FAU FINANCE CORPORATION

BOARD OF DIRECTORS

AGENDA

Tuesday, December 3, 2013 – 2:00PM

President's Conference Room, Bldg 10 Room 340
Boca Raton Campus
Call in Number: 1-888-537-7715 / Passcode: 59289651#

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1. Roll Call and Approval of Draft Minutes of the May 29, 2013 FAU Finance Corporation Board of Directors Meeting

2. Review of the FAU Finance Corporation Financial Report for the Year Ended June 30, 2013

3. Review of September 30, 2013 Interim Financial Data

4. Bond Compliance Policy

5. New Business

6. Adjournment of Meeting

FAU FINANCE CORPORATION

Item: _1

BOARD OF DIRECTORS
Tuesday, December 3, 2013

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE MAY 29, 2013 FAU FINANCE CORPORATION BOARD OF DIRECTORS MEETING.

PROPOSED BOARD ACTION

Initiate roll call to document member participation to ensure that appropriate quorum numbers are achieved and to approve the minutes of the May 29, 2013 FAU Finance Corporation board of Directors meeting.

BOARD MEMBERS

Mr. Anthony Barbar, Chair	___
Mr. Scott Adams, Vice Chair	___
Mr. Peter LoBello	___

FAU FINANCE CORPORATION

BOARD OF DIRECTORS
DRAFT MINUTES
Wednesday, May 29, 2013

1. ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE OCTOBER 25, 2012 AND THE NOVEMBER 16, 2012 FAU FINANCE CORPORATION BOARD OF DIRECTORS MEETINGS.

The meeting of the FAU Finance Corporati8on (FAUFC) Board of Directors (BOD) was convened by Mr. Anthony Barbar, Chair. Roll call commenced, confirming quorum, with the following members of the FAUFC BOD in addition to Mr. Barbar, participating:

Mr. Scott Adams and Mr. Peter LoBello.

The following officers were in attendance:

Mr. Dennis Crudele, Executive Director, and Ms. Stacey Semmel, Secretary/Treasurer.

The following guests were in attendance:

Dr. Charles Brown, Senior Vice President for Student Affairs; Ms. Artie Jamison, Associate Director-Housing and Residential Life; Mr. Eric Davidson, Assistant Director, Administration & Finance-Dean of Students Office; Ms. Michelle Smith, Director of Operations-FAU Housing/Capstone-on-Campus; Ms. Elizabeth Rubin, FAU Associate General Counsel; Ms. Jessica Cohen, Associate Controller; and, Ms. Linda Elliott, Administrative Assistant/FAU-Financial Affairs

Upon call, a motion was made by Mr. LoBello and seconded by Mr. Adams to approve the minutes of the October 25, 2012 and the November 16, 2012 meetings without change or correction. **The motion passed unanimously.**

2. REQUEST FOR APPROVAL OF THE 2013-2014 FAU FINANCE CORPORATION OPERATING BUDGET.

Handout: Proposed 2013-14 FAUFC Operating Budget.

Mr. Crudele reviewed the operating and non-operating revenues projected of housing, administration and the stadium along with expenses projected for fiscal year to end June 30, 2014. He noted the increase in housing rental rates that was approved by the FAU Board of Trustees in March and that the budget meets debt service requirements, as well as providing net income of approximately $7.9 million.

Mr. Crudele then reviewed the 2014 budget dedicated specifically to stadium operations noting the pledged revenues of approximately $7 million and debt service of $2.6 million. Members were reminded that the bank receives payment first with the Athletics Department receiving any excess funding.

Conversation ensued on the process required to obtain refinancing of the stadium. Mr. Crudele provided a summary of the necessary data analysis currently in progress and noted various issues to be resolved including Build America Bond arbitrage issues. A presentation to the FAUFC BOD is anticipated for early Fall.

A motion was made by Mr. Adams and seconded by Mr. LoBello to approve the proposed 2013-14 Operating Budget of the FAU Finance Corporation's as presented. **The motion passed unanimously.**

A motion was made by Mr. LoBello and seconded by Mr. Barbar to approve the proposed 2013-14 Stadium Budget which reflects the fiscal year bond payment. **The motion passed unanimously.**

3. **FISCAL YEAR 2012-13 PERFORMANCE REPORT ON THE FAU HOUSING SYSTEM, BOCA RATON CAMPUS.**
Handout: Year End Report–FAU Housing Facilities Operations, July 2, 2012–May 15, 2013.

Mr. Crudele reminded members of discussions during the January 2012 FAUFC BOD meeting where information regarding Housing operations was requested. Ms. Michelle Smith from Capstone-on-Campus Management was introduced.

Ms. Smith proceeded to summarize the various undertakings that Capstone-on-Campus Management has and continues to implement since the partnership with FAU Housing and Residential Life began in July 2011. These endeavors included wide-ranging training and professional development opportunities for both Capstone and FAU staff; past and current facility maintenance issues, sustainability initiatives; and, future projects and goals.

Discussion followed on topics that included occupancy levels, building closure/resting periods for maintenance, touring the facilities, environmental health and safety training, and residential assistant training.

4. **ADJOURNMENT OF MEETING**. With no other issues to discuss, a motion was made by Mr. Adams and seconded by Mr. LoBello to adjourn the meeting. **The meeting was adjourned at 10:37 a.m.**

FAU FINANCE CORPORATION

Item: 2

BOARD OF DIRECTORS
December 3, 2013

SUBJECT: REVIEW OF THE FAU FINANCE CORPORATION FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013.

PROPOSED BOARD ACTION

Information Only.

BACKGROUND INFORMATION

The audited financial statements of the Florida Atlantic University Finance Corporation (FAUFC) are presented to keep the Board of Directors informed about the financial status of the FAUFC. The audited financial statements are for the fiscal year ending June 30, 2013.

Supporting Documentation: FAUFC Financial Report Year Ended June 30, 2013.

Presented by: McGladrey LLP

FAU Finance Corporation
(A component unit of Florida Atlantic University)

Financial Report
For the Year Ended June 30, 2013

McGladrey

Assurance ▪ Tax ▪ Consulting

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
FAU Finance Corporation
Boca Raton, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of FAU Finance Corporation (the "Corporation"), a direct support organization and component unit of Florida Atlantic University, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of June 30, 2013, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Member of the RSM International network of independent accounting, tax and consulting firms.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

McGladrey LLP

Fort Lauderdale, Florida
October 23, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the FAU Finance Corporation, a component unit of Florida Atlantic University (thereafter University) for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of the FAU Finance Corporation's management. Pursuant to GASB Statement No. 35, the FAU Finance Corporation's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

FINANCIAL HIGHLIGHTS

The FAU Finance Corporation was incorporated on August 12, 2009 as a not-for-profit organization. It was established to assist the activities and educational purposes of the University by providing finance and investment – related assistance in connection with the acquisition or construction of capital or other University projects.

In November 2010 the FAU Finance Corporation issued $44.5 million of Capital Improvement Revenue Bonds to finance the construction of a 30,000 seat stadium. In November 2012, the FAU Finance Corporation issued Capital Improvement Revenue Bonds (Student Housing Project) Series 2012A totaling $46,205,000 which mature beginning July 1, 2014 through 2042. The Bond has interest rates ranging from 3% to 5% with semiannual interest payments due on the first of July and January beginning July 1, 2013. In addition, the FAU Finance Corporation issued Capital Improvement Revenue Bond (Student Housing Project) Series 2012B, which refunded the Series 2010B – Taxable Bonds in November 2012. The Capital Improvement Revenue Bond (Student Housing Project) Series 2012B totals $3,440,000 and matures beginning July 1, 2013 through 2025, with an interest rate of 2.17%.

The FAU Finance Corporation's assets totaled $199 million at June 30, 2013. This balance reflects $52.3 million of deposits with a fiscal agent held in connection with the sale of bonds. The FAU Finance Corporation's revenues totaled $29.3 million for the 2012-13 fiscal year, representing earnings on funds held with fiscal agent, IRS interest credits, housing revenues, athletic fees, and contributions from the University. All funds held with fiscal agent are invested in the State of Florida Special Purpose Investment Account (SPIA). Expenses totaled $26.7 million for the 2012-13 fiscal year, inclusive of interest paid from the capitalized interest funds held with fiscal agent and contributions made to the University in connection with the stadium facility.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplemental information or requests for additional financial information should be addressed to the Senior Vice President for Financial Affairs, FAU Finance Corporation, 777 Glades Road, Boca Raton, Florida 33431.

