considered a Business-Type Activity (BTA) under the provisions of GASB 34 “Basic Financial Statements - and Management’s Discussion and Analysis- for State and Local Governments”, and GASB Statement 35, “Basic Financial Statement – Management’s Discussion and Analysis – for Public Colleges and Universities”. The BTA format includes accounting on an accrual basis and the recording of depreciation. The statements are a presentation of 1) assets and liabilities as current and noncurrent; 2) revenues and expenses as operating and nonoperating; 3) the use of the direct method for statement of cash flows; and 4) management’s discussion and analysis (MD&A) of the financial results.

The objective of the MD&A is to focus on current activities, resulting changes and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes.

The financial statements include the following:

1) Basic financial statements-
   a) Balance Sheet
   b) Statement of Revenues, Expenses, and Changes in Net Assets
   c) Statement of Cash Flows
   d) Notes to the financial statements, and

2) Schedules to the financial statements

Financial Highlights-

2006

* Foundation Scholarships

    The Foundation paid scholarships during the fiscal year 2006 totaling $577,313 a 30.7% increase over fiscal year 2005’s $441,779.

* Major Gifts

    The Foundation received $5 million from Raymond Lutgert. The funds will be used to Build Lutgert Hall which will house the Lutgert College of Business. The Foundation also received an unrestricted gift of $4.79 million from the Ginn Companies. The Foundation Board designated $2.5 million of this gift for the School of Engineering Building. These gifts were submitted to the state for matching and will result in a $10 million College of Business Building and an additional $5 million for the School of Engineering Building. The Foundation received two significant tracts of land. The first is a 5 acre tract gifted by the Charlotte County Commissioners and valued at $435,000. The second is a 2 acre tract gifted by the Naples Botanical Garden and valued at $1,290,000. The Foundation received $800,000 from the Naples Children and Education Foundation for the Early Literacy and Learning Model. This program is designed to improve the pre-literacy skills of preschoolers.
2005

* Foundation Scholarships

The Foundation paid scholarships during the fiscal year 2005 totaling $441,779, a 42.4% increase over fiscal year 2004’s $310,566.

* Major Gifts

The Foundation received a gift of $5 million from the Whitaker Foundation to build the School of Engineering. The gift has been approved for matching by the State of Florida and will result in a $10 million building. The Foundation received $750,000 from the Naples Children and Education Foundation for the Early Literacy and Learning Model. This program is designed to improve the pre-literacy skills of preschoolers.

The following sections in the MD&A include an analysis of the three basic financial statements listed above.

**Balance Sheet**

The purpose of the Balance Sheet is to present the reader with a look at the Foundation’s financial condition as of the end of the fiscal year.

In reading the Balance Sheet, the reader will be able to determine the Foundation’s ability to continue operations; how much it owes to vendors and other lending institutions; and provide a snapshot of the assets and their availability for expenditure by the Foundation.

Condensed Summary of Balance Sheet Information
As of June 30,
(in thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>Increase (Decrease)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>$13,292</td>
<td>$17,136</td>
<td>(3,844)</td>
<td>-22.4%</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>31</td>
<td>4</td>
<td>27</td>
<td>675.0%</td>
</tr>
<tr>
<td>Other</td>
<td>50,537</td>
<td>34,873</td>
<td>15,664</td>
<td>44.9%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$63,860</td>
<td>$52,013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$165</td>
<td>$215</td>
<td>(50)</td>
<td>-23.3%</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>5,450</td>
<td>377</td>
<td>5,073</td>
<td>1345.6%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>5,615</td>
<td>592</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in capital assets, net of debt</td>
<td>31</td>
<td>4</td>
<td>27</td>
<td>675.0%</td>
</tr>
<tr>
<td>Restricted by donors- expendable</td>
<td>23,274</td>
<td>21,546</td>
<td>1,728</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Permanent endowments- nonexpendable</td>
<td>28,852</td>
<td>25,785</td>
<td>3,067</td>
<td>11.9%</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>6,088</td>
<td>4,086</td>
<td>2,002</td>
<td>48.9%</td>
</tr>
<tr>
<td>Total net assets</td>
<td>58,245</td>
<td>51,421</td>
<td>6,824</td>
<td>13.3%</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$63,860</td>
<td>$52,013</td>
<td>11,847</td>
<td>22.8%</td>
</tr>
</tbody>
</table>
The 2006 Balance Sheet is presented on page 11 of the basic financial statements. For the fiscal year ended June 30, 2006, the total net assets increased $6.8 million, or 13.3%. This year's activity included the following:

**Assets**

**2006**

Current assets decreased by $3.8 million (22.4%). Cash and cash equivalents have decreased by $0.8 million. The decrease is the result of normal business activity with a higher than usual support to the University as $9.2 million was sent as support for buildings. Pledges receivable has decreased by $0.9 million as a result of the collection of current pledges due on the Naples Botanical Garden Project. The current portion of funds due from the state through the matching gift fund has decreased by $2.5 million as the State has matched the $2 million Lucas gift as well as several other smaller matches. The Foundation's interest receivable has increased by $0.5 million due to an increase in and the timing of the purchase of certificates of deposits.

Capital assets increased by $27,000 (675.0%). The Foundation purchased new equipment during the fiscal year.

Other noncurrent assets increased by $15.6 million (44.9%). The Foundation is holding $10.6 million more in long-term investments as the results of the following receipts a) $2.5 million in State Matching money, b) the Lutgert Gift of $5 million for the College of Business and c) the Ginn Gift of $2.5 million for the School of Engineering. Pledges receivable have decreased by $1.6 million due to the acceleration and payment of long-term pledges for the Naples Botanical Garden. The Foundation received two land gifts valued at $1.73 million. The Foundation has a $5 million loan receivable from the Florida Gulf Coast University Financing Corporation. This transaction is more fully explained in Note 8 of the Financial Statements.

**2005**

Current assets increased by $9.9 million (137.5%). Cash and cash equivalents have increased by $7.7 million. The increase is the result of the Foundation positioning itself to make a $4.2 million payment to the University for the Sugden Hospitality & Resort Management Building and because of the interest rate environment; we are holding $3.7 million more in short term investments than in 2004. Pledges receivable has increased by $0.6 million. The current portion of funds due from the state through the matching gift fund has increased by $2.1 million.

Capital assets, net increased by $92,000 (2.7%). The Foundation received a gift of land appraised at $106,000 and recorded depreciation of $14,000 for the year.

