FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE SELF-INSURANCE PROGRAM

FINANCIAL STATEMENTS

June 30, 2025 and 2024

FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM

FINANCIAL STATEMENTS
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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITORS' REPORT

To the Governing Council,
Florida Atlantic University College of Medicine
Self-Insurance Program
Gainesville, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program (the "FAU SIP"), an operating unit of the Florida Board of Governors, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the FAU SIP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the FAU SIP, as of June 30, 2025, and the changes in 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 (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the FAU SIP, 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

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.

(Continued)

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 FAU SIP'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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FAU SIP'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 FAU SIP'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 on pages 4 through 6 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated August 29, 2025 on our consideration of the FAU SIP'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 FAU SIP'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 FAU SIP's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Fort Lauderdale, Florida
August 29, 2025

This discussion provides an assessment by management of the current financial position and results of operations for the Florida Board of Governors' Florida Atlantic University College of Medicine Self-Insurance Program (the "FAU SIP"). Management encourages readers to consider the information presented here in conjunction with additional information included in the accompanying financial statements and notes to the financial statements.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the FAU SIP's basic financial statements, which consists of the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows. This report also contains other supplementary information in addition to the basic financial statements.

The *statements of net position* present information on all of the FAU SIP's assets and liabilities, with the difference between the two reported as the total net position. Increases or decreases in the reported net position may serve as a useful indicator of the FAU SIP's financial position.

The *statements of revenues, expenses, and changes in net position* present information showing how the FAU SIP's revenues and expenses affected the total net position during the current year. All revenues and expenses are recorded as soon as they have been incurred, regardless of the timing of related cash flows.

The *statements of cash flows* present information regarding the cash receipts and payments that occurred throughout the year. The statements show the cash effects of operating, investing, and financing transactions during a given period.

Summary of Net Position

			2024-2025			2023-2024		
	2025	2024	Increase (decrease)	Percent change	2023	Increase (decrease)	Percent change
Assets							
Cash and cash equivalents	$ 1,282,322	$ 1,577,793	$ (295,471)	(18.73) %	$ 1,667,393	$ (89,600)	(5.37) %
Investments, at fair value	13,266,597	10,932,800	2,333,797	21.35	9,078,931	1,853,869	20.42
Premiums and other receivables	5,000	506	4,494	888.14	3	503	16,766.67
Total assets	$ 14,553,919	$ 12,511,099	$ 2,042,820	16.33 %	$ 10,746,327	$ 1,764,772	16.42 %
Liabilities							
Unpaid losses and loss adjustment expenses	$ 1,349,819	$ 1,169,430	$ 180,389	15.43 %	$ 1,151,477	$ 17,953	1.56 %
Accounts payable and accrued expenses	170,338	17,887	152,451	852.30	15,550	2,337	15.03
Total liabilities	1,520,157	1,187,317	332,840	28.03 %	1,167,027	20,290	1.74 %
Net position	13,033,762	11,323,782	1,709,980	15.10	9,579,300	1,744,482	18.21
Total liabilities and net position	$ 14,553,919	$ 12,511,099	$ 2,042,820	16.33 %	$ 10,746,327	$ 1,764,772	16.42 %

(Continued)

Assets

Cash and cash equivalents decreased $295,471 and investments increased $2,333,797 during this period. The Council agreed at the October 30, 2024 meeting to transfer $1,250,000 of the bank balance received from premium revenue to the Vanguard investment accounts. The additional increase in overall investments is attributed to the overall solid performance investment portfolio.

Liabilities

Unpaid losses and loss adjustment expenses increased $180,389. Although there has been favorable development on reported losses for most open accident periods, this increase is attributed to additional liabilities for the most current loss period.

Accounts payable and accrued expenses increased $152,451. This increase is the result of a claim resolution prior to the close of the fiscal year, which resulted in a settlement payment issued July 11, 2025.