FAU Finance Corporation

Statement of Net Position
June 30, 2013

Assets	
Current Assets:	
Cash in bank	$ 2,174,560
Cash with fiscal agent – restricted	25,085,450
Due from University	1,675,976
Total current assets	28,935,986
Noncurrent Assets:	
Cash with fiscal agent – restricted	27,173,840
Prepaid land lease and other	10,666,667
Capital assets, on leased land (net of depreciation)	130,509,367
Deferred charges – bond issuance costs, net	1,923,170
Total noncurrent assets	170,273,044
Total assets	$ 199,209,030
Liabilities	
Current Liabilities:	
Accounts payable	$ 460,579
Interest payable	6,610,636
Due to University	3,567,156
Unearned revenue	830,672
Bonds payable – due within one year	2,645,000
Total current liabilities	14,114,043
Long-term liabilities:	
Bonds payable – due in more than one year	212,430,000
Unamortized premium, net	1,330,711
Total long-term liabilities	213,760,711
Total liabilities	227,874,754
Net Position (Deficit):	
Invested in capital assets, net of related debt	(5,437,995)
Restricted for debt service and reserve	14,228,696
Restricted for repair and replacement of capital assets	1,144,154
Unrestricted deficit	(38,600,579)
Total net position (deficit)	$ (28,665,724)

See Notes to Financial Statements

FAU Finance Corporation

Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

Operating Revenues (Expenses):	
Housing revenue	$ 21,471,255
Operating expenses	(11,370,940)
Depreciation expense	(3,032,391)
Total operating income	7,067,924
Nonoperating Revenues (Expenses):	
Athletic revenues pledged for debt service	1,734,464
IRS interest credit	3,624,763
Interest income	1,127,001
Contributions from University	1,299,332
Contributions to University	(28,079)
Interest expense	(12,263,962)
Nonoperating expense	(4,506,481)
Changes in net position	2,561,443
Net position (deficit):	
Beginning	(31,227,167)
Ending	$ (28,665,724)

See Notes to Financial Statements

FAU Finance Corporation

Statement of Cash Flows
For the Year Ended June 30, 2013

Cash Flow From Operating Activities	
Cash paid to suppliers	$ (11,047,648)
Athletic fees collected on behalf of the University	1,788,900
Housing contracts – dorm fees	20,989,001
Net cash provided by operating activities	11,730,253
Cash Flow From Capital and Related Financing Activities	
Receipt of IRS interest credit	2,751,402
Payment of interest	(9,230,293)
Acquisition of capital assets	(36,788,192)
Proceeds from bonds	49,645,000
Bond premium	683,445
Payment of bond issuance cost	(278,839)
Net cash provided by capital and related financing activities	6,782,523
Cash Flow From Non-capital and Related Financing Activities	
Contributions to the University	(1,171,146)
Contributions from the University	817,078
Receipt of IRS interest credit	873,360
Payment of interest	(2,614,969)
Athletic fees	1,734,464
Net cash used by non-capital and related financing activities	(361,213)
Cash Flow From Investing Activities	
Interest received	1,127,001
Net increase in cash	19,278,564
Cash	
Beginning	35,155,286
Ending	$ 54,433,850
Classified as:	
Cash with fiscal agent – restricted (Note 2)	$ 52,259,290
Cash in bank	2,174,560
	$ 54,433,850

(Continued)

FAU Finance Corporation

Statement of Cash Flows
For the Year Ended June 30, 2013

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net operating income	$ 7,067,924
Depreciation expense	3,032,391
Decrease in land lease and other	400,000
Increase in due from University	(482,254)
Increase in accounts payable	128,613
Increase in unearned revenues	656,932
Decrease in other liabilities	(14,473)
Increase in deferred charges	(258,105)
Increase in due to University	1,199,225
Net cash provided by operating activities	$ 11,730,253

Supplemental Disclosures of Noncash Capital and Related Financing Activities	
Amount of interest cost which is capitalized	$ 966,382
Due to University for acquisition of construction in progress	$ 1,508,674

See Notes to Financial Statements.

Note 1. Description and Nature of Organization and Significant Accounting Policies

On August 12, 2009, the FAU Finance Corporation was incorporated as a not-for-profit organization under the laws of the State of Florida. The Corporation is a direct support organization of the Florida Atlantic University (the "University"), a part of the State university system of public universities. The Corporation has been organized to assist the activities and educational purposes of the University by providing finance and investment-related assistance in connection with the acquisition or construction of capital or other University projects, including but not limited to the structuring of debt relating thereto. The governing body of the Corporation is its Board of Directors (the "Board"). The Board is comprised of a maximum of five (5) directors who are responsible for managing, supervising and controlling the business, property, affairs and funds of the Corporation. The Directors of the Corporation are appointed in the following manner – (1) one appointed Director shall be the President of the University or the president's designee; (2) one appointed Director shall be the University Chief Financial Officer or his or her designee; and (3) a minimum of one and maximum of five elected Directors shall be elected by majority vote of the Board of Directors from the nominations of the Corporation's Nominations Committee or from nominations made from the floor. The University's Board of Trustees can unilaterally allow for a decertification of the Corporation and cause for dissolution of the Corporation, resulting in all assets reverting to the University. Consequently, the Corporation meets the criteria for inclusion in the University's reporting entity as a component unit.

A summary of the Corporation's significant accounting policies follows:

Basis of presentation: The Corporation is engaged in a single business-type activity whose operations are primarily supported by user fees and charges. The principal statements were prepared in accordance with Government Accounting Standards Board ("GASB") codification section 2100, which establishes standards for defining and reporting of the financial reporting entity. The Corporation maintains a proprietary fund which reports transactions related to activities similar to those found in the private sector. As such, the Corporation presents only the statements required of enterprise funds, which include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

The Corporation adopted GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in the current year. GASB Statement No. 63 required that the statement of net position report assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and the difference between them as net position / deficit. Net position represents the residual interest in the Corporation's assets and consists of three sections: invested in capital assets, net of related debt; restricted net position and unrestricted net position / deficit. The net position component invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation less the outstanding balances of any outstanding debt that is attributable to the acquisition, construction or improvements of those assets. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation.

The accounting and financial reporting treatments applied to a fund are determined by its measurement focus. The Corporation's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Corporation's revenues are generated primarily from operations of the dorm and stadium facilities. The Corporation's policy is to use restricted resources first, then unrestricted resources when both are available for use to fund activity.

Note 1. Description and Nature of Organization and Significant Accounting Policies (Continued)

Accounting 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. Actual results could differ from those estimates.

Restricted assets: Assets required to be segregated by contractual obligations are identified as restricted assets. Restricted assets at June 30, 2013, represent money required to be segregated by the Series 2010A – Tax-Exempt Bonds, Series 2010A – Taxable BAB Bonds, Series 2010B –Taxable Bonds, Capital Improvement Revenue Bond (Student Housing Project) Series 2012B, Capital Improvement Revenue Bonds (Student Housing Project) Series 2012A and, the Series 2010 – Taxable Capital Improvement Revenue Bonds (Football Stadium Project) contractual obligations.

Cash: For purposes of the statements of cash flows, cash and cash equivalents includes the State of Florida Special Purpose Investments ("SPIA") account (money markets) and cash on hand at the statement date. The fair value of the Corporation's position in the SPIA is the same as the value of the pooled shares. The funds are invested in treasuries and can be withdrawn at any time and are reported at cost. The Corporation considers all highly liquid investments with a maturity of 3 months or less when purchased, to be cash equivalents.

Prepaid land lease and other: In 2010 the Corporation prepaid to the University the sum of $12,000,000 which represents the total sum for the ground rent of a facility site located on the Boca Raton Campus of the University on which student housing facilities and related surface parking was constructed. The lease also provided the Corporation with a leasehold interest in certain existing student dorm housing facilities on the Boca Raton Campus of the University. The prepaid land lease balance is being amortized on a straight-line basis over the original lease term of 30 years. The unamortized prepaid lease balance at June 30, 2013 was $10,666,667.

Capital assets, on leased land: Capital assets, which include property, plant, and equipment assets, are reported in the statement of net position. The Corporation capitalizes all capital assets with a cost in excess of a $5,000 threshold and an estimated life greater than one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation on buildings and improvements, furniture, fixtures, and equipment are computed on the straight line basis over the lesser of the useful life of the asset or the land lease term. Depreciation of buildings and improvements, furniture, fixtures and equipment are being computed over useful lives ranging from 10 to 28 years.

Construction in progress: Construction in progress is stated at costs and includes costs related to the construction of the new Parliament Hall dorm facilities and capitalized interest costs associated with construction financing. Interest expense of $966,382 was capitalized for fiscal year 2013.

Deferred charges – bond issuance costs: Bond issuance costs are amortized over the life of the bond using the straight-line method.

Bond premium: Bond premiums are amortized using the effective interest method over the life of the related bond.

Expenses: Operating expenses are those costs incurred by the Corporation for the day to day operation of the dormitory facilities. All other expenses, including contributions made to the University, are reported as non-operating expenses.