Other noncurrent assets decreased by $9.9 million (23.9%). The Foundation is holding $3.7 million less in long-term investments for the reasons described above. Pledges receivable have decreased by $1.7 million due to the timing of when pledges are paid. The amount due from the state has decreased by $2.5 million because these funds will be received this year and therefore they have been reclassified as current. Other Real Estate has decreased by $1.7 million because the Foundation sold one of its holding during the year.
Liabilities

2006

Current Liabilities decreased by $50,000 (23.3%). The accounts payable has decreased by $20,000 and the deferred revenue has also decreased by $30,000.

Noncurrent liabilities increased by $5.1 million (1345.6%). The Foundation borrowed $5 million from Northern Trust Bank and loaned it to the Florida Gulf Coast University Financing Corporation for the purchase of land. This transaction is more fully explained in the Notes 6 and 8.

2005

Current liabilities decreased by $1.8 million (89.2%). The Foundation redeemed all of its outstanding debt to outside institutions thereby decreasing its loans payable by $1.8 million.

Noncurrent liabilities decreased by $4.2 million (91.9%). The Foundation decreased its loans payable to outside institutions by $4.3 million when it redeemed all its outstanding debt.

Net Assets

The Net Assets section of the Balance Sheet provides three classifications:

1) The investment in capital assets net of related debt reflects the Foundation’s land and equipment less the associated depreciation on the equipment.
2) The restricted assets are listed in two categories:
   a) the restricted by donors category represents amounts which are available for spending in accordance with the donor’s specified criteria, and
   b) the permanent endowments category represents the Foundation’s restricted nonexpendable funds, which are required to be held in perpetuity.
3) The unrestricted assets are the amounts available to the Foundation for any purpose in support of its mission.

2006

The net assets at June 30, 2006 increases to $58 million, which is 13.3% over the $51 million in 2005.

The change in net assets equals the excess of funds and pledges received over the amounts expensed and depreciation. For fiscal year 2006, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a $6.8 million increase in net assets.

2005

The net assets at June 30, 2005 increased to $51 million, which is 13.7% over the $45 million in 2004.

The change in net assets equals the excess of funds and pledges received over the amounts expensed and depreciation. For fiscal year 2005, the Statement of Revenues, Expenses, and Changes in Net Assets reflects a $6.2 million increase in net assets.
**Statement of Revenues, Expenses, and Changes in Net Assets**

The purpose of the Statement of Revenues, Expenses, and Changes in Net Assets is to provide the details of the Foundation’s operating and nonoperating activities for the fiscal year. This includes the revenues displayed by major source (net of discounts), expenditures, gains and losses received by the Foundation.

The Statement of revenues, Expenses, and Changes in Net Assets include the following categories:

- Operating revenues are revenues received from donors (i.e. contributions, etc.) and services provided (i.e. student housing rentals, special events etc.) to various customers and constituents of the Foundation.
- Operating expenses are detailed by expenditure type, which include program fees, scholarships, University support and general administrative expenses etc.
- Net operating income represents the amount of revenue in excess of current year’s expenses and does not include nonoperating revenue.
- Nonoperating revenue is received from sources for which no service is provided by the Foundation (i.e. investments).
- Capital additions represent contributions for permanent endowment and intergovernmental revenues.
- The change in net assets is the result of the current year’s excess revenues over expenses, which is also the change in total net assets on the Balance Sheet.

**Condensed Summary of Revenues, Expenses, and Changes in Net Assets**

*For the Year Ended June 30*

*(in thousands of dollars)*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
<th>Increase (Decrease)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$18,149</td>
<td>$10,552</td>
<td>7,597</td>
<td>72.0%</td>
</tr>
<tr>
<td>Rental income and other</td>
<td>868</td>
<td>1,116</td>
<td>(248)</td>
<td>-22.2%</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>19,017</td>
<td>11,668</td>
<td>7,349</td>
<td>63.0%</td>
</tr>
<tr>
<td>Less operating expenses</td>
<td>16,981</td>
<td>8,333</td>
<td>8,628</td>
<td>103.3%</td>
</tr>
<tr>
<td>Operating income</td>
<td>2,036</td>
<td>3,315</td>
<td>(1,279)</td>
<td>-38.6%</td>
</tr>
<tr>
<td>Nonoperating income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>1,933</td>
<td>1,457</td>
<td>476</td>
<td>32.7%</td>
</tr>
<tr>
<td>Net appreciation on investments</td>
<td>473</td>
<td>535</td>
<td>(62)</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>220</td>
<td>0</td>
<td>220</td>
<td>100.0%</td>
</tr>
<tr>
<td>Nonoperating income</td>
<td>2,626</td>
<td>1,992</td>
<td>634</td>
<td>31.8%</td>
</tr>
<tr>
<td>Income before capital additions</td>
<td>4,662</td>
<td>5,307</td>
<td>(645)</td>
<td>-12.2%</td>
</tr>
<tr>
<td>Capital additions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions to endowments</td>
<td>2,062</td>
<td>702</td>
<td>1,360</td>
<td>193.7%</td>
</tr>
<tr>
<td>Intergovernmental revenues</td>
<td>100</td>
<td>171</td>
<td>(71)</td>
<td>-41.5%</td>
</tr>
<tr>
<td>Total capital additions</td>
<td>2,162</td>
<td>873</td>
<td>1,289</td>
<td>147.7%</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>6,824</td>
<td>6,180</td>
<td>644</td>
<td>10.4%</td>
</tr>
<tr>
<td>Net assets, beginning of the year</td>
<td>51,421</td>
<td>45,241</td>
<td>6,180</td>
<td>13.7%</td>
</tr>
<tr>
<td>Net assets, end of the year</td>
<td>$58,245</td>
<td>$51,421</td>
<td>6,824</td>
<td>13.3%</td>
</tr>
</tbody>
</table>
The 2006 Statement of Revenues, Expenses, and Changes in Net Assets is on page 12 of the basic financial statements. The Statements’ highlights are as follows:

Operating Revenues

2006

Contributions increased by $7.6 million (72.0%). The Foundation received major gifts of $5 million from Mr. Lutgert for the College of Business and an unrestricted gift $4.8 million of from the Ginn Companies of which the Board designated $2.5 million for the School of Engineering. The Foundation received two land gifts valued at $1.73 million.

