FAU FINANCE CORPORATION

BOARD OF DIRECTORS

AGENDA

Wednesday, April 1, 2015 11:00 a.m.
President's Conference Room
Boca Raton Campus, Building 10, Room 339
Call in Number: 1-888-537-7715 / Passcode: 59289651#

---

1. Roll Call and Approval of the Draft Minutes of the October 20, 2014 FAU Finance Corporation Board of Directors Meeting

2. Review of the FAU Finance Corporation Financial Report for the Year Ended June 30, 2014

3. Financial and Operational Performance Report on the FAU Housing System, Boca Raton Campus for Fiscal year 2014-15

4. Request for Approval of the 2015-16 FAU Finance Corporation Operating Budget

5. Adjournment of Meeting

FAU FINANCE CORPORATION

Item: 1

BOARD OF DIRECTORS

Wednesday, April 1, 2015

SUBJECT: **ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE OCTOBER 20, 2014 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 October 20, 2014 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
Monday, October 20, 2014 2:00 p.m.

1. ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE MAY 21, 2014 FAU FINANCE CORPORATION (FAUFC) BOARD OF DIRECTORS (BOD) MEETING.

The meeting of the FAUFC 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, Vice Chair and Mr. Peter LoBello.

The following officers were in attendance:

Ms. Dorothy Russell, Executive Director, and Ms. Stacey Semmel, Secretary/Treasurer.

The following guests were in attendance:

Dr. Corey King, Interim Vice President of Student Affairs; Ms. Michelle Smith, Regional VP of Operations for FAU Housing/Capstone-on-Campus; Ms. Ilene Mates, Assistant VP of Student Affairs for Finance; Jessica Cohen, Associate Controller; Elizabeth Rubin, Associate General Counsel; and, Ms. Jessica Camacho, Administrative Assistant/FAU-Financial Affairs.

A motion was made by Mr. Adams and seconded by Mr. Barbar to approve the minutes of the May 21, 2014 meeting without change or correction. The motion passed unanimously.

2. NOMINATIONS AND ELECTIONS FOR ELECTED DIRECTORS TO THE BOARD.

Elected Director Peter LoBello's first four-year term had ended on December 15, 2013. Elected Directors are eligible to serve two consecutive terms of four years in length. Mr. Adams nominated Mr. LoBello which was seconded by Mr. Barbar and by unanimous vote Mr. LoBello will serve another four-year term.

3. REQUEST FOR APPROVAL OF THE 2015-16 HOUSING BUDGET AND RENTAL RATES.

Ms. Russell informed the board that the Housing budget and rental rates are being presented earlier in the year as requested and will be presented to the Board of Trustees earlier than previous years as well. This gives each board an opportunity to review the budget in the first quarter of the fiscal year.

Dr. King explained the immediate action that took place once he stepped into his role. He retained the Capstone Management System, however; quickly realized that the abilities and expertise of Capstone were not being utilized. Weekly meetings occur with Capstone executives to review real-time data, discuss occupancy, look at frequency of room assignments and redevelop the marketing strategy. Currently, for the fall semester, the occupancy rate is at 87% and the goal for FY15-16 is 90% occupancy in revenue-making beds (95 beds out of 4200 are RA staff beds). Several steps are being taken to ensure that occupancy rate is obtained such as adding washers/dryers in each room in IVAN and the same will be done for IVAS in FY15-16. In addition, approximately 200 double rooms will be converted to singles and students will sign 12-month contracts to keep them on for the year. Single rooms are popular among the student population and about 200 international students will be on living on campus due to the Navitas program.

The upgraded housing system, Adirondack, was discussed and upon Mr. Adams' request, Ms. Smith confirmed that with this system she will be able to put together a breakdown of reasons why students leave on campus housing after the fall semester. Ms. Russell did confirm that there is $7M in reserve for students that do not stay in on campus housing from fall to spring.

University Park was also mentioned and Ms. Russell stated many reasons why staying on campus is better for the student such as fully furnished rooms, utilities included in room rates and a higher success rate overall.

With the exception of an increase of 10% for Algonquin Hall, Dr. King explained that increases for Housing rental rates range from 1.4% to 6.3%. He explained that Algonquin Hall is in high demand and always at 95-100% occupancy which is the reason for the 10% increase. IVAN and IVAS increases are due to new amenities and a standard increase of 1.5-1.6% to all other buildings is due to inflation according to Capstone.