Note 1. Description and Nature of Organization and Significant Accounting Policies (Continued)

Operating expenses as reported on the statement of revenues, expenses and changes in net assets is comprised of the following categories of expenses:

Category	Amount
Contract services / management fee	$ 3,781,092
Utilities	1,754,261
Repairs and maintenance	2,744,299
Communications	574,004
Supplies	531,115
Other operating costs	1,986,169
	$11,370,940

Revenues:

Operating Revenues – Housing contract dorm revenues are recognized in the period in which housing is provided to students.

Nonoperating revenues – Athletic fees are recognized in the period in which goods/services are provided and when seating is made accessible for stadium facility events. IRS interest credit revenue is recognized in the period in which related interest expense is incurred and reported in the financial statements. Contributions from University are recognized as revenues when eligibility requirements are met. Interest income is recognized in the period that interest on investments is earned.

Note 2. Cash

Investments: The Corporation is authorized to invest in State of Florida Special Purpose Investment Accounts (SPIA), U.S. Treasury Bills, Notes, Bonds and Strips and other obligations whose principal interest is fully guaranteed by the United States of America or any of its agencies or instrumentalities, Government Sponsored Enterprises, Asset-Backed Securities rated "AAA" by either S&P or Moody's, Money Market Instruments rated "A1/P", Corporate Notes rated single A or higher, Money Market Funds registered with the Securities and Exchange Commission (SEC) or other investments authorized by the Corporation's Board of Directors.

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

Note 2. Cash (Continued)

Cash and investments with fiscal agent are amounts restricted by debt agreements and are held in the following accounts:

Account	Noncurrent	Current	Total
Construction fund	$10,627,854	$ -	$ 10,627,854
Debt service fund	-	14,697,125	14,697,125
Reserve fund	16,545,986	-	16,545,986
Revenue fund	-	83,927	83,927
Repair and Replacement Fund	-	1,144,154	1,144,154
Surplus Fund	-	9,160,244	9,160,244
Total	$27,173,840	$25,085,450	$ 52,259,290

Interest rate risk: Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. The Corporation's investment policy does have a provision which limits investment maturity as a mean of managing exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair value of the Corporation's investments and market interest rate fluctuations is provided by the following table that shows the distribution of the Corporation's investments by maturity at June 30, 2013:

Investment Type	Fair Value	Investment Maturity (In Years) Less Than 1 year
State of Florida Special Purpose Investment Account – Money Market Funds	$52,259,290	$ 52,259,290

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Corporation's investment policy limits credit risk by requiring all fixed-income securities to be rated by Moody's as AAA or better. Investments in the State of Florida Special Purpose Investment funds are not rated by a nationally recognized statistical rating agency as of June 30, 2013.

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. It is the Corporation's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Under Florida statutes, Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral equal to between 50% and 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, corporate bonds) to public deposits is dependent upon the depository institution's financial history and its compliance with Florida Statutes, Chapter 280.

Note 2. Cash (Continued)

In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (for example, a broker-dealer) to a transaction, an entity will not be able to recover the value of its investments or collateral securities that are in the possession of another party. Consistent with the Corporations investment policy, the investments are held by the Corporation's custodial institution and registered in the Corporation's name. Investments in the State of Florida Special Purpose Investment funds are not subject to custodial credit risk.

Note 3. Capital Assets, on Leased Land

The following is a summary of changes in capital asset balances for the year ended June 30, 2013:

Asset	Beginning Balance	Additions	Ending Balance
Construction in progress	$ -	$ 36,324,944	$ 36,324,944
Buildings and improvements	99,302,222	395,981	99,698,203
Furniture, fixtures and equipment	712,822	67,267	780,089
Property and equipment, gross	100,015,044	36,788,192	136,803,236
Less accumulated depreciation	(3,261,478)	(3,032,391)	(6,293,869)
Property and equipment, net	$ 96,753,566	$ 33,755,801	$ 130,509,367

Note 4. Bonds Payable

Pursuant to the Balanced Budget and Emergency Deficit Control Act enacted on March 1, 2013, the President of the United States issued a sequestration order which required automatic spending cuts ("sequestration") as the result of the United States Congress' failure to enact legislation to reduce the federal budget deficit. Among the federal expenditures affected by these cuts are subsidies due to state and local governments which issued bonds pursuant to several bond programs authorized by United States Congress during the depths of the economic downturn. As a result of sequestration, federal subsidy payments for the Corporation's Build America Bonds (BAB) were reduced by 8.7% effective March 27, 2013, from 35% to 26.3%, for the July 1, 2013 payment.

<u>Series 2010—A&B Bonds</u>
Series 2010A – Tax-Exempt Bonds, Series 2010A – Taxable BAB Bonds, and Series 2010B Taxable Bonds were issued in March 2010 for construction of the Innovation Village Dorm facility. The Issuance of the bonds provided the Corporation with a federal subsidy through a refundable tax credit paid to the Corporation each fiscal year by the Internal Revenue Service (IRS), in an amount equal to 35% of the total coupon interest payable to investors on these taxable bonds, which was subsequently reduced to 26.3% as a result of sequestration.

The Series 2010A – Tax-Exempt Bonds total $8,475,000 mature beginning in July 2013 through 2016, with interest rates ranging from 2.18% through 3.44%. The Series 2010A – Taxable BAB Bonds total $112,455,000 and mature beginning in July 2017 through 2021, with interest rates ranging from 5.48% through 6.45%. The Series 2010B –Taxable Bonds totaling $3,365,000 were refunded in November 2012 with the issuance of the Series 2012B – Capital Improvement Revenue Bond in the amount of $3,440,000. The refunding resulted in an economic gain of $2.1 million to the Corporation.

Note 4. Bonds Payable (Continued)

Series 2012B – The Capital Improvement Revenue Bonds
The Series 2012B – Capital Improvement Revenue Bonds (Student Housing Project) in the amount of $3,440,000 were issued in November 2012. The bonds mature July 2013 through 2025, with an interest rate of 2.17%.

Series 2012A – Taxable Capital Improvement Revenue Bonds
The Series 2012A – Capital Improvement Revenue Bonds in the amount of $46,205,000 were issued in July 2012 for construction of Student Housing Project – Parliament Hall dorms. The bonds mature beginning July 1, 2014 through 2042, with interest rates ranging from 3% to 5%.

The Corporation is required to establish and collect fees, rentals and other charges from students, faculty members and others, in order for the net revenues available for debt service to be sufficient to cover at least 125% of the amount equal to the annual bond service requirement for the Series 2010A and 2012A&B student housing bonds, net of direct pay subsidies expected to be received on each respective interest payment date.

Series 2010 – Taxable Capital Improvement Revenue Bonds
Series 2010 – Taxable Capital Improvement Revenue Bonds were issued November 2010 in the amount of $44,500,000 and financed the construction of a 30,000 seat stadium facility, parking improvements, and other associated athletic and onsite and offsite infrastructure improvements and projects. The Bonds bear interest at an annual rate of 5.78% and mature in 2040. Issuance of the bonds provided the Corporation with a federal subsidy through a refundable tax credit paid to Corporation each fiscal year by the IRS, in an amount equal to 35% of the total coupon interest payable to investors in these taxable bonds, which was subsequently reduced to 26.3% as a result of sequestration.

Bondholders have the option to require that the Corporation purchase the bonds on the Initial Purchase Date of October 17, 2017 or agree to an Extended Purchase Date which cannot exceed three years from the Initial Purchase Date or each Extended Purchase Date. The interest rate on the Bonds is subject to adjustment on each Extended Purchase Date and will be determined by taking the 3-year LIBOR swap rate as of the applicable Extended Purchase Date and adding 336 basis points. The Extended Purchase Date interest shall be calculated on the basis of actual number of days elapsed in a 360 day year. The Corporation is required to adopt an operating budget for each fiscal year covering all operations and operating expenses which shall assure that pledged revenues will exceed all contemplated expenses by at least 25%.

In accordance with trust indenture agreements for each bond series discussed previously, the Corporation established and maintains a Debt Service fund (includes a capitalized interest account), a Cost of Issuance fund, a Construction fund, a Reserve fund, a Subordinate Debt Service fund and a Repair and Replacement Fund (see Note 2).