Rental income and other decreased by $248,000 (22.2%). Grant income can vary from year to year and in 2006, one major grant of $180,000 was not renewed and another grant was reduced by $30,000.

2005

Contributions increased by $1.4 million (14.9%). Contributions will always have fluctuations from year to year due to nature of fundraising and the effects of external forces. External forces can be natural disasters such as hurricanes. Southwest Florida experienced four major hurricanes last year. The major transaction resulting in the increase was the $5 million gift from the Whitaker Foundation for the School of Engineering. Last year, we received pledges of $2.5 million for the Naples Botanical Garden Project. The Foundation launched a mini campaign and raised $225,000 towards engineering scholarships specifically for the new School of Engineering. The changes in these major transactions coupled with the normal fluctuations in fundraising results in the $1.4 million increase.

Rental income and other decreased by $591,000 (34.6%). In 2004 the Foundation had six months of housing rental before we transferred the operations to the Florida Gulf Coast University Financing Corporation. The rental income for those six months was $465,000. Also, in 2004, the Foundation received a rebate from Florida Power and Light of $128,000.

Operating Expenses

2006

The Foundation disbursed $9.2 million for two new buildings, the School of Engineering Building ($5 million) and the Sugden Resort & Hospitality Building ($4.2 million).

The Foundation expended $4.0 million in direct Program Fees in 2006, which is a 1.6% decrease over the $4.1 expended in 2005.

The Foundation assisted the University with salaries, operating expenses, and equipment in the amount of $3.0 million.

The Foundation disbursed $577,313 for scholarships in 2006, a 30.7% increase over the $441,779 disbursed in 2005.
2005

The Foundation assisted the University with salaries, operating expenses and capital expenditures in the amount of $3.6 million.

The Foundation disbursed $441,779 for scholarships in 2005, a 42.2% increase over the $310,566 disbursed in 2004.

The Foundation expended $4.1 million in direct Program fees in 2005, which is a 32.3% increase over the $3.1 expended in 2004. The Foundation expended $612,000 under the new Early literacy and Learning Model Program and the expenditures for the University’s broadcasting facilities, WGCU TV and WGCU FM increased $340,000.

The Foundation expended $157,000 in interest expense in 2005, a decrease of $425,000 from the previous year. The primary reason for the decrease was the transfer of the housing operations to the Florida Gulf Coast University Financing Corporation.

Nonoperating Revenue

2006

Nonoperating revenues reflect the return on funds invested, which resulted in earnings of $2.4 million for the year ended June 30, 2006. This is composed of $1.9 million in interest and dividends and $.5 million in net appreciation of investments.

2005

Nonoperating revenues reflect the return on funds invested, which resulted in earnings of $2.0 million for the year ended June 30, 2005. This is composed of $1.5 million in interest and dividends and $.5 million in net appreciation of investments.

Capital Additions

2006

Contributions to endowments have increased by $1.3 million. During 2006, the Foundation received three gifts of $400,000, three gifts of $100,000 or more, six gifts between $25,000 and $100,000 and over thirty gifts of $25,000 or less.

2005

Contributions to endowments have decreased by $3.9 million. During 2005, the Foundation received one gift of $400,000, two gifts of $100,000 or more and several gifts of $25,000 or less.

Statement of Cash Flows

The Statement of Cash Flows shows the cash provided and used for operating, capital and related financing, and investing activities.
Operating activities include funds received (i.e. from private donors, student housing rentals, fees, matching programs, etc.) and payments (i.e. for programs, scholarships, University support etc.) made for the Foundation’s operations.

Capital and related financing activities include outflows of cash for debt service, capital expenses and other notes payable and receivable.

Investing activities represent funds used to purchase investments and associated investment earnings.

**Debt Administration**

As of June 30, 2006, the Foundation has one outstanding loan of $5 million. See Note 6 for a more detailed discussion.

**Economic Outlook**

The Foundation sees a strong economic outlook. We have had three successive years of record fund raising. We have also had four years in a row of positive growth in our investment pool. The University is in a growth mode with enrollments increasing at a rate of 12% per year. Alumni now number in excess of 6,000.

The Foundation has no knowledge of any other current facts, decisions, or conditions that are expected to have a significant effect on the financial position or its results of operations during the fiscal.

Management believes the Foundation’s overall financial position is strong. The Foundation has sufficient funds to cover its obligations.
ASSETS

CURRENT ASSETS
- Cash and cash equivalents $11,517,285
- Interest receivable 643,323
- Accounts receivable 6,095
- Pledges receivable, current 1,025,550
- Due from the State of Florida - Matching Gifts Program 100,000
  Total current assets 13,292,253

NONCURRENT ASSETS
- Investments 409,736
- Restricted investments 38,894,407
- Pledges receivable 294,500
- Royalties receivable 3,300,000
- Loan to related entity 5,000,000
- Due from the State of Florida - Matching Gifts Program 100,303
- Land holdings 1,954,000
- Capital assets, net 31,333
- Other 583,738
  Total noncurrent assets 50,568,017

Total assets $63,860,270

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES
- Accounts payable $110,872
- Deferred revenue 25,977
- Gift annuities payable, current portion 28,240
  Total current liabilities 165,089

NONCURRENT LIABILITIES
- Notes payable 5,000,000
- Due to others 232,640
- Gift annuities payable 217,817
  Total noncurrent liabilities 5,450,457
  Total liabilities 5,615,546

NET ASSETS
- Invested in capital assets, net of related debt 31,333
- Restricted
  - Restricted by donors - expendable 23,273,829
  - Permanent endowments - nonexpendable 28,851,469
- Unrestricted 6,088,093
  Total net assets 58,244,724

Total liabilities and net assets $63,860,270

The notes to the financial statements are an integral part of this statement.
FLORIDA GULF COAST UNIVERSITY FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2006