Summary of Revenues, Expenses, and Changes in Net Position

			2024-2025			2023-2024	
	2025	2024	Increase (decrease)	Percent change	2023	Increase (decrease)	Percent change
Operating revenues							
Earned premiums, net	$ 1,415,806	$ 1,254,786	$ 161,020	12.83 %	$ 1,333,372	$ (78,586)	(5.89) %
Investment income	1,127,769	926,645	201,124	21.70	454,742	471,903	103.77
Total operating revenues	2,543,575	2,181,431	362,144	16.60 %	1,788,114	393,317	22.00 %
Operating expenses							
Losses and loss adjustment expenses	407,855	86,876	320,979	369.47 %	36,380	50,496	138.80 %
General and administrative expenses	425,740	350,073	75,667	21.61	380,144	(30,071)	(7.91)
Total operating expenses	833,595	436,949	396,646	90.78 %	416,524	20,425	4.90 %
Increase (decrease) in net position	1,709,980	1,744,482	(34,502)	(1.98) %	1,371,590	372,892	27.19 %
Net position, beginning of year	11,323,782	9,579,300	1,744,482	18.21	8,207,710	1,371,590	16.71
Net position, end of year	$ 13,033,762	$ 11,323,782	$ 1,709,980	15.10 %	$ 9,579,300	$ 1,744,482	18.21 %

Total operating revenues increased $362,144 during this period. This is primarily due to the overall solid performance of the investments.

Total operating expenses increased $396,646 during this period. The increase is due to the successful settlement of claims and the establishment of reserves for future claims.

Next Year

If premiums increase, they will increase consistently with the projected growth for the Florida Atlantic University ("FAU") College of Medicine and other FAU SIP participants. Operating expenses should remain closely related to the FAU SIP's size, volume of activity, and other adjustments consistent with the rate of future growth.

(Continued)

Contacting Management

This financial narrative is designed to provide the reader with a general overview of the Florida Atlantic University College of Medicine Self-Insurance Program finances. If you have questions about this report or need additional information, please contact:

FAU College of Medicine
Self-Insurance Program
PO Box 112735
Gainesville, FL 32611
(352) 273-7006

FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
STATEMENTS OF NET POSITION
June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 1,282,322	$ 1,577,793
Investments	13,266,597	10,932,800
Premiums and other receivables	5,000	506
Total assets	14,553,919	12,511,099
Liabilities		
Unpaid losses and loss adjustment expenses	1,349,819	1,169,430
Accounts payable and accrued expenses	170,338	17,887
Total liabilities	1,520,157	1,187,317
Net position		
Net position - unrestricted	$ 13,033,762	$ 11,323,782

See accompanying notes to financial statements.

FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended June 30, 2025 and 2024

	2025	2024
Operating revenues		
Earned premiums, net	$ 1,415,806	$ 1,254,786
Investment income, net	1,127,769	926,645
Total operating revenues	2,543,575	2,181,431
Operating expenses		
Losses and loss adjustment expenses	407,855	86,876
General and administrative expenses	425,740	350,073
Total operating expenses	833,595	436,949
Change in net position	1,709,980	1,744,482
Net position, beginning of year	11,323,782	9,579,300
Net position, end of year	$ 13,033,762	$ 11,323,782

See accompanying notes to financial statements.

FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Revenue collected:		
Earned premiums	$ 1,411,312	$ 1,254,287
Investment income, net	403,756	307,237
Payments for expenses:		
Losses and loss adjustment expenses, net	(227,466)	(68,923)
General and administrative expenses	(273,289)	(347,740)
Net cash provided by operating activities	1,314,313	1,144,861
Cash flows from investing activities		
Purchases of investments	(1,859,784)	(1,449,461)
Proceeds on sale of investments	250,000	215,000
Net cash used in investing activities	(1,609,784)	(1,234,461)
Net decrease in cash and cash equivalents	(295,471)	(89,600)
Cash and cash equivalents, beginning of year	1,577,793	1,667,393
Cash and cash equivalents, end of year	$ 1,282,322	$ 1,577,793
Reconciliation of increase in net position to net cash provided by operating activities:		
Increase in net position	$ 1,709,980	$ 1,744,482
Adjustments to reconcile increase in net position to net cash provided by operating activities:		
Net increase in fair value of investments	(677,254)	(635,215)
Net realized (gains) losses on sales of investments	(46,759)	15,807
Changes in assets and liabilities:		
Premiums and other receivables	(4,494)	(503)
Accounts payable and accrued expenses	152,451	2,337
Unpaid losses and loss adjustment expenses	180,389	17,953
Total adjustments	(395,667)	(599,621)
Net cash provided by operating activities	$ 1,314,313	$ 1,144,861