Mr. Barbar inquired about what the impact would be if only Algonquin and IVAS rates were increased as indicated with no other increases on the other buildings. Ms. Russell informed the board that from a financial standpoint it would affect the budget significantly if the increases in the other halls were not applied since that would account for over 3,000 beds without an increase.

A motion was made by Mr. Adams and seconded by Mr. Barbar to approve the proposed 2015-16 Housing Rental Rates. The motion passed unanimously.

Ms. Russell summarized the 2015-16 Housing Budget and spoke briefly about the pre-collegiate initiative. Mr. Barbar added that the expo held before Saturday's football game brought in over 7,000 high school students from the Palm Beach area who were able to learn about the different programs available at FAU.

Several changes were suggested by board members on the format of the Housing Budget Detail spreadsheet regarding Admin expenses. These changes will be implemented in next year's report.

4. **ADJOURNMENT OF MEETING.** With no other issues to discuss, a motion was made and seconded to adjourn the meeting. The meeting was adjourned at 2:45 p.m.

FAU FINANCE CORPORATION

Item: 2

BOARD OF DIRECTORS

Wednesday, April 1, 2015

SUBJECT: **REVIEW OF THE FAU FINANCE CORPORATION FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014.**

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, 2014.

Supporting Documentation: FAUFC Financial Report Year Ended June 30, 2014.

Presented by: Keefe McCullough CPA's + Trusted Advisors

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

Financial Report
For the Year Ended June 30, 2014

Contents

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, 2014, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 entity'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 entity'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, 2014, 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.

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 24, 2014, 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.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 24, 2014

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, 2014, 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 July 2012, the FAU Finance Corporation issued Capital Improvement Revenue Bonds (Student Housing Project) Series 2012A totaling $46,205,000 which mature beginning in July 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 in January 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 in July 2013 through 2025, with an interest rate of 2.17%. Additionally, the FAU Finance Corporation issued $120.9 million of Capital Improvement Revenue Bonds (Student Housing Project) Series 2010 which mature beginning in July 2013 through 2040 with interest rates ranging from 4% to 7.64%.

The FAU Finance Corporation's assets totaled approximately $196.1 million at June 30, 2014. This balance reflects $45.7 million of deposits with a fiscal agent held in connection with the sale of bonds. The FAU Finance Corporation's revenues totaled approximately $31.1 million for the 2013-14 fiscal year, representing earnings on funds held with fiscal agent, IRS interest credits, housing revenues, athletic fees, unrealized gains on investments, 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 approximately $28.1 million for the 2013-14 fiscal year, inclusive of interest paid from the capitalized interest funds held with fiscal agent. There was an approximately $1.9M prior period adjustment due to change in accounting principle relating to Bond Issuance costs. This change in accounting principle is in accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*.

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 Vice President for Financial Affairs, FAU Finance Corporation, 777 Glades Road, Boca Raton, Florida 33431.

FAU Finance Corporation
Statement of Net Position
June 30, 2014

Assets	
Current Assets:	
Cash in bank	$ 4,030,904
Cash with fiscal agent – restricted	25,775,629
Due from University	1,647,929
Total current assets	31,454,462
Noncurrent Assets:	
Cash with fiscal agent – restricted	19,944,012
Prepaid land lease and other	10,266,667
Capital assets, on leased land (net of depreciation)	134,478,142
Total noncurrent assets	164,688,821
Total assets	$ 196,143,283
Liabilities	
Current Liabilities:	
Accounts payable	$ 804,475
Interest payable	6,550,866
Due to University	763,201
Unearned revenue	1,874,837
Bonds payable – due within one year	4,005,000
Total current liabilities	13,998,379
Long-term liabilities:	
Bonds payable – due in more than one year	208,425,000
Unamortized premiums, net	1,282,803
Total long-term liabilities	209,707,803
Total liabilities	223,706,182
Net Position (Deficit):	
Net investment in capital assets	(10,950,389)
Restricted for debt service and reserve	20,278,331
Restricted for repair and replacement of capital assets	1,879,534
Unrestricted (deficit)	(38,770,375)
Total net position (deficit)	$ (27,562,899)