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$18,149,252</td>
</tr>
<tr>
<td>Rental income and other</td>
<td>867,501</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td><strong>19,016,753</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td></td>
</tr>
<tr>
<td>Program fees</td>
<td>4,028,648</td>
</tr>
<tr>
<td>Scholarships</td>
<td>577,313</td>
</tr>
<tr>
<td>University support</td>
<td>1,922,486</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>1,080,901</td>
</tr>
<tr>
<td></td>
<td>7,609,348</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>163,379</td>
</tr>
<tr>
<td>Depreciation</td>
<td>7,289</td>
</tr>
<tr>
<td>Courtelis match funds</td>
<td>9,200,884</td>
</tr>
<tr>
<td></td>
<td>9,371,552</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>16,980,900</strong></td>
</tr>
</tbody>
</table>

| Operating income            | 2,035,853 |

<table>
<thead>
<tr>
<th>NONOPERATING REVENUES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>1,933,053</td>
</tr>
<tr>
<td>Net appreciation in investments</td>
<td>473,259</td>
</tr>
<tr>
<td>Other revenue</td>
<td>219,211</td>
</tr>
<tr>
<td><strong>Total nonoperating revenues</strong></td>
<td><strong>2,625,523</strong></td>
</tr>
</tbody>
</table>

| Income before capital additions | 4,661,376 |

<table>
<thead>
<tr>
<th>CAPITAL ADDITIONS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions to endowments</td>
<td>2,061,893</td>
</tr>
<tr>
<td>State match funds</td>
<td>100,303</td>
</tr>
<tr>
<td><strong>Total capital additions</strong></td>
<td><strong>2,162,196</strong></td>
</tr>
</tbody>
</table>

| Increase in net assets      | 6,823,572 |

| NET ASSETS, beginning of year | 51,421,152 |
| NET ASSETS, end of year       | $58,244,724 |

The notes to the financial statements are an integral part of this statement.
FLORIDA GULF COAST UNIVERSITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES
  Received from private donors  $ 19,066,257
  Received from other sources  865,051
  Payments to University for programs  (15,729,331)
  Payments to suppliers for goods and services  (1,050,281)
  Net cash provided by operating activities  3,151,696

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
  Proceeds from note payable  5,000,000
  Loan to related entity  (5,000,000)
  Interest paid  (163,379)
  Net cash used in noncapital financing activities  (163,379)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
  Purchase of capital assets  (24,970)
  Capital contributions from State matching funds  2,610,421
  Capital contributions to permanent endowment  2,083,393
  Net cash provided by capital and related financing activities  4,668,844

CASH FLOWS FROM INVESTING ACTIVITIES
  Proceeds from sale of density rights  210,000
  Proceeds from sale of investments  1,581,791
  Purchase of investments  (11,742,879)
  Interest and dividends  1,410,904
  Net cash used in investing activities  (8,540,184)

  Net decrease in cash and cash equivalents  (883,023)

CASH AND CASH EQUIVALENTS, beginning of year  12,400,308

CASH AND CASH EQUIVALENTS, end of year  $ 11,517,285

RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES
  Operating income  $ 2,035,853
  Adjustments to reconcile operating income to net cash provided by operating activities
    Depreciation  7,289
    Contribution of land  (1,725,000)
    Interest expense  163,379
  Changes in assets and liabilities:
    Pledges receivable  2,651,276
    Accounts receivable  (2,450)
    Other assets  (1,950)
    Deferred revenue  (55,993)
    Due to others  51,994
    Gift annuity payable  46,722
    Accounts payable  (19,424)

  NET CASH PROVIDED BY OPERATING ACTIVITIES  $ 3,151,696

The notes to the financial statements are an integral part of this statement.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Florida Gulf Coast University Foundation, Inc. (the "Foundation") was incorporated on April 29, 1993, as a Florida not-for-profit Foundation under the provisions of Chapter 617 of the Florida Statutes. The Foundation is a direct support organization as certified by the Board of Regents on June 14, 1993. The Foundation was established to encourage, solicit, collect, receive and administer gifts and bequests of property and funds for scientific, educational and charitable purposes, for the advancement of Florida Gulf Coast University and its objectives. The Foundation is a component unit of the University.

Basis of Accounting


GASB Statements No. 34 and No. 35 established standards for external financial reporting which includes a balance sheet, a statement of revenues, expenses and changes in net assets, and a statement of cash flows using the direct method. GASB Statements No. 34 and 35 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.

- Restricted – consist of assets that have constraints placed upon their use through external constraints imposed either by creditors (such as through debt covenants) or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

- Unrestricted - consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The financial statements of the Foundation have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

Cash and Cash Equivalent

For purposes of the statement of cash flows, the Foundation considers cash on hand, cash on deposit, money market mutual funds and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Pledges Receivable

The Foundation accounts for its pledges in accordance with GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”. GASB No. 33 establishes reporting standards for nonexchange transactions, which in the case of the Foundation are unrestricted and restricted pledges to be received in the future. Under the provisions of GASB No. 33, endowment pledges are not recognized.

Investments

Investments are reported principally at fair value based on quoted market prices. Realized and unrealized gains and losses are reflected in the statement of revenues, expenses and changes in net assets.

Capital Assets

Capital assets are capitalized at cost if purchased or at fair market value at the time of contribution. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets ranging from five to seven years.
NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue consists of contributions or grants received by the Foundation with either time or eligibility requirements. The Foundation recognizes revenue, and the deferred revenue liability is removed, after the time restrictions have expired or the eligibility requirements have been met.

Gift Annuity Payable

The Foundation is obligated under charitable gift annuity agreements. The obligations were calculated based on actuarial assumptions and the fair values at the dates of receipt. The Foundation has recorded an annuity payable equal to the present value of the total anticipated future payments to the beneficiaries.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is organized exclusively for scientific, educational and charitable purposes.

Operating Income

The Foundation’s operating income includes all revenues and expenses associated with the organization’s daily activities. Interest and dividends and net (depreciation) appreciation in investments are excluded from operating income and classified as nonoperating revenues. Contributions received for endowments or from State matching funds are also excluded from operating income and are classified as capital additions.

In-kind Contributions

Donated real estate is recorded at estimated fair value at the date of donation. Real estate donated for the advancement of the University is reported as Land Holdings pending sale or the transfer to the University.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.
NOTE 2 - CASH AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation does not have a deposit policy for custodial credit risk.

At June 30, 2006, the carrying amount of the Foundation’s deposits was $9,636,290 and the bank balances totaled $9,840,715. Of the bank balance, $165,502 was covered by federal depository insurance with the remainder uninsured and uncollateralized.

Investments

The Foundation’s policies allow for investments in equity securities traded on the three principal U.S. Stock Exchanges (NYSE, AMEX, and NASDAQ). The Foundation only purchases equity securities of companies with a market capitalization of at least $1 billion.