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

Debt	Beginning Balance	Additions	Repayments	Ending Balance	Due Within One Year
Bonds, Series 2010A Innovation Village	$ 120,930,000	$ -	$ -	$ 120,930,000	$ 1,555,000
Bonds, Series 2010B Innovation Village	3,365,000	-	3,365,000	-	-
Bonds, Series 2010 Stadium	44,500,000	-	-	44,500,000	925,000
Bonds, Series 2012A Parliament Hall	-	46,205,000	-	46,205,000	-
Bonds, Series 2012B Innovation Village	-	3,440,000	-	3,440,000	165,000
	$ 168,795,000	$ 49,645,000	$ 3,365,000	$ 215,075,000	$ 2,645,000

Note 4. Bonds Payable (Continued)

The Corporations expected debt service requirements to maturity are as follows, assuming the bondholders agree to each extended put date under the Series 2010 – Taxable Capital Improvement Revenue Bonds, extending maturity through fiscal year 2041:

Year Ending June 30,	Principal	Interest	Total
2014	$ 2,645,000	$ 13,182,491	$ 15,827,491
2015	4,005,000	13,025,905	17,030,905
2016	4,530,000	12,819,771	17,349,771
2017	4,795,000	12,596,182	17,391,182
2018	5,000,000	12,346,110	17,346,110
2019-2023	27,960,000	57,420,055	85,380,055
2024-2028	33,560,000	48,314,671	81,874,671
2029-2033	40,495,000	36,718,066	77,213,066
2034-2038	50,530,000	21,921,630	72,451,630
2039-2043	41,555,000	4,673,129	46,228,129
Total	$ 215,075,000	$ 233,018,010	$ 448,093,010

The Series 2010 – Taxable Capital Improvement Revenue Bonds provide bondholders with the option to require that the Corporation purchase the bonds on the initial put date of October 17, 2017 in the amount of $39,515,000 or agree to an extended put date which cannot exceed three years from the initial put date or each extended put date. The table above does not reflect any accelerated amortizations that may result under the put options as previously discussed. If the bonds are not extended, the amount due in year 2018 above would be $44,515,000.

Pledged Revenue

The Corporation has pledged revenues to repay bonds outstanding as of June 30, 2013. The following table reports the revenues pledged for each debt issue, the amounts of such revenue received in the current year, the current year principal and interest paid on the debt, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenue for each debt, which is the amount of the remaining principal and interest on the bonds at June 30, 2013:

Debt Issue*	Pledged Revenue	Net Available** Revenue	Principal and Interest Paid	Outstanding*** Principal and Interest	Pledged Through
Bonds, Series 2010A & 2012B Innovation Village	Housing Revenues	$ 10,100,315	$ 8,780,444	$278,571,086	2041
Bonds, Series 2012A Parliament Hall	Housing Revenues	$ -	$ 1,842,382	$ 82,330,638	2042
Bonds, Series 2010 Stadium	Athletic Revenues	$ 1,734,464	$ 1,734,464	$ 87,191,286	2041

*This table should not be used for computing the Debt Service Coverage Ratio as discussed previously in Note 4.

**Net available revenues are defined as gross pledged revenues less applicable operating expenses. Pledged revenues for the Series 2012A Parliament Hall Bonds are zero for fiscal year 2013 since the Parliament Hall facility was being constructed and not in service to generate revenues during the year.

*** The outstanding principal and interest balance for the Series 2010 – Taxable Capital Improvement Revenue Bonds does not reflect any accelerated maturities that may result under the put options as previously discussed.

Note 5. Operating Lease Commitments

The Corporation leases land under a non-cancelable operating lease agreement dated March 4, 2010 with Florida Atlantic University with terms extending through July 2040. The lease was prepaid in March 2010 by the Corporation to Florida Atlantic University for the sum of $12,000,000 which represents the total sum for the ground rent of the facility site located on the Boca Raton Campus of the University upon which the Corporation constructed student housing facilities and related surface parking. The lease is being amortized to rent expense over the life of the lease. The total rental expense for the year ended June 30, 2013 was $400,000.

Note 6. Stadium Operating Agreement

In November 2010 the University and the Corporation entered into an operating agreement whereby the Corporation issued Series 2010 – Taxable Capital Improvement Revenue Bonds in the amount of $44,500,000 to finance the acquisition, installation and construction of a 30,000 seat stadium facility (parking improvements, and other associated athletic and onsite and offsite infrastructure improvements and projects) (thereafter "facility") and the University agreed to operate and manage the facility for use as an athletic stadium to generate revenue to service the related debt. Under the terms of the operating agreement the University will collect and deposit all pledged revenues from operations of the facility in specified accounts as defined in the bond trust indenture agreement. The operating agreement is effective as of November 2010 and will terminate on the date all obligations of the Corporation and University under the bond trust indenture agreement have been fulfilled which is expected to be July 2040 (maturity date of the bonds). Under the terms of the operating agreement, on an annual basis, the University is required to deposit pledged revenues with the Corporation that are adequate to make annual debt service payments due on the Series 2010 – Taxable Capital Improvement Revenue Bonds.

Note 7. Related Party Transactions

Due to University
Certain construction and related costs are paid for by the University and then reimbursed by the Corporation. The balance due to the University related to these costs at June 30, 2013 amounted to $3,567,156. The University provides personnel and administrative support to the Corporation to aid in its operation. The costs of these services are not material to the Corporation, and therefore are not recognized in these financial statements.

Due from University
At June 30, 2013, the University owed the Corporation $1,675,976 for amounts collected on behalf of the Corporation.

Contributions from University
The University made contributions of $1,299,332 to the Corporation to fund the debt service reserve fund of the Series 2010 – Taxable Capital Improvement Revenue Bonds (see Note 1). The contributions will be used by the Corporation to make future debt service payments.

Note 8. Commitments

At June 30, 2013, the Parliament Hall dorm construction project was ongoing and there was approximately $8.4 million of construction commitments outstanding to complete this project.

FAU FINANCE CORPORATION

Item: 3

BOARD OF DIRECTORS

December 3, 2013

SUBJECT: REVIEW OF SEPTEMBER 30, 2013 INTERIM FINANCIAL DATA.

PROPOSED BOARD ACTION

Information Only.

BACKGROUND INFORMATION

The interim financial data as of September 30, 2013 of the Florida Atlantic University Finance Corporation (FAUFC) is presented to keep the Board of Directors informed about the financial status of the FAUFC.

Supporting Documentation: FAUFC Financial Report 2013.

Presented by: Ms. Stacey Semmel

FAU Housing System

For the Month Ended September 30, 2013

Algonquin	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	592,208	255,675	(336,533)	43%
Expenses:				
Payroll	141,509	11,653	129,856	8%
Other Expenses	232,297	41,701	190,596	18%
Repair and Replacement Fund	11,844	2,961	8,883	25%
Total Expenses	**385,650**	**56,315**	**329,335**	**15%**
Total Net	**206,558**	**199,360**		
Surplus for Bond Covenant Calculation	**592,208**	**255,675**		
Number of Beds	**93**	**93**		
Number of Revenue Producing Beds	**90**	**89**		**99%**
Accounts Receivable	-	**247,541**		
Deferred Revenue	-	-		

Apartments	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	4,012,679	1,839,363	(2,173,316)	46%
Expenses:				
Payroll	397,555	74,780	322,775	19%
Other Expenses	1,106,693	291,126	815,567	26%
Repair and Replacement Fund	80,254	20,063	60,191	25%
Total Expenses	**1,584,502**	**385,969**	**1,198,533**	**24%**
Total Net	**2,428,177**	**1,453,394**		
Surplus	**3,010,894**	**1,839,363**		
Number of Beds	**545**	**545**		
Number of Revenue Producing Beds	**525**	**509**		**97%**
Debt Service (Interest/fees)	**450,305**			
Debt Service (Principal)	**551,480**			
Debt Service Coverage - not required individually	**2.50**	**N/A**		
Accounts Receivable	-	**1,701,345**		
Deferred Revenue	-	-		

Glades Park Towers	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	4,048,171	1,743,742	(2,304,429)	43%
Expenses:				
Payroll	484,555	92,025	392,530	19%
Other Expenses	862,505	153,393	709,112	18%
Repair and Replacement Fund	80,963	20,241	60,722	25%
Total Expenses	**1,428,023**	**265,659**	**1,162,364**	**19%**
Total Net	**2,620,148**	**1,478,083**		
Surplus	**2,331,298**	**1,743,742**		
Number of Beds	**602**	**602**		
Number of Revenue Producing Beds	**588**	**521**		**89%**
Debt Service (Interest/fees)	**1,076,873**			
Debt Service (Principal)	**640,000**			
Debt Service Coverage - not required individually	**1.57**	**N/A**		
Accounts Receivable	-	**1,318,007**		
Deferred Revenue	-	-		