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the Florida Board of Governors' Florida Atlantic University College of Medicine Self-Insurance Program (the "FAU SIP"), which affect significant elements of the accompanying financial statements:

Organization: The Florida Board of Governors (the "Board" or "FBOG"), pursuant to Section 1004.24, created the Florida Atlantic University ("FAU" or the "University") College of Medicine Self-Insurance Program (the "FAU SIP"). The FAU SIP's purpose is to provide patient general liability, including professional liability (healthcare) coverage for patient healthcare education, research and service missions of the Florida Atlantic University Board of Trustees and as further defined and referred to in Sections 768.28(2) and 768.28(9), Florida Statutes.

The FAU SIP's Council administers the FAU SIP as authorized by FBOG Rule 10.001 (Self Insurance Programs). The FAU SIP is an operating unit of the Board. The FAU SIP is a distinct component unit of FAU. The net position of the FAU SIP can only be used to pay claims and administrative expenses of the FAU SIP, based upon Florida Statute 1004.24(3).

From inception to October 1, 2011, the FAU SIP provided the Board and the Trustees with protection of $100,000 per claim and $200,000 for all claims arising from a single occurrence; $100,000 per claim and $200,000 for all claims arising from the acts and omissions of students of the colleges protected by the FAU SIP engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and this student professional liability coverage may be increased subject to a $1,000,000 limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; $250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of Trustees while such employee or agent functions within the course and scope of his or her employment or agency; and $250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. In response to the Florida Legislature increasing the limits of liability contained in s. 768.28, Florida Statutes, effective October 1, 2011, the limits of protection for sovereign immune entities rose to $200,000 per claim and $300,000 for all claims arising from a single occurrence. On May 14, 2014, the limits of student coverage were revised to $1,000,000 per occurrence. Under this claims-incurred policy written directly with the FAU SIP participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

In 1994, the then Board of Regents promulgated Rule 6C-10.001(4) of the Florida Administrative Code (now Board of Governors Regulation 10.001(2)), which authorized the formation of the Healthcare Education Insurance Company ("HEIC"). HEIC is wholly owned by the Board and is domiciled in Vermont. HEIC writes coverage for the participants in the FAU SIP for loss exposure above the FAU SIP's retention. HEIC obtains excess loss reinsurance coverage (claims-made basis) from commercial insurance carriers for certain layers of exposure.

Basis of Reporting: The financial statements of the FAU SIP have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under these methods, revenues are recorded when earned and expenses are recognized when they are incurred.

The FAU SIP distinguishes operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated from the primary operations of the FAU SIP, including investment income. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the FAU SIP. All other expenses are reported as non-operating expenses. For the years ended June 30, 2025 and 2024, all revenues and expenses of the FAU SIP were considered to be operating revenues and operating expenses.

(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The FAU SIP follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, an amendment of GASB Statement No. 34 for public colleges and universities to allow the use of the guidance for special-purpose governments engaged only in business-type activities, engaged only in government activities, or engaged in both governmental and business-type activities in their separately issued reports.

The FAU SIP is not regulated by the Florida Office of Insurance Regulation and, accordingly, does not report on the basis of statutory accounting principles.

Cash and Cash Equivalents: For purposes of reporting cash flows, cash and cash equivalents include cash, money market funds, and demand deposits with original maturity dates of 90 days or less when purchased.

The FAU SIP has demand deposits held at financial institutions that are secured up to FDIC limits. Amounts over FDIC limits are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to $1,282,322 and $1,577,793 as of June 30, 2025 and 2024, respectively.

Investments: Investment transactions are accounted for on a trade date basis. The cost of investments sold is determined by specific identification. The FAU SIP does not have any derivative investments.

The FAU SIP's governing council has adopted an investment policy approved by the Florida Board of Governors that identifies various authorized investment instruments, issuer diversification, and liquidity parameters. The FAU SIP may be invested with no limitation in any security described in either Section 17.57(2) or Section 215.47(1), Florida Statutes. Subject to the investment percentage limitations described therein, the FAU SIP may be invested in the securities described in Section 215.47(2), (3), (4), (5), and (6), Florida Statutes. All holdings of investment must be of sufficient size in issues actively traded to ensure marketability and liquidity to facilitate transactions at minimum cost and to permit accurate market valuations.