For fixed income instruments, the Foundation's policies allow for investment in bonds issued by the U.S. government, an agency of the U.S. government, publicly traded corporations or its affiliates, taxable municipal bonds, preferred stocks and real estate investment trusts (REIT).

Investments consist of the following at June 30, 2006:

<table>
<thead>
<tr>
<th>Equity Investments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>$18,801,940</td>
</tr>
<tr>
<td>Stock Mutual Funds</td>
<td>1,454,117</td>
</tr>
<tr>
<td>Total Investment</td>
<td>20,256,057</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed Income Investments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage-Backed Securities</td>
<td>1,819,629</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>1,363,538</td>
</tr>
<tr>
<td>U.S. Government Obligations</td>
<td>713,257</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>2,133,482</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>74,301</td>
</tr>
<tr>
<td>Total Investment</td>
<td>6,104,207</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Investments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred Stock</td>
<td>185,611</td>
</tr>
<tr>
<td>REITs</td>
<td>659,321</td>
</tr>
<tr>
<td>Private Equity</td>
<td>70,935</td>
</tr>
<tr>
<td>Limited Partnership Interest</td>
<td>1,028,012</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>11,000,000</td>
</tr>
<tr>
<td>Total Investment</td>
<td>12,943,879</td>
</tr>
</tbody>
</table>

Total investments $39,304,143
NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Foundation utilizes the services of seven investment managers; Northern Trust Bank, Private Capital Management, Key Bank, Wells Real Estate Investment Trust, Behringer Harvard Funds, Cavanaugh Capital Management and Wasmer, Schroeder & Company, Inc. to manage its investment portfolio. The investments held by the investment managers are uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the Foundation’s name.

The Foundation has five certificates of deposit with local financial institutions totaling $11,000,000. Each certificate of deposit is insured by the FDIC up to $100,000 with the remainder uninsured and uncollateralized. Certificates of deposit totaling $3,500,000 have been pledged as collateral for a note payable. See Note 6.

In addition, the Foundation holds money market mutual funds carried at $1,880,794 at June 30, 2006. Investments in these money market mutual funds are not categorized as to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

There were no losses during the period due to default by counterparties to investment transactions.

At of June 30, 2006, the maturities of the Foundation's fixed income investments were as follows:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Fair Value</th>
<th>Less than 1 Yr</th>
<th>1 - 5 Years</th>
<th>5-10 Years</th>
<th>Over 10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage-Backed Securities</td>
<td>$1,819,629</td>
<td>$</td>
<td>$323,709</td>
<td>$1,311,670</td>
<td>$184,250</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>1,363,538</td>
<td>15,083</td>
<td>614,270</td>
<td>317,381</td>
<td>416,804</td>
</tr>
<tr>
<td>U.S. Government Obligations</td>
<td>713,257</td>
<td>-</td>
<td>261,019</td>
<td>206,826</td>
<td>245,412</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>2,133,482</td>
<td>101,741</td>
<td>648,391</td>
<td>900,920</td>
<td>482,430</td>
</tr>
<tr>
<td>U.S. Treasury Notes</td>
<td>74,301</td>
<td></td>
<td>74,301</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>$6,104,207</td>
<td>$116,824</td>
<td>$1,921,690</td>
<td>$2,736,797</td>
<td>$1,328,896</td>
</tr>
</tbody>
</table>
NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk

As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Foundation has established a target for the duration of its fixed income portfolio to be between 3 and 7 years.

Credit risk

It is the Foundation’s policy that all corporate bond issues must be rated “BAA” or “BBB” or better by Moody’s or Standard & Poor’s rating services, respectively.

At June 30, 2006, the Foundation's fixed income investments were rated as follows:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Number</th>
<th>Fair Value</th>
<th>% Bond Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>40</td>
<td>$4,352,998</td>
<td>71.33%</td>
</tr>
<tr>
<td>AA</td>
<td>5</td>
<td>388,155</td>
<td>11.26%</td>
</tr>
<tr>
<td>A</td>
<td>15</td>
<td>677,828</td>
<td>11.36%</td>
</tr>
<tr>
<td>BBB</td>
<td>8</td>
<td>685,226</td>
<td>1.74%</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>$6,104,207</strong></td>
<td></td>
</tr>
</tbody>
</table>

Concentration of Credit Risk

The Foundation's policies limit the investment in a single corporation's stock to 10% of the market value of each of its equity manager's portfolio. The Foundation's policies also limit the investment in the debt securities of a single corporate issuer to 10% of the market value of each of its fixed income manager's portfolio.

For management control, investments are pooled. Gains, losses and investment income from the pool are allocated quarterly to the funds that participate in the pool based upon each fund’s average quarterly balance.

The Foundation assesses a management fee on all endowment funds for the purpose of funding the Foundation’s operating budget. Administrative fees assessed to the endowment funds totaled $307,354 or 1.1% for the year ended June 30, 2006.
NOTE 2 - CASH AND INVESTMENTS (Continued)

The Endowment Fund account balances (including cash balances) subject to the administrative fee are comprised as follows at June 30, 2006:

- Eminent Scholars Program: $10,098,864
- Major Gifts Program: $10,965,369
- Other Endowment: $8,257,551

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are expected to be received as follows for the year ending June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$1,025,550</td>
</tr>
<tr>
<td>2008</td>
<td>118,700</td>
</tr>
<tr>
<td>2009</td>
<td>64,400</td>
</tr>
<tr>
<td>2010</td>
<td>38,100</td>
</tr>
<tr>
<td>2011</td>
<td>37,100</td>
</tr>
<tr>
<td>Thereafter</td>
<td>36,200</td>
</tr>
</tbody>
</table>

Total pledges receivable, net: $1,320,050
Less current portion of pledges receivable: $(1,025,550)
Long-term portion of pledges receivable: $294,500

NOTE 4 - DUE FROM STATE OF FLORIDA – MATCHING GIFTS PROGRAM

The State University System Trust Fund for Major Gifts provides the opportunity for state universities to receive and match private gifts to endow: a) scholarships and fellowships, b) faculty positions such as eminent scholar chairs and professorships and c) funds for library holdings and acquisitions. Based on the gift received, which must equal or exceed $100,000, the Foundation is eligible to receive 50% - 100% matching funds.