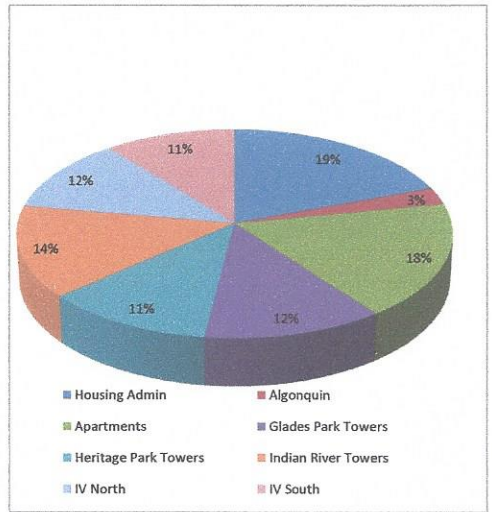
Heritage Park Towers	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	3,689,475	1,487,169	(2,202,306)	40%
Expenses:				
Payroll	267,778	82,426	185,352	31%
Other Expenses	889,973	149,617	740,356	17%
Repair and Replacement Fund	73,790	18,448	55,342	25%
Total Expenses	**1,231,541**	**250,491**	**981,050**	**20%**
Total Net	**2,457,934**	**1,236,678**		
Surplus	**2,220,766**	**1,487,169**		
Number of Beds	**602**	**602**		
Number of Revenue Producing Beds	**588**	**460**		**78%**
Debt Service (Interest/fees)	**660,189**			
Debt Service (Principal)	**808,520**			
Debt Service Coverage - not required individually	**1.72**	**N/A**		
Accounts Receivable	-	**1,174,712**		
Deferred Revenue	-	-		

Indian River Towers	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	4,876,149	2,033,009	(2,843,140)	42%
Expenses:				
Payroll	507,346	88,836	418,510	18%
Other Expenses	1,069,229	192,379	876,850	18%
Repair and Replacement Fund	97,523	24,381	73,142	25%
Total Expenses	**1,674,098**	**305,596**	**1,368,502**	**18%**
Total Net	**3,202,051**	**1,727,413**		
Surplus	**3,297,793**	**2,033,009**		
Number of Beds	**604**	**604**		
Number of Revenue Producing Beds	**581**	**530**		**91%**
Debt Service (Interest/fees)	**783,356**			
Debt Service (Principal)	**795,000**			
Debt Service Coverage - not required individually	**2.09**	**N/A**		
Accounts Receivable	-	**1,736,009**		
Deferred Revenue	-	-		

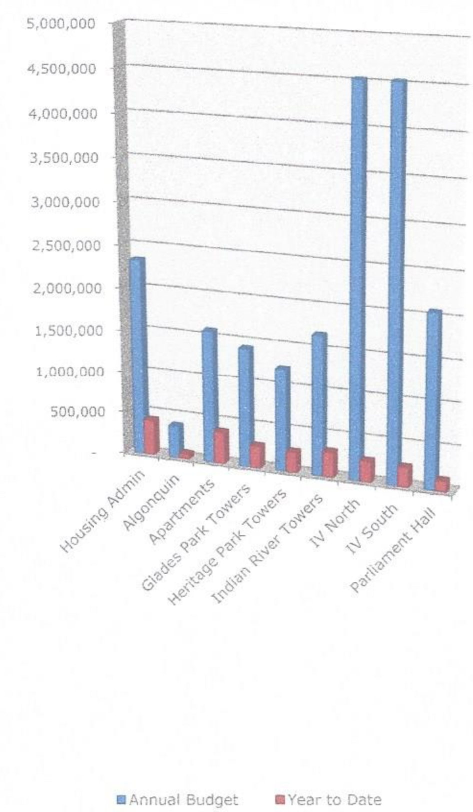
IV North	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	5,998,703	2,683,504	(3,315,199)	45%
Expenses:				
Payroll	404,173	65,332	298,589	16%
Other Expenses	1,130,322	157,572	972,750	14%
Repair and Replacement Fund	113,065	28,266	84,799	25%
Debt Service (Interest, net of Babs)	2,879,598		2,879,598	0%
Total Expenses	**4,527,158**	**251,170**	**4,275,988**	**6%**
Total Net	**1,471,545**	**2,432,334**		
Number of Beds	**609**	**609**		
Number of Revenue Producing Beds	**590**	**521**		**88%**
Debt Service (Principal)	**1,095,000**			
Debt Service Coverage - not required individually	**1.12**	**N/A**		
Accounts Receivable	-	**2,091,486**		
Deferred Revenue	-			

IV South	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	5,550,098	2,346,290	(3,203,808)	42%
Expenses:				
Payroll	430,389	65,682	364,707	15%
Other Expenses	1,105,405	139,835	965,570	13%
Repair and Replacement Fund	113,065	28,266	84,799	25%
Debt Service (Interest, net of Babs)	2,879,598	-	2,879,598	0%
Total Expenses	**4,528,457**	**233,783**	**4,294,674**	**5%**

Actual Cost Breakdown



Total Budget Expenses to Actual Expenses



Boca Raton campus	3,695 paying residents, or 89% occupied.
Jupiter campus	210 paying residents or 75% occupied.

FAU Housing System

For the Month Ended September 30, 2013

	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Net	**1,021,641**	**2,112,507**		
Number of Beds	**609**	**609**		
Number of Revenue Producing Beds	**580**	**500**		**86%**
Debt Service (Principal)	**1,095,000**	-		
Debt Service Coverage - not required individually	**1.01**	**N/A**		
Accounts Receivable	-	**2,057,334**		
Deferred Revenue	-	-		
Parliament Hall	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	4,743,833	2,287,401	(2,456,432)	48%
Expenses:				
Payroll	432,204	41,440	390,764	10%
Other Expenses	681,906	52,874	629,032	8%
Repair and Replacement Fund	122,800	30,700	92,100	25%
Debt Service (Interest, excludes Cap i)	**827,731**		827,731	0%
Total Expenses	**2,064,641**	**125,014**	**1,939,627**	**6%**
Total Net	**2,679,192**	**2,162,387**	**(4,396,059)**	
Number of Beds	**600**	**600**		
Number of Revenue Producing Beds	**600**	**565**		**94%**
Debt Service (Principal)	-			
Debt Service Coverage - not required individually	-	**N/A**		
Accounts Receivable		**1,742,729**		
Deferred Revenue	-	-		
Housing Admin	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	750,000	158,556	(591,444)	21%
Expenses:				
Payroll	1,399,862	253,391	1,146,471	18%
Other Expenses	932,122	166,941	765,181	18%
Total Expenses	**2,331,984**	**420,332**	**1,911,652**	**18%**
Total Net	**(1,581,984)**	**(261,776)**		
Surplus	**750,000**	**158,556**		
Accounts Receivable	-	**324,332**		
Total	Annual Budget	Year to Date	Dollar Variance	% (25%)
Total Revenues	34,261,316	14,834,709	(19,426,607)	43%
Expenses:				
Payroll	4,465,371	775,565	3,689,806	17%
Other Expenses	8,010,452	1,345,438	6,665,014	17%
Reserves	693,304	173,326	519,978	25%
Debt Service (Interest) IV & Par Hall	6,586,927	-	6,586,927	0%
Total Expenses	**19,756,054**	**2,294,329**	**17,461,725**	**12%**
Total Net	**14,505,262**	**12,540,380**		
Surplus DBF	**12,202,959**	**7,517,514**		
Number of Beds	**4,264**	**3,664**		
Number of Revenue Producing Beds	**4,142**	**3,130**		**76%**
Debt Service (Principal) IV	**2,190,000**			
Debt Service (Interest) DBF	**2,970,723**	-		
Debt Service (Principal) DBF	**2,795,000**	-		
Debt Service Coverage - Budget	**1.50**	**N/A**		
Accounts Receivable	-	**12,393,494**		
Deferred Revenue	-	-	-	

FAU Housing System

For the Month Ended June 30, 2013

Algonquin	Annual Budget	Year to Date	Dollar Variance	100%
Total Revenues	622,400	627,672	5,272	101%
Expenses:				
Payroll	170,055	102,519	67,536	60%
Other Expenses	214,819	212,798	2,021	99%
Repair and Replacement Fund	18,672	18,672	-	100%
Total Expenses	**403,546**	**333,989**	**69,557**	**83%**
Total Net	**218,854**	**293,683**		
Surplus for Bond Covenant Calculation	**622,400**	**627,672**		
Number of Beds	**93**	**93**		
Number of Revenue Producing Beds	**90**	**87**		**96%**
Accounts Receivable	-	**34,457**		
Deferred Revenue (Fall 2013)	-	-		

Apartments	Annual Budget	Year to Date	Dollar Variance	100%
Total Revenues	3,825,832	3,485,582	(340,250)	91%
Expenses:				
Payroll	517,636	326,715	190,921	63%
Other Expenses	979,176	1,667,639	(688,463)	170%
Repair and Replacement Fund	114,775	114,775	-	100%
Total Expenses	**1,611,587**	**2,109,129**	**(497,542)**	**131%**
Total Net	**2,214,245**	**1,376,453**		
Surplus	**2,823,738**	**2,482,594**		
Number of Beds	**545**	**545**		
Number of Revenue Producing Beds	**525**	**507**		**96%**
Debt Service (Interest/fees)	**470,889**	**471,783**		
Debt Service (Principal)	**531,205**	**531,205**		
Debt Service Coverage - not required individually	**2.32**	**1.37**		
Accounts Receivable	-	**78,982**		
Deferred Revenue (Fall 2013)	-	-		