Premiums: Premiums written directly are earned ratably over the terms of the underlying policies. All renewal policies are written for a one-year term and expire on June 30 of each year.

Reserves for Losses and Loss Adjustment Expenses: The reserves for unpaid losses and loss adjustment expenses ("LAE") include case basis estimates of reported losses, plus supplemental amounts for incurred but not reported losses ("IBNR") calculated based upon loss projections utilizing certain actuarial assumptions and studies of the FAU SIP's historical loss experience and industry statistics. Management believes that its aggregate liability for unpaid losses and LAE at year-end represents its best estimate of the amount necessary to cover the ultimate cost of claims based upon an actuarial analysis prepared by a consulting actuary. Considerable uncertainty and variability are inherent in such estimates, and accordingly, the subsequent development of these reserves may not conform to the assumptions inherent in the determination. In addition, both general and medical professional liability are long-tail lines of insurance subject to considerable loss variability attributable to social, economic and legal considerations that are not directly quantifiable. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The FAU SIP is an operating unit of the Board of Governors, the State University System of Florida. Accordingly, the FAU SIP is exempt from Federal income taxes. Any taxable income is aggregated at the University level and taxes paid, if any, are paid by the University.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, accordingly, results could differ from those estimates.

Subsequent Events: Events and transactions subsequent to the statement of financial condition have been evaluated by management for the purpose of recognition or disclosure in these financial statements through August 29, 2025, the date that these financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The FAU SIP's investments are recorded at fair value and consist entirely of investments in mutual funds at June 30, 2025 and 2024.

Equity mutual fund investments consist of shares owned in Vanguard International Stock Index Fund and Vanguard Total Stock Market Index Fund. Bond mutual fund investments consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund.

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

The Entity has the following recurring fair value measurements as of June 30, 2025 and 2024:

Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the FAU SIP are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the FAU SIP are deemed to be actively traded.

(Continued)

NOTE 2 - INVESTMENTS (Continued)

The following table summarizes the assets and liabilities of the FAU SIP for which fair values are determined on a recurring basis as of June 30, 2025 and 2024, respectively:

	June 30, 2025			
	Level 1	Level 2	Level 3	Total
Investments				
Equity mutual funds				
Domestic equity funds	$ 3,562,529	$ -	$ -	$ 3,562,529
Global equity funds	778,653	-	-	778,653
Total equity mutual funds	4,341,182	-	-	4,341,182
Bond mutual funds				
Short term bond funds	6,537,116	-	-	6,537,116
Intermediate term bond funds	2,388,299	-	-	2,388,299
Total bond mutual funds	8,925,415	-	-	8,925,415
Total investments at fair value	$ 13,266,597	$ -	$ -	$ 13,266,597

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Investments				
Equity mutual funds				
Domestic equity funds	$ 3,136,870	$ -	$ -	$ 3,136,870
Global equity funds	443,855	-	-	443,855
Total equity mutual funds	3,580,725	-	-	3,580,725
Bond mutual funds				
Short term bond funds	5,474,026	-	-	5,474,026
Intermediate term bond funds	1,878,049	-	-	1,878,049
Total bond mutual funds	7,352,075	-	-	7,352,075
Total investments at fair value	$ 10,932,800	$ -	$ -	$ 10,932,800

The following risks apply to the FAU SIP's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The FAU SIP's investments in bond mutual funds are subject to interest rate risk. The effective average duration of The FAU SIP's investments in bond mutual funds as of June 30, 2025 range from 2.63 years to 6.09 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. At June 30, 2025, the FAU SIP held bond mutual funds which have underlying investments with quality ratings of BBB or better by nationally recognized rating agencies. These are all considered investment grade quality, however, the actual bond mutual funds are not explicitly rated.

(Continued)

NOTE 2 - INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the FAU SIP will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the FAU SIP and are not registered in the FAU SIP's name. The FAU SIP has not identified any investments falling into this category as of June 30, 2025.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the FAU SIP's investments in a single issuer. The FAU SIP places no limit on the amount it may invest in any one issuer. Investments that consist of more than 5% of the FAU SIP's investments at June 30, 2025 are shown below.