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

FAU Finance Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2014

Operating Revenues (Expenses):	
Housing revenue	$ 24,880,456
Operating expenses	(11,082,350)
Depreciation expense	(5,093,717)
Total operating income	8,704,389
Nonoperating Revenues (Expenses):	
Athletic revenues pledged for debt service	1,724,201
IRS interest credit	3,498,836
Interest income	392,992
Unrealized gains	455,986
Capital contributions	127,731
Interest expense	(11,878,140)
Nonoperating expenses, net	(5,678,394)
Changes in net position	3,025,995
Net position (deficit):	
Beginning of year	(28,665,724)
Prior period adjustment due to change in accounting principle (Note 9)	(1,923,170)
End of year	$ (27,562,899)

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

FAU Finance Corporation
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash Flow From Operating Activities	
Cash paid to suppliers	$ (11,849,712)
Athletic fees collected on behalf of the University	3,040,904
Housing contracts – dormitory fees	24,908,503
Net cash provided by operating activities	16,099,695
Cash Flow From Capital and Related Financing Activities	
Receipt of IRS interest credit	2,669,421
Payment of interest	(9,357,413)
Acquisition of capital assets	(9,062,492)
Payment of principal	(1,720,000)
Net cash used in capital and related financing activities	(17,470,484)
Cash Flow From Non-capital and Related Financing Activities	
Contributions to the University	(2,909,405)
Contributions from the University	155,778
Receipt of IRS interest credit	829,415
Payment of interest	(2,580,497)
Payment of principal	(925,000)
Athletic fees	1,724,201
Net cash used by non-capital and related financing activities	(3,705,508)
Cash Flow From Investing Activities	
Interest received	392,992
Net cash provided by investing activities	392,992
Net decrease in cash	(4,683,305)
Cash:	
Beginning of year	54,433,850
End of year	$ 49,750,545
Classified as:	
Cash with fiscal agent – restricted (Note 2)	$ 45,719,641
Cash in bank	4,030,904
	$ 49,750,545

(Continued)

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

FAU Finance Corporation
Statement of Cash Flows
For the Year Ended June 30, 2014

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Net operating income	$	8,704,389
Depreciation expense		5,093,717
Decrease in due from University		28,047
Decrease in prepaid land lease and other		400,000
Decrease in deferred charges		1,923,170
Increase in accounts payable		343,896
Decrease in due to University		(1,437,689)
Increase in unearned revenues		1,044,165
Net cash provided by operating activities	$	16,099,695

Supplemental Disclosures of Noncash Capital and Related Financing Activities		
Amount of interest cost which is capitalized	$	1,244,580
Due to University for acquisition of construction in progress	$	105,450

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

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

On August 12, 2009, the FAU Finance Corporation (the "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 statements were prepared in accordance with the 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 prior year. GASB Statement No. 63 requires 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: net invested in capital assets, restricted net position and unrestricted net position / deficit. The net position component, net invested in capital assets, 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.

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

GASB, Statement No. 65, *Items Previously Reported as Assets and Liabilities*, reclassifies and recognizes, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB Statement No. 65 resulted in the write-off of bond issuance costs in the current year (Note 9).

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 dormitory 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.

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, deferred inflows/outflows, 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.

Income Taxes: The Corporation is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Date of Management Review: The Corporation's management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 24, 2014, the date the financial statements were available to be issued.

Restricted assets: Assets required to be segregated by contractual obligations are identified as restricted assets. Restricted assets at June 30, 2014, represent funding required to be segregated by the Series 2010A – Tax-Exempt Bonds, Series 2010A – Taxable BAB Bonds, Series 2012B - Capital Improvement Revenue Bonds (Student Housing Project), Series 2012A – Tax-Exempt Capital Improvement Revenue Bonds (Student Housing Project), and the Series 2010 – Taxable Capital Improvement Revenue Bonds (Football Stadium Project) contractual obligations.

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

Cash: For purposes of the statements of cash flows, cash and cash equivalents includes the State of Florida Special Purpose Investments ("SPIA") accounts 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. SPIA funds are combined with State funds and invested in six fixed income components. These components include a Certificates of Deposit and Securities Lending program as well as short-term liquidity, cash enhanced, conservative core and core strategies. The funds can be withdrawn at any time and are reported at fair value, which seeks to maintain a $1.00 per share value. 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 dormitory 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, 2014 was $10,266,667.

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 7 to 30 years.

Construction in progress: Construction in progress is stated at cost and includes costs related to construction and capital projects on the University Dormitories. Interest expense of $1,244,580 was capitalized for fiscal year 2014 in relation to Parliament Hall.