State matching pledge receivables are recorded when a donor commitment is fulfilled and matching funds have been appropriated by the State of Florida. At June 30, 2006, the Foundation has submitted to the State of Florida requests for matching funds totaling $200,303.
NOTE 5 - CAPITAL ASSETS AND LAND HOLDINGS

Capital assets activity for the year ended June 30, 2006 was as follows:

<table>
<thead>
<tr>
<th>Capital assets</th>
<th>Beginning Balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$ 75,273</td>
<td>$ 34,181</td>
<td>$ 66,629</td>
<td>$ 42,825</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated</td>
<td>$ 70,832</td>
<td>$ 7,289</td>
<td>$ 66,629</td>
<td>$ 11,492</td>
</tr>
<tr>
<td>depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$ 4,441</td>
<td>$ 26,892</td>
<td>$ 11,492</td>
<td>$ 31,333</td>
</tr>
<tr>
<td>net</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Land holdings activity for the year ended June 30, 2006 was as follows:

<table>
<thead>
<tr>
<th>Land holdings</th>
<th>Beginning Balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 3,529,000</td>
<td>$ 1,725,000</td>
<td>$ 3,300,000</td>
<td>$ 1,954,000</td>
</tr>
</tbody>
</table>

On August 15, 1994, the Foundation received land valued at $3,300,000 from Alico, Inc. There are two leases associated with the land. The first lease is with the Pacific Tomato Growers who lease approximately 215 acres at $150 per acre. During the year ended June 30, 2006, the Foundation received $30,000 from this lease. The second lease is a mineral lease with Florida Rock Industries, Inc. As of the date of this report, Florida Rock Industries, Inc. has not acted upon its option to mine the property.

In fiscal 2006, the Foundation sold the density rights related to this property receiving $210,000 which is reported as other nonoperating revenue. Due to the sale of the density rights, neither the University nor the Foundation can developed this property. Its value, as reported in the balance sheet, is based on the estimated royalties to the Foundation expects to receive from the mineral lease noted above. As a result, $3,300,000 has been reclassified from land to royalties receivable on the balance sheet.

On December 11, 2002, the Foundation received land valued at $123,000. The land will be used by the College of Arts and Sciences for the environmental studies programs.
NOTE 5 - CAPITAL ASSETS AND LAND HOLDINGS (Continued)

On March 22, 2005, the Foundation received a contribution of land valued at $106,000. The land will be used by the College of Arts and Sciences for the environmental studies program.

On September 15, 2005, the Foundation received land valued at $435,000. The land will be a potential site for Florida Gulf Coast University in Charlotte County.

On June 1, 2006, the Foundation received land valued at $1,290,000. The land will be used by Florida Gulf Coast University for the Discovery Center in Naples.

NOTE 6 - NOTES PAYABLE

The Foundation has a $5,000,000 revolving promissory note from Wachovia Bank. The Foundation has not drawn upon this promissory note. The terms of the note call for interest on the outstanding balance due quarterly at a rate of 65% of prime. On June 30, 2006, 65% of prime was 5.3625%. The note matures on January 26, 2007.

The Foundation borrowed $5,000,000 to assist a related entity acquire real estate in Naples, Florida (See Note 8). The note bears interest at 65% of prime (5.3625% at June 30, 2006) which is payable monthly. The principal balance is due on March 15, 2009. The note is collateralized by certificates of deposits totaling $3,500,000 at June 30, 2006. On June 30, 2006, the outstanding balance of this note was $5,000,000.

NOTE 7 - OPERATING LEASES

The Foundation has several operating leases. Lease and rent expense for leased facilities and equipment for the fiscal year ended June 30, 2006 was $123,325. The following is a schedule by years of minimum future rentals on operating leases as of June 30, 2007.

For the Year Ended June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$90,857</td>
</tr>
</tbody>
</table>


NOTE 8 - RELATED PARTY TRANSACTIONS

The Foundation transferred $9,200,884 to the University for the purpose of obtaining matching funds from the State of Florida through the Courtelis match program. The transferred funds represent contributions from donors restricted for capital projects for the University. Of the amount transferred, $5,000,000 is for the School of Engineering building and $4,200,884 is for the Sugden Resort & Hospitality Building.

On March 15, 2006, the Foundation loaned $5,000,000 to the Florida Gulf Coast University Financing Corporation (Financing Corporation) to purchase a two-acre lot in Naples as the future location of the Florida Gulf Coast University Naples Center (Naples Center). The Naples Center will offer for-credit classes and house a 300-seat auditorium. The land purchase was deemed necessary to aid in the Foundation’s fundraising efforts for construction of the Naples Center. The Financing Corporation is responsible for the interest due on the balance not raised by donations. Repayment to the Foundation will be from certain matching funds received by the Financing Corporation from the State of Florida.

The Foundation maintains a portion of its investments and had one outstanding loan with Northern Trust. A Foundation board member was an officer of Northern Trust during the fiscal year ending June 30, 2006. The Foundation investments managed by Northern Trust at June 30, 2006 totaled $8,171,184. The Foundation paid $23,902 in fees to Northern Trust during the year. The Foundation had an outstanding loan of $5,000,000 with Northern Trust at June 30, 2006 and paid $75,749 in interest during the fiscal year ended June 30, 2006.
SUPPLEMENTARY INFORMATION
<table>
<thead>
<tr>
<th>Name of Chair</th>
<th>July 1, 2005</th>
<th>Cash Contributions/</th>
<th>Net Investment</th>
<th>June 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alico Endowed Chairs</td>
<td>$4,162,393</td>
<td>$ - $169,845</td>
<td>$172,933</td>
<td>$4,159,305</td>
</tr>
<tr>
<td>Southwest Florida Nursing</td>
<td>$2,083,356</td>
<td>-</td>
<td>87,341</td>
<td>934</td>
</tr>
<tr>
<td>Endowed Chair</td>
<td>1,256,001</td>
<td>-</td>
<td>51,225</td>
<td>150</td>
</tr>
<tr>
<td>Whitaker Endowed Chair</td>
<td>1,104,719</td>
<td>-</td>
<td>44,969</td>
<td>33,565</td>
</tr>
<tr>
<td>Moorings Park Endowed Chair</td>
<td>1,338,560</td>
<td>-</td>
<td>54,637</td>
<td>46,600</td>
</tr>
<tr>
<td>Uncommon Friends Endowed Chair</td>
<td>1,346,597</td>
<td>-</td>
<td>1,307,076</td>
<td>1,116,123</td>
</tr>
<tr>
<td></td>
<td>9,945,029</td>
<td>-</td>
<td>408,017</td>
<td>254,182</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$254,182</td>
<td>$10,098,864</td>
<td></td>
</tr>
</tbody>
</table>
FLORIDA GULF COAST UNIVERSITY FOUNDATION, INC.
MAJOR GIFTS PROGRAM
SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES
For the Year Ended June 30, 2006