Glades Park Towers	Annual Budget	Year to Date	Dollar Variance	100%
Total Revenues	4,049,925	3,500,870	(549,055)	86%
Expenses:				
Payroll	542,444	408,368	134,076	75%
Other Expenses	811,843	806,796	5,047	99%
Repair and Replacement Fund	121,498	121,498	-	100%
Total Expenses	**1,475,785**	**1,336,662**	**139,123**	**91%**
Total Net	**2,574,140**	**2,164,208**		
Surplus	**2,333,452**	**1,782,017**		
Number of Beds	**602**	**602**		
Number of Revenue Producing Beds	**588**	**549**		**93%**
Debt Service (Interest/fees)	**1,101,473**	**1,103,853**		
Debt Service (Principal)	**615,000**	**615,000**		
Debt Service Coverage - not required individually	**1.57**	**1.26**		
Accounts Receivable	-	**59,882**		
Deferred Revenue (Fall 2013)	-	-		

Heritage Park Towers	Annual Budget	Year to Date	Dollar Variance	100%
Total Revenues	3,860,324	3,455,259	(405,065)	90%
Expenses:				
Payroll	510,354	383,384	126,970	75%
Other Expenses	883,160	1,013,516	(130,356)	115%
Repair and Replacement Fund	115,810	115,810	-	100%
Total Expenses	**1,509,324**	**1,512,710**	**(3,386)**	**100%**
Total Net	**2,351,000**	**1,942,549**		
Surplus	**2,391,162**	**1,984,788**		
Number of Beds	**602**	**602**		
Number of Revenue Producing Beds	**588**	**549**		**93%**
Debt Service (Interest/fees)	**690,367**	**691,676**		
Debt Service (Principal)	**778,795**	**778,795**		
Debt Service Coverage - not required individually	**1.68**	**1.32**		
Accounts Receivable	-	**631,151**		
Deferred Revenue (Fall 2013)	-	-		

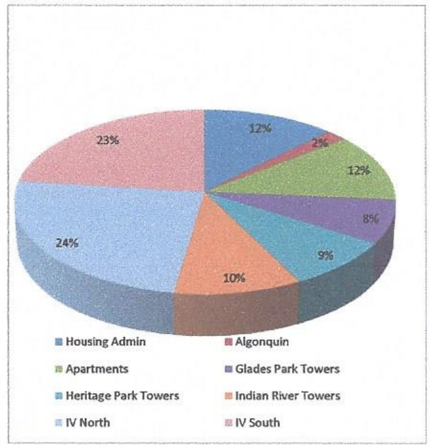
Indian River Towers	Annual Budget	Year to Date	Dollar Variance	100%
Total Revenues	4,261,192	5,017,869	756,677	118%
Expenses:				
Payroll	535,030	392,866	142,164	73%
Other Expenses	1,000,190	1,206,956	(206,766)	121%
Repair and Replacement Fund	127,836	127,836	-	100%
Total Expenses	**1,663,056**	**1,727,658**	**(64,602)**	**104%**
Total Net	**2,598,136**	**3,290,211**		
Surplus	**2,682,236**	**3,437,302**		
Number of Beds	**604**	**604**		
Number of Revenue Producing Beds	**581**	**533**		**92%**
Debt Service (Interest/fees)	**813,956**	**815,567**		
Debt Service (Principal)	**765,000**	**765,000**		
Debt Service Coverage - not required individually	**1.73**	**2.08**		
Accounts Receivable	-	**631,151**		
Deferred Revenue (Fall 2013)	-	-		

IV North	Annual Budget	Year to Date	Dollar Variance	100%
Total Revenues	6,200,222	5,209,160	(991,062)	84%
Expenses:				
Payroll	361,925	293,152	298,589	81%
Other Expenses	1,125,622	892,318	233,304	79%
Repair and Replacement Fund	109,772	109,772	-	100%
Debt Service (Interest, net of Babs)	2,999,502	3,014,521	(15,019)	101%
Total Expenses	**4,596,821**	**4,309,763**	**287,058**	**94%**
Total Net	**1,603,401**	**899,397**		
Number of Beds	**609**	**609**		
Number of Revenue Producing Beds	**590**	**527**		**89%**
Debt Service (Principal)	**805,000**	-		
Debt Service Coverage - not required individually	**1.24**	**1.33**		
Accounts Receivable	-	**125,207**		
Deferred Revenue (Fall 2013)	-			

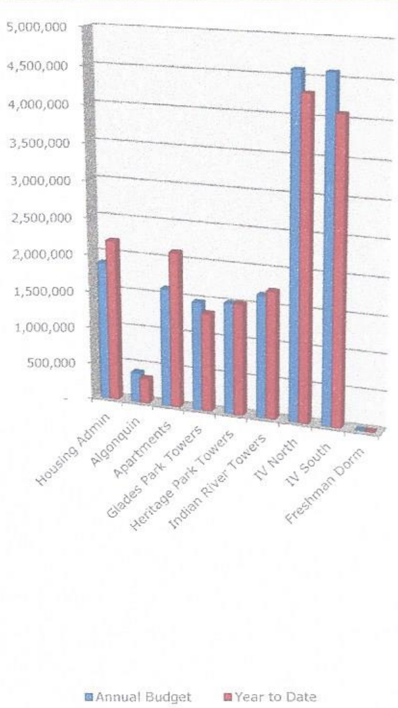
IV South	Annual Budget	Year to Date	Dollar Variance	100%
Total Revenues	5,170,495	5,487,075	316,580	106%
Expenses:				
Payroll	365,863	299,578	66,285	82%
Other Expenses	1,113,508	656,286	457,222	59%
Repair and Replacement Fund	109,772	109,772	-	100%
Debt Service (Interest, net of Babs)	2,999,502	3,014,521	(15,019)	101%
Total Expenses	**4,588,645**	**4,080,156**	**508,489**	**89%**
Total Net	**581,850**	**1,406,919**		
Number of Beds	**609**	**609**		
Number of Revenue Producing Beds	**580**	**500**		**86%**
Debt Service (Principal)	**805,000**	-		
Debt Service Coverage - not required individually	**0.97**	**1.50**		
Accounts Receivable	-	**130,689**		
Deferred Revenue (Fall 2013)	-	-		

Freshman Dorm	Annual Budget	Year to Date	Dollar Variance	100%
Total Revenues	-	-	-	0%
Expenses:				
Payroll	-	-	-	0%
Other Expenses	-	-	-	0%
Repair and Replacement Fund	-	-	-	0%
Debt Service (Interest, net of Babs)	-	-	-	0%
Total Expenses	-	-	-	**0%**

Actual Cost Breakdown



Total Budget Expenses to Actual Expenses



Boca Raton campus	3,082 paying residents, or 87% occupied. Our average occupancy for the year is 92%.
Jupiter campus	211 paying residents or 75% occupied. Our average occupancy for the year is 78%.
Summer 1 & 3	
Boca Raton campus	811 summer residents, this compares to 736 last year at this time.
Jupiter campus	8 summer residents, this compares to 8 last year at this time.
Fall Applications:	
Boca Raton campus	3782 applications. This compares to 3763 last year.
Jupiter campus	211 applications. This compares to 223 last year.

FAU Housing System

For the Month Ended June 30, 2013

	Annual Budget	Year to Date	Dollar Variance	100%
Total Net	-	-	-	
Number of Beds	-	-		
Number of Revenue Producing Beds	-	-		**0%**
Debt Service (Principal)	-	-		
Debt Service Coverage - not required individually	-	-		
Accounts Receivable				
Deferred Revenue (Fall 2013)	-	-		
Housing Admin	**Annual Budget**	**Year to Date**	**Dollar Variance**	**100%**
Total Revenues	550,448	410,420	(140,028)	75%
Expenses:				
Payroll	1,157,141	1,058,842	98,299	92%
Other Expenses	716,741	1,128,682	(411,941)	157%
Total Expenses	**1,873,882**	**2,187,524**	**(313,642)**	**117%**
Total Net	**(1,323,434)**	**(1,777,104)**		
Surplus	**550,448**	**410,420**		
Accounts Receivable	-	**276,917**		
Total	**Annual Budget**	**Year to Date**	**Dollar Variance**	**100%**
Total Revenues	28,540,838	27,193,907	(1,346,931)	95%
Expenses:				
Payroll	4,160,448	3,265,424	895,024	78%
Other Expenses	6,845,059	7,584,991	(739,932)	111%
Reserves	718,135	718,135	-	100%
Debt Service (Interest) IV	5,999,004	6,029,041	(30,037)	101%
Total Expenses	**17,722,646**	**17,597,592**	**125,054**	**99%**
Total Net	**10,818,192**	**9,596,315**		
Surplus DBF	**11,403,436**	**10,724,793**		
Number of Beds	**3,664**	**3,664**		
Number of Revenue Producing Beds	**3,542**	**3,251**		**92%**
Debt Service (Principal) IV	**1,610,000**			
Debt Service (Interest) DBF	**3,076,685**	**3,082,879**		
Debt Service (Principal) DBF	**2,690,000**	**2,690,000**		
Debt Service Coverage - Budget	**1.31**	**1.38**		
Accounts Receivable	-	**1,968,435**		
Deferred Revenue (Fall 2013)	-	-	-	

Variance Explanation for Housing Revenue Actual compared to Budget for 2012-2013

Several of the buildings exhibited lower revenue compared to the budget assumptions for occupancy:

- Heritage Park Towers - $286K was included in the budget for summer 2012; summer 2012 actual revenue was recorded in FY2012. If you remove the $286K from the budget and compare that to actual revenue recorded, revenue is at 97%.