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
Salaries and Benefits	$	4,219,198
Utilities		2,456,355
Repairs and maintenance		1,729,076
Communications		676,082
Supplies		402,166
Other operating costs		1,599,473
	$	11,082,350

Revenues:

Operating Revenues – Housing contract dormitory 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, including capital contributions, are recognized as revenues when eligibility requirements are met. Interest income and related gains are recognized in the period 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 17.575, 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	$ 3,313,436	$ -	$ 3,313,436
Debt service fund	-	14,628,757	14,628,757
Reserve fund	16,630,576	-	16,630,576
Repair and Replacement Fund	-	1,879,534	1,879,534
Surplus Fund	-	9,267,338	9,267,338
Total	$ 19,944,012	$ 25,775,629	$ 45,719,641

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 weighted-average maturity at June 30, 2014:

Investment Type	Fair Value	Investment (In Years) Less Than 1 year
State of Florida Special Purpose Investment Account (SPIA)	$ 45,719,641	$ 45,719,641

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. As a SPIA participant, the Corporation invests in the Florida Treasury Investment Pool. The Florida Treasury Pool is rated A+f as of June 30, 2014.

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

Note 2. Cash (Continued)

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 to equal 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.

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, 2014:

Asset	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
Construction in progress	$ 36,324,944	$ 864,918	$ (36,324,944)	$ 864,918
Buildings and improvements	99,698,203	43,992,390	-	$ 143,690,593
Furniture, fixtures and equipment	780,089	530,128	-	$ 1,310,217
Property and equipment, gross	136,803,236	45,387,436	(36,324,944)	$ 145,865,728
Less accumulated depreciation	(6,293,869)	(5,093,717)	-	$ (11,387,586)
Property and equipment, net	$ 130,509,367	$ 40,293,719	$ (36,324,944)	$ 134,478,142

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 the subsidies due to state and local governments which issued bonds pursuant to several bond programs authorized by the United States Congress during the depths of the economic downturn. As a result of the sequestration, federal subsidy payments for the Corporation's Build America Bonds ("BAB") were reduced. The most recent bill passed extends the sequester through fiscal 2024. The subsidy payments for direct-pay bonds were cut by 7.2% in fiscal 2014.

Series 2010—A&B Bonds (Innovation Village)

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 Dormitory 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 by 7.2% as a result of the sequestration.

The Series 2010A – Tax-Exempt Bonds total $8,475,000 and mature beginning in July 2013 through 2016, with interest rates ranging from 4% to 5%. The Series 2010A – Taxable BAB Bonds total $112,455,000 and mature beginning in July 2017 through 2040, with interest rates ranging from 5.48% to 7.64%. 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.

Series 2012B – Tax-Exempt Capital Improvement Revenue Bonds (Innovation Village)

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 beginning in July 2013 through 2025, with an interest rate of 2.17%.

Series 2012A – Tax-Exempt Capital Improvement Revenue Bonds (Parliament Hall)

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 dormitories. The bonds mature beginning in July 2014 through 2042, with interest rates ranging from 3% to 5%.

Note 4. Bonds Payable (Continued)

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 (Football Stadium)

Series 2010 – Taxable Capital Improvement Revenue Bonds (BAB Bonds) were issued in 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 by 7.2% as a result of sequestration.

Bondholders have the option to require that the Corporation purchase the bonds on the Initial Purchase Date of October 1, 2017 or agree to an Extended Purchase Date which cannot exceed three years from the Initial Purchase Date or each Extended Purchase Date, as applicable. 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 of the project which shall assure that pledged revenues will exceed all contemplated expenses by at least 25%. In addition, the Corporation is required to certify on a quarterly basis that the operating and nonoperating revenues from the previous twelve month period are sufficient to cover at least 125% of an amount equal to the annual bond service requirements, net of direct pay subsidies expected to be received on each respective interest payment date.

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).