<table>
<thead>
<tr>
<th>Name of Major Gift</th>
<th>July 1, 2005</th>
<th>Cash Contributions/ State Match Received</th>
<th>Investment Earnings</th>
<th>Expenditures</th>
<th>June 30, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collier</td>
<td>$583,650</td>
<td>$-</td>
<td>$23,959</td>
<td>$20,299</td>
<td>$587,310</td>
</tr>
<tr>
<td>Edith Potter Deats</td>
<td>360,069</td>
<td>-</td>
<td>14,703</td>
<td>7,064</td>
<td>367,708</td>
</tr>
<tr>
<td>W. Thomas Howard</td>
<td>275,765</td>
<td>-</td>
<td>11,249</td>
<td>13,000</td>
<td>274,014</td>
</tr>
<tr>
<td>O'Bannon</td>
<td>185,739</td>
<td>-</td>
<td>7,859</td>
<td>-</td>
<td>193,598</td>
</tr>
<tr>
<td>Moorings Park</td>
<td>162,379</td>
<td>-</td>
<td>9,403</td>
<td>-</td>
<td>171,782</td>
</tr>
<tr>
<td>Golden Apple</td>
<td>165,745</td>
<td>-</td>
<td>8,821</td>
<td>-</td>
<td>174,566</td>
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<tr>
<td>Ruth Faith</td>
<td>194,747</td>
<td>-</td>
<td>7,993</td>
<td>6,878</td>
<td>195,862</td>
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<tr>
<td>Belcher/Oliff</td>
<td>176,768</td>
<td>-</td>
<td>7,282</td>
<td>2,322</td>
<td>181,728</td>
</tr>
<tr>
<td>Alico</td>
<td>1,546,534</td>
<td>-</td>
<td>64,039</td>
<td>37,620</td>
<td>1,572,953</td>
</tr>
<tr>
<td>Lutgert</td>
<td>172,425</td>
<td>-</td>
<td>7,079</td>
<td>6,700</td>
<td>172,804</td>
</tr>
<tr>
<td>Northern Trust</td>
<td>173,366</td>
<td>-</td>
<td>7,119</td>
<td>6,700</td>
<td>173,785</td>
</tr>
<tr>
<td>Oulton</td>
<td>263,683</td>
<td>122,870</td>
<td>14,714</td>
<td>2,100</td>
<td>399,167</td>
</tr>
<tr>
<td>Hilliard</td>
<td>118,272</td>
<td>50,000</td>
<td>6,331</td>
<td>4,250</td>
<td>170,353</td>
</tr>
<tr>
<td>Rogaski</td>
<td>108,072</td>
<td>50,000</td>
<td>5,959</td>
<td>2,750</td>
<td>161,281</td>
</tr>
<tr>
<td>Blue Shield of Florida</td>
<td>107,301</td>
<td>-</td>
<td>3,512</td>
<td>-</td>
<td>110,813</td>
</tr>
<tr>
<td>Lucas</td>
<td>2,081,144</td>
<td>2,000,001</td>
<td>144,495</td>
<td>80,700</td>
<td>4,144,940</td>
</tr>
<tr>
<td>Howard</td>
<td>107,301</td>
<td>150,000</td>
<td>7,849</td>
<td>-</td>
<td>265,150</td>
</tr>
<tr>
<td>Cobb</td>
<td>160,403</td>
<td>75,000</td>
<td>8,979</td>
<td>625</td>
<td>243,757</td>
</tr>
<tr>
<td>Meftah</td>
<td>172,563</td>
<td>50,000</td>
<td>8,564</td>
<td>6,600</td>
<td>224,527</td>
</tr>
<tr>
<td>Kraft</td>
<td>211,263</td>
<td>50,000</td>
<td>10,153</td>
<td>5,600</td>
<td>265,816</td>
</tr>
<tr>
<td>Grahnck</td>
<td>357,873</td>
<td>62,500</td>
<td>16,602</td>
<td>11,900</td>
<td>425,075</td>
</tr>
<tr>
<td>Sulick</td>
<td>102,096</td>
<td>50,050</td>
<td>5,796</td>
<td>500</td>
<td>157,442</td>
</tr>
<tr>
<td>Meftah</td>
<td>146,005</td>
<td>71,500</td>
<td>8,053</td>
<td>-</td>
<td>225,558</td>
</tr>
<tr>
<td>Keys</td>
<td>101,104</td>
<td>-</td>
<td>4,278</td>
<td>-</td>
<td>105,382</td>
</tr>
</tbody>
</table>

$8,034,267 $2,731,921 $414,790 $215,608 $10,965,369

The following matches have been requested from the State of Florida:

- Blue Shield of Florida $50,000
- Johnson $50,303
- Howard $50,000
- Keys $50,000

$200,303
## FLORIDA GULF COAST UNIVERSITY FOUNDATION, INC.
### SCHEDULE OF ASSETS AND LIABILITIES BY ACCOUNT TYPE
### June 30, 2006