	Fair Value	Percent of FAU SIP's Total Investments
Vanguard International Stock Index Fund	$ 778,653	6 %
Vanguard Intermediate Term Bond Index Fund	2,388,299	18
Vanguard Short-Term Bond Index Fund	6,537,116	49
Vanguard Total Stock Market Index Fund	3,562,529	27
	$ 13,266,597	100 %

The FAU SIP's formal investment policy in place does not limit any of the types of risks identified above.

The major categories of net investment income for the years ended June 30, 2025 and 2024, are summarized as follows:

	2025	2024
Dividend and interest income, net	$ 403,756	$ 307,237
Realized gains	46,759	(15,807)
Unrealized gains	677,254	635,215
Net investment income	$ 1,127,769	$ 926,645

(Continued)

NOTE 3 - INSURANCE ACTIVITY

Premium activity for the years ended June 30, 2025 and 2024 is summarized as follows:

2025	Direct	Ceded	Net
Premiums written	$ 1,514,139	$ 98,333	$ 1,415,806
Premiums earned	$ 1,514,139	$ 98,333	$ 1,415,806

2024	Direct	Ceded	Net
Premiums written	$ 1,330,512	$ 75,726	$ 1,254,786
Premiums earned	$ 1,330,512	$ 75,726	$ 1,254,786

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE:

	2025	2024
Balances at July 1	$ 1,169,430	$ 1,151,477
Incurred related to:		
Current year	545,929	395,000
Prior years	(138,074)	(308,124)
Total incurred losses and LAE	407,855	86,876
Paid related to:		
Current year	8,740	75
Prior years	218,726	68,848
Total paid losses and LAE	227,466	68,923
Balances at June 30	$ 1,349,819	$ 1,169,430

The estimate of the liability for losses and loss adjustment expenses by loss year is subject to change until all claims for each loss year are closed. As a result of changes in estimates and insured events in prior years, the net loss and loss adjustment expenses incurred on prior years decreased due to refinements to prior years' ultimate loss projections.

(Continued)

NOTE 3 - INSURANCE ACTIVITY (Continued)

The components of the liability for gross losses and LAE are as follows:

	2025	2024
Case-basis reserves	$ 487,882	$ 143,416
Supplemental reserves	861,937	1,026,014
Total	$ 1,349,819	$ 1,169,430

NOTE 4 - RELATED PARTY TRANSACTIONS

The total fees charged to the FAU SIP were $375,854 and $309,536 for the years ended June 30, 2025 and 2024, respectively for administrative services for FAU assigned Self-Insurance Program staff paid through HEIC and the staff paychecks issued through HEIC's pay agent, the University of Florida, as authorized by FBOG Rules 10.001.

The FAU SIP provides liability protection to the Trustees acting on behalf of the Florida Atlantic University Board of Trustees and as further defined and referred to in Sections 768.28(2) and 768.28(9), Florida Statutes. Total net earned premiums for the year ended June 30, 2025 and 2024 of $1,415,806 and $1,254,786, respectively, are all associated with these related entities.

The FAU SIP utilizes HEIC to access excess coverage for medical professional liability, patient general liability, managed care errors and omissions liability in excess of the retained $1,000,000 per occurrence on a claims-made basis as follows: $5,000,000 each loss and in the aggregate for FAU SIP and $15,000,000 in the aggregate for Florida International University College of Medicine Self-Insurance Program, Florida State University College of Medicine Self-Insurance Program, University of Central Florida College of Medicine Self-Insurance Program, and FAU SIP combined for the years ending June 30, 2025 and June 30, 2024. For the years ended June 30, 2025 and 2024, an annual one-time $300,000 retention excess $1,000,000 is applicable. Total ceded premiums paid for the years ending June 30, 2025 and 2024 were $98,333 and $75,726, respectively. The FAU SIP is not relieved of its primary obligation to the policyholder in a reinsurance transaction.

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 Governing Council,
Florida Atlantic University College of Medicine
Self-Insurance Program

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, financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program (the "FAU SIP") as of for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the FAU SIP's basic financial statements, and have issued our report thereon dated August 29, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the FAU SIP's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FAU SIP's internal control. Accordingly, we do not express an opinion on the effectiveness of the FAU SIP'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's overhead schedule 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FAU SIP's financial statements are free from material misstatement, we performed tests of 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 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.

Crowe LLP

Crowe LLP

Fort Lauderdale, Florida
August 29, 2025