Note 4. Bonds Payable (Continued)

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

Debt	Beginning Balance	Additions	Repayments	Ending Balance	Due Within One Year
Bonds, Series 2010A Innovation Village	$ 120,930,000	$ -	$ 1,555,000	$ 119,375,000	$ 1,950,000
Bonds, Series 2010 Stadium	44,500,000	-	925,000	43,575,000	960,000
Bonds, Series 2012A Parliament Hall	46,205,000	-	-	46,205,000	855,000
Bonds, Series 2012B Innovation Village	3,440,000	-	165,000	3,275,000	240,000
	$ 215,075,000	$ -	$ 2,645,000	$ 212,430,000	$ 4,005,000

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

Year Ending June 30,	Principal	Interest	Total
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	5,180,000	12,085,352	17,265,352
2020-2024	29,065,000	55,799,703	84,864,703
2025-2029	34,680,000	46,214,531	80,894,531
2030-2034	42,315,000	34,035,377	76,350,377
2035-2039	52,845,000	18,516,631	71,361,631
2040-2043	30,015,000	2,395,957	32,410,957
Total	$ 212,430,000	$ 219,835,519	$ 432,265,519

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 1, 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, as applicable. The previous table does not reflect any accelerated amortizations that may result under the put options as previously discussed.

Note 4. Bonds Payable (Continued)

Pledged Revenue

The Corporation has pledged revenues to repay bonds outstanding as of June 30, 2014. The following table reports the revenues pledged for each debt issue, the amounts of such revenue received in the current year (net of operating expenses), 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, 2014:

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	$ 9,646,898	$ 10,355,728	$ 268,182,468	2040
Bonds, Series 2012A Parliament Hall	Housing Revenues	$ 4,151,208	$ 1,933,375	$ 80,397,262	2042
Bonds, Series 2010 Stadium	Athletic Revenues	$ 1,724,201	$ 3,478,616	$ 83,685,789	2040

*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.

***Federal subsidies are not netted in this calculation.

****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, 2014 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, 2014 amounted to $763,201. 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, 2014, the University owed the Corporation $1,647,929 for amounts collected on behalf of the Corporation.

Note 8. Commitments

At June 30, 2014, there was $699,877 of construction commitments outstanding. There are no major projects currently underway at the University as it relates to the Corporation.

Note 9. Restatement of Beginning Net Position

For the year ended June 30, 2014 the Corporation implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This resulted in a decrease to the beginning net position on the statement of revenues, expenses and changes in net position of $1,923,170, to remove bond issuance and other related costs in accordance with GASB 65.

FAU FINANCE CORPORATION

Item: 3

BOARD OF DIRECTORS

Wednesday, April 1, 2015

SUBJECT: FINANCIAL AND OPERATIONAL PERFORMANCE REPORT ON THE FAU HOUSING SYSTEM, BOCA RATON CAMPUS FOR FISCAL YEAR 2014-15.

PROPOSED BOARD ACTION

Information Only.

BACKGROUND INFORMATION

As requested by Board Members, a financial performance report will be presented to keep members abreast of financial issues associated with Boca Raton campus housing.

Dr. Corey King will review operating performance including occupancy rates.

Supporting Documentation: Summary Budget vs. Projected

Presented by: Ms. Dorothy Russell **Phone:** 561-297-3267

FAU Finance Corporation
February 28, 2015
Summary Budget vs. Projected

	Budget	Projected	Variance $	Variance %
TOTAL OPERATING REVENUES	31,308,885	30,110,000	(1,198,885)	-3.8%
TOTAL EXPENSES	11,916,758	10,624,510	(1,292,248)	-10.8%
TOTAL DEBT SERVICE	17,059,678	17,059,678	-	-
NET REVENUES OVER EXPENSES	2,332,449	2,425,812	93,363	4.0%

FAU FINANCE CORPORATION

Item: 4

BOARD OF DIRECTORS

Wednesday, April 1, 2015

SUBJECT: REQUEST FOR APPROVAL OF THE FAU FINANCE CORPORATION'S 2015-16 OPERATING BUDGET.

PROPOSED BOARD ACTION

Review and recommend approval of the FAUFC 2015-16 Operating Budget; and delegate to the FAUFC Chair, the authority to amend these budgets as appropriate during the fiscal year consistent with Legislative, Board of Trustees' and Board of Governors' directives and guidelines.

BACKGROUND INFORMATION

The FAU Finance Corporation By-laws require the preparation of an annual budget before the beginning of the University's fiscal year, approved by this Board of Directors and recommended by the University President to the Board of Trustees each year no later than sixty (60) days following the beginning of the Corporation's fiscal year. The Board of Trustees must approve the Corporation's budget before it can be enacted.

Supporting Documentation: Proposed 2015-16 FAUFC Operating Budget

Presented by: Dorothy Russell **Phone:** 561-