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Endowment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,613,427</td>
<td>$7,076,596</td>
<td>$1,827,262</td>
<td>$11,517,285</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>-</td>
<td>643,323</td>
<td>-</td>
<td>643,323</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>6,095</td>
<td>-</td>
<td>-</td>
<td>6,095</td>
</tr>
<tr>
<td>Pledges receivable, current</td>
<td>5,000</td>
<td>1,020,550</td>
<td>-</td>
<td>1,025,550</td>
</tr>
<tr>
<td>Interfund loans receivable, current</td>
<td>(584,976)</td>
<td>1,175,594</td>
<td>(590,618)</td>
<td></td>
</tr>
<tr>
<td>Due from the State of Florida - Matching</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>2,039,546</td>
<td>9,916,063</td>
<td>1,336,644</td>
<td>13,292,253</td>
</tr>
<tr>
<td><strong>NONCURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>409,736</td>
<td>-</td>
<td>-</td>
<td>409,736</td>
</tr>
<tr>
<td>Restricted investments</td>
<td>-</td>
<td>11,399,885</td>
<td>27,494,522</td>
<td>38,894,407</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>-</td>
<td>294,500</td>
<td>-</td>
<td>294,500</td>
</tr>
<tr>
<td>Royalties receivable</td>
<td>3,300,000</td>
<td>-</td>
<td>-</td>
<td>3,300,000</td>
</tr>
<tr>
<td>Interfund loans receivable</td>
<td>-</td>
<td>80,000</td>
<td>(80,000)</td>
<td>-</td>
</tr>
<tr>
<td>Loan to related entity</td>
<td>-</td>
<td>5,000,000</td>
<td>-</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Due from the State of Florida - Matching</td>
<td>-</td>
<td>-</td>
<td>100,303</td>
<td>100,303</td>
</tr>
<tr>
<td>Gifts Program</td>
<td>-</td>
<td>-</td>
<td>100,303</td>
<td>100,303</td>
</tr>
<tr>
<td>Land holdings</td>
<td>-</td>
<td>1,954,000</td>
<td>-</td>
<td>1,954,000</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>31,333</td>
<td>-</td>
<td>-</td>
<td>31,333</td>
</tr>
<tr>
<td>Other</td>
<td>581,788</td>
<td>1,950</td>
<td>-</td>
<td>583,738</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>4,322,857</td>
<td>18,730,335</td>
<td>27,514,825</td>
<td>50,568,017</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$6,362,403</td>
<td>28,646,398</td>
<td>28,851,469</td>
<td>$63,860,270</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

| CURRENT LIABILITIES         |              |            |           |         |
| Accounts payable            | $10,337      | $100,535   | -         | $110,872 |
| Deferred revenue            | -            | 25,977     | -         | 25,977   |
| Gift annuities payable, current portion | -          | 28,240     | -         | 28,240   |
| **Total current liabilities** | 10,337      | 154,752    | -         | 165,089  |

| NONCURRENT LIABILITIES      |              |            |           |         |
| Notes payable               | -            | 5,000,000  | -         | 5,000,000 |
| Due to others               | 232,640      | -          | -         | 232,640 |
| Gift annuities payable      | -            | 217,817    | -         | 217,817 |
| **Total noncurrent liabilities** | 232,640    | 5,217,817  | -         | 5,450,457 |
| **Total liabilities**       | 242,977      | 5,372,569  | -         | 5,615,546 |

### NET ASSETS

| Invested in capital assets, net of related debt | 31,333 |
| Restricted                                    | -      |
| Restricted by donors - expendable             | 23,273,829 |
| Permanent endowments - nonexpendable          | 28,851,469 |
| Unrestricted                                  | 6,088,093 |
| **Total net assets**                          | 6,119,426 |
| **Total liabilities and net assets**          | $6,362,403 |

Total liabilities and net assets
FLORIDA GULF COAST UNIVERSITY FOUNDATION, INC.
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY ACCOUNT TYPE
For the Year Ended June 30, 2006

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Restricted</th>
<th>Endowment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 2,764,389</td>
<td>$ 15,384,863</td>
<td>$ -</td>
<td>$ 18,149,252</td>
</tr>
<tr>
<td>Rental income and other</td>
<td>216,413</td>
<td>651,088</td>
<td>-</td>
<td>867,501</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>2,980,802</td>
<td>16,035,951</td>
<td>-</td>
<td>19,016,753</td>
</tr>
</tbody>
</table>

|                               |              |            |           |           |
| **OPERATING EXPENSES**        |              |            |           |           |
| Program services              |              |            |           |           |
| Program fees                  | -            | 4,028,648  | -         | 4,028,648 |
| Scholarships                  | 1,000        | 576,313    | -         | 577,313   |
| University support            | 135,969      | 1,786,517  | -         | 1,922,486 |
| General and administrative expenses | 1,080,901  | -          | -         | 1,080,901 |
|                               | 1,217,870    | 6,391,478  | -         | 7,609,348 |

|                               |              |            |           |           |
| Other expenses                |              |            |           |           |
| Interest                      | 32,030       | 131,349    | -         | 163,379   |
| Depreciation                  | 7,289        | -          | -         | 7,289     |
| Courtelis match funds         | -            | 9,200,884  | -         | 9,200,884 |
|                               | 39,319       | 9,332,233  | -         | 9,371,552 |
| **Total operating expenses**  | 1,257,189    | 15,723,711 | -         | 16,980,900 |

|                               |              |            |           |           |
| Operating income (loss)       | 1,723,613    | 312,240    | -         | 2,035,853 |

|                               |              |            |           |           |
| **NONOPERATING REVENUES**     |              |            |           |           |
| Interest and dividends        | 237,625      | 706,163    | 989,265   | 1,933,053 |
| Net appreciation in investments | 8,589     | 7,206      | 457,464   | 473,259   |
| Other revenue                 | 219,211      | -          | -         | 219,211   |
| **Total nonoperating revenues** | 465,425   | 713,369    | 1,446,729 | 2,625,523 |

|                               |              |            |           |           |
| Income before capital additions | 2,189,038  | 1,025,609  | 1,446,729 | 4,661,376 |

|                               |              |            |           |           |
| **CAPITAL ADDITIONS**         |              |            |           |           |
| Contributions to endowments   | -            | -          | 2,061,893 | 2,061,893 |
| State match funds             | -            | -          | 100,303   | 100,303   |
| **Total capital additions**   | -            | -          | 2,162,196 | 2,162,196 |

|                               |              |            |           |           |
| Increase in net assets        | 2,189,038    | 1,025,609  | 3,608,925 | 6,823,572 |

|                               |              |            |           |           |
| **TRANSFERS**                 |              |            |           |           |
| (388,642)                     | 930,675      | (542,033)  | -         |           |

|                               |              |            |           |           |
| NET ASSETS, beginning of year | 4,319,030    | 21,317,545 | 25,784,577 | 51,421,152 |

|                               |              |            |           |           |
| NET ASSETS, end of year       | $ 6,119,426  | $ 23,273,829 | $ 28,851,469 | $ 58,244,724 |
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 Gulf Coast University Foundation, Inc.
Fort Myers, Florida

We have audited the financial statements of Florida Gulf Coast University Foundation, Inc. (the “Foundation”) as of and for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.
Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors and management of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Schultz, Chaipel, Redovan, Baker & Co., LLP
August 25, 2006