- Glades Park Towers - $476K was included in the budget for summer 2012; summer 2012 actual revenue was recorded in FY2012. If you remove the $476K from the budget and compare that to actual revenue recorded, revenue is at 98%.

- Apartments/UVA - $464K was budgeted for summer 2013; it was later decided that UVA would not be used for summer 2013. If you remove the $464K from the budget and compare that to actual revenue recorded, revenue exceeds 100%.

- Innovation Village North - $548K was budgeted for summer 2012; summer 2012 actual revenue was recorded in FY2012. Additionally, the number of beds budgeted at the 2/2 rate was overstated by 16 beds; this resulted in the revenue being overstated by $162K. If you exclude both of these items from the budget and compare that to actual revenue recorded, revenue is at 95%.

The majority of these discrepancies were due to incorrect assumptions that summer revenue for Summer Terms I and II would get recorded in the prior fiscal year, while summer revenue for Summer Term III would get recorded in the new fiscal year. Summer revenue is recorded using only one detail code; therefore, it is fully recorded in the prior fiscal year. The Division has already taken steps to ensure this will not happen again and that future budgets will be properly aligned to reflect what we anticipate will actually occur. However, at the time that the budgets are built, it is not always guaranteed that buildings indicated for operation during the summer will be the actual buildings scheduled for summer operations.

Variance Explanation for Housing Revenue Actual compared to Budget for September 2013

During the first quarter of fiscal year 2014, several of the buildings did not achieve the expectation of earning 50% of budgeted revenues. This is largely due to two factors:

- The methodology described above regarding the assumptions utilized to calculate budget carried forward into fiscal year 2014. The impact on the budget to actual comparison for the first quarter of fiscal year 2014 is consistent with the prior year due to the inclusion of summer 2013 housing in the budget and

- Housing occupancy has declined from a consistent 93% over the past several years to approximately 88% in fall 2013. For further detail relating to the decrease in occupancy in fiscal year 2014 and the action plan put in place to remedy it, please refer to the Explanation for Decrease in Occupancy – FY2013-2014 memorandum created by The Housing and Residential Life Department and the Division for Student Affairs attached to this handout.

Variance Explanation for Housing Expenses Actual Compared to Budget for 2012-2013

Several of the buildings exhibited higher actual expenses as compared to budgeted expenses:

- Apartments/UVA – Actual Other Expenses exceeded budget by $688k during fiscal year 2013. During the year, the Apartments underwent large repair and maintenance projects such as $554k for Carpet and tile replacement and $143k for appliance replacement. Excluding these large infrastructure projects from the total, actual expenses are 99% of budgeted expenses.

- Indian River Towers - Actual Other Expenses exceeded budget by $207k during fiscal year 2013. During the year, Indian River Towers spent $161k on an HVAC repair that was not original budgeted for, $27k for Building Electric Repairs, $42k relating to the purchase and installation of Fire and Safety Equipment. Omitting these expenses, actual expenses are 98% of budgeted.

- Heritage Park Towers- Actual Other Expenses exceeded budget by $130k during fiscal year 2013. During the year, Heritage Park Towers spent $113k on an HVAC repair and $75k on non-contracted maintenance. Excluding these expenses, actual expenses are 93% of budgeted expenses.

- Housing Administration – Actual Other Expenses exceeded budget by $412k during fiscal year 13. During the year, Housing contributed $137k to the Stadium, $133k of depreciation expense was recorded, $54k was incurred for elevator maintenance, $49k for common area equipment and repairs, $33k for the remodel of the Housing Office and $23k of costs for the Spring Carnival was absorbed by Administration rather than being allocated to the dorms. Without these costs, actual expenses are 98% of budgeted expenses.

Explanation for decrease in Housing Occupancy – FY2013-2014

Housing occupancy consistently stood at more than 93 percent for several years, but fell to 88 percent in fall 2013 for a variety of reasons. The Housing and Residential Life Department and the Division of Student Affairs have created a plan of action to ensure that the occupancy rate returns to 95 percent in fall 2014. The plan and specific actions are as follows:

- A search to hire a new Director of Housing and Residential Life is currently under way.

- During the 2012-2013 academic year, the decision was made to dissolve the Living Learning Communities (LLCs), which resulted in the loss of 100 residents. This decision has been reversed for fall 2014; therefore, we expect these beds to be filled again by LLCs. The goal is to have 150 students living in specialty housing.

- The number of housing exemptions increased dramatically from last year to this year (310 in fall 2012 to 605 in fall 2013). Historically, exemptions have been granted without committee review. Housing has now established an Exemption Committee made up of representatives from various University units (Admissions, Dean of Students Office, etc.). This committee is tasked with reviewing all requests for housing exemptions in order to minimize them, thus resulting in an anticipated increase in occupancy in fall 2014.

- Housing has developed a comprehensive marketing plan aimed at increasing the number of students returning to housing in fall 2014. Publicity venues include, but are not limited to, social media and increased signage; also, housing assignments will be made earlier. In addition, there will be aggressive marketing of housing to out-of-state students, guaranteeing them space if they apply by May 1, 2014.

- A recent survey of commuter students revealed that cost prevents many of them from living on campus. In an effort to address this, we are considering maintaining the 2013-2014 rates at the same level in 2014-2015 for students who currently reside in housing, plan to remain for the

2014-15 academic year and are willing to sign up early. For new students (FTIC or new transfer students), we are considering very minimal rate increases. We believe that these cost-control measures will help us attract more students to housing.

- Finally, we are reducing the mileage radius requirement for freshmen. This year the rule allowed freshmen residing within 50 miles of the University to be exempt from living in campus housing; next year, the radius will be reduced to 30 miles. We believe this change will also boost housing occupancy numbers.

FAU FINANCE CORPORATION

Item: 4

BOARD OF DIRECTORS

December 3, 2013

SUBJECT: BOND COMPLIANCE POLICY

PROPOSED BOARD ACTION

Approve a Bond Compliance Policy for the FAU Finance Corporation.

BACKGROUND INFORMATION

Entities that receive and administer proceeds of tax-exempt or direct subsidy bonds (e.g. Build America Bonds) (collectively referred to herein as "Bonds") are responsible for assuring compliance with various tax and disclosure matters for as long as the Bonds remain outstanding. A failure to fulfill the responsibility for monitoring and maintaining adequate records may result in the Bonds losing their tax-exempt status. The IRS has an active audit program to evaluate post-issuance compliance with tax-law requirements.

The proposed Bond Compliance Policy is modeled after several other similar organizations. The policy's goal is to ensure continued post-issuance compliance responsibilities for all FAUFC issued Bonds by providing policy and procedures for: organizational responsibilities, tracking expenditures, monitoring private business use, maintaining appropriate retention of records, monitoring arbitrage and rebate, making required disclosures and filings, assuring continuity and training, and taking remedial action as needed.

Supporting Documentation: Proposed Bond Compliance Policy

Presented by: Stacey Semmel, Treasurer & Elizabeth Rubin, Associate General Counsel

FAU FINANCE CORPORATION
777 Glades Road
Administration Building 10, Room 345
Boca Raton, Florida 33431

Tax-Exempt Bond Compliance Policy

I. Introduction

This policy sets forth the FAU Finance Corporation's (FAUFC) methodology for ensuring continued post-issuance compliance with Internal Revenue Service requirements pertaining to tax-exempt bonds (TEBs). TEBs are valid debt obligations used by the FAUFC to finance construction of facilities. This tax-exempt status remains throughout the life of the debt provided that all applicable federal tax laws are satisfied. Post-issuance tax compliance begins with the debt issuance process itself and provides for a continuing focus on investments of debt proceeds and use of debt-financed property.

The Board of Directors will comply with all requirements of federal and state law relating to its bonds, including but not limited to, laws relating to maintaining the exemption from taxation of interest payments on the bonds issued as tax exempt obligations, laws relating to maintaining the qualifications for Build America Bond (BAB) subsidy payments, and continuing secondary market disclosure of information regarding the bonds.

II. Policy Statement

TEBs are debt obligations, the proceeds of which are used by the FAUFC to finance construction of all or a portion of its facilities and those supporting Florida Atlantic University (FAU or University). The obligation to maintain the tax-exempt status of the TEBs remains throughout the life of the bonds. However, this status can be lost if certain applicable federal income tax requirements are not satisfied during the entire period the TEBs are outstanding. Taxability of the interest on the TEBs or other lesser consequences can result from failure to comply with restrictions relating to arbitrage, timing and use of bond proceeds, and other aspects of bond issue. Post-issuance tax compliance begins with the debt issuance process itself and provides for a continuing focus on investments of debt proceeds and use of debt-financed property. Post-issuance compliance responsibilities include:

- Tracking that proceeds of a debt issuance are spent on qualified tax-exempt debt purposes;
- Maintaining detailed records of the expenditure and investment of the proceeds of the TEBs;
- Ensuring the project financing is used in a manner consistent with the legal and federal income tax requirements;
- Providing necessary disclosure information regarding financial and operating status as required.

III. Procedures

A. Organizational Responsibility

The Executive Director has primary responsibility for ensuring and monitoring post-issuance compliance with TEB regulations. The Executive Director is also responsible for approving certain project-level decisions impacting TEB compliance. The Treasurer is responsible for tracking draws and expenditures of all debt proceeds, including for cost of issuance. The University Attorney's office and external bond counsel is responsible for providing guidance on applicable federal and state laws.

B. Tracking Expenditures

TEB proceeds (and investment earnings thereon) must be spent on qualified bond purposes and should be spent within the applicable temporary period. Special rules exist for BAB proceeds, which can **only** be used for capital expenditures, refunding proceeds, and pooled financings. The FAUFC allocates debt proceeds to the various projects being funded with the TEBs. All FAUFC contracts and purchase orders for bond-financed capital expenditures are approved by the Executive Director, or in his absence, his/her designee. If the FAUFC delegates such authority to the University, the Senior Vice President of Financial Affairs of FAU, or his/her designee shall be the approving authority. All FAU purchase orders are approved in accordance with FAU's Purchasing policies and procedures. All spending of the funds toward a financed project's costs is tracked by the Treasurer and/or the Controller's Office at FAU and the sources of such capital expenditures (e.g., bond proceeds, equity or donations) are identified. All donations restricted to a particular project are recorded as such by the applicable FAU foundation. In addition, all other uses of bond proceeds such as costs of issuance or deposits to reserve funds are identified on a bond issue-by-issue basis. A final allocation of expenditures for a bond-financed project is made when required under the applicable federal income regulations.

As bond proceeds are spent for qualified expenditures, requests are to be made to drawdown the money from the Trustee Bank within 60 days after payment of the original expenditure. In addition, no more than the lesser of $5,000,000 or 5% of TEB proceeds may be used to finance a loan to any person other than a state or local government. To ensure that all restrictions and time periods are met, the FAUFC shall work with the University counsel and outside bond counsel prior to making the expenditure if it plans to use TEB proceeds for reimbursement, to make a loan, or if money other than TEB proceeds will be spent on the project.

C. Private Business Use

The FAUFC's TEBs, which are qualified 501(c)(3) bonds, will lose their tax-exempt qualified status if more than 10 percent of the net proceeds[1] of the bond issue are to be used for any private business use. "Private business use" (PBU) means use by any person other than a state or local government unit, including:

- business corporations;
- partnerships;
- limited liability companies;
- associations;
- nonprofit corporations;
- natural persons engaged in trade or business activity;
- the United States; and
- any federal agency,

For this reason, this Policy prohibits the approval of any use of TEBs for PBU in excess of 10 percent of a bond series' net proceeds. Because the IRS considers the use of the bond proceeds to finance the bond issuance costs as PBU, the allowable PBU percentage is reduced by the cost of issuance percentage.[2] The FAUFC will comply with IRS code section 141(b)(1) for PBU.

PBU occurs when private business users are given special legal entitlements to use TEB-financed property. Private business users include corporations other than the issuer if their on-campus activities constitute unrelated trade or business for either the issuer or the University; and government entities other than the fifty states and their subdivisions. Special legal entitlements to TEB-financed property fall into the following categories,

- Renovations of property leased to the University
- Leases/Use of Bond-Financed property
- Management contracts
- Utility output contracts
- Sponsored research agreements (excluding clinical trial research agreements)
- Clinical trial agreements
- Material transfer agreements
- Corporate researchers working at the University
- Unrelated trade or business activities
- Naming rights
- Other actual or beneficial use of University property

PBU's are tracked by the department responsible for the operations for which the TEB are issued.

[1] Under IRC section 150(a)(3), ―net proceeds means the proceeds of the issue (which under IRS Regulation 1.141-1 generally means the sale proceeds plus investment proceeds) less proceeds held in a reserve fund.
[2] IRC Section 147(g) limits the amount of bond proceeds that may be applied to finance the costs associated with the issuance of qualified 501(c)(3) bonds to 2% of the proceeds of the bond issue.

D. Record Retention

The Controller's Office will retain all records for the length of time required to comply with IRS TEB regulations. Currently, records of TEB issuances and related post-issuance compliance documentation must be maintained for the life of the bond, plus any refunding, plus three years. Basic records relating to any debt transaction will be maintained, as well as documentation evidencing the:

- Expenditures of bond proceeds;
- Use of debt-financed property; and
- Sources of payment or security for the bonds.

The Treasurer is responsible for identifying the documents to be retained, for identifying and training the person responsible for retaining each type of document, and for maintaining records showing the responsible person and the exact location of the records (either physical or electronic). No employee shall discard or destroy any information identified in the inventory during the period such records are required to be maintained.

E. Arbitrage and Rebate

Investments acquired with TEB proceeds must be purchased at fair market value and must be invested in a manner that complies with the TEB documents as well as with arbitrage rules. TEBs lose their tax-exempt status if they are classified as "arbitrage bonds." In general, arbitrage is earned when the gross proceeds of a bond issue are used to acquire investments that earn a yield that is "materially higher" than the yield on the bonds issued. The Internal Revenue Code contains two separate sets of requirements that must be complied with to ensure that TEBs are not arbitrage bonds. They are:

- Yield Restriction requirements, which generally provide that in the absence of an applicable exception, bond issue proceeds may not be invested at a yield in excess of the bond yield; and
- Rebate requirements, which generally provide that when arbitrage is earned on an issue in excess of permitted amounts, the excess earnings must be paid to the U.S. Department of Treasury, even if an exception to the yield restriction requirements applies.

The FAUFC has engaged the services of an Arbitrage Compliance Servicer to provide written reports to assist the FAUFC in monitoring yield on investments and calculating any rebate that may be due. If the Servicer provides a written report that rebate is due, the FAUFC will make any required payments to the IRS.

F. Disclosures and Filings

The FAUFC will comply with continuing disclosure requirements as stated in the bond documents. The FAUFC will file, or cause to be filed, all required tax returns within the time periods specified.

G. Continuity and Training

In furtherance of the policies set forth above, the Executive Director, the Treasurer and FAUFC counsel will take such steps as necessary to assure that the staff responsible for complying with requirements applicable to TEBs are trained to complete their responsibilities relating to the procedures set forth above. Such training will cover the purposes and importance of these procedures, as well as the details of the particular staff member's responsibilities. To provide for continuity of compliance with post-issuance debt requirements, the FAUFC has included as part of its routine monitoring and review a calendar of significant dates, an annual review of private use of facilities, and review of compliance with this policy.

H. Remedial Action

The department using TEB facilities is responsible for notifying the Executive Director before there is a change in use of any facility financed with tax-exempt debt. In the event such a change in use may result in the transfer of ownership of bond-financed property to a Non-exempt Person during the measurement period or in excessive PBU for a bond issue, the FAUFC may avail itself of rules under Treasury Regulation 1.141-12 which provide for "remedial action," including the redemption or defeasance of nonqualified bonds, or application of disposition proceeds to other qualifying capital expenditures. The FAUFC will seek the advice of bond counsel in the event remedial action may be required. To the extent a potential violation arises that cannot be corrected through remedial action, or in the event of a potential arbitrage violation, the FAUFC will seek the advice of bond counsel concerning its alternatives, which may include approaching the Internal Revenue Service under the Voluntary Closing Agreement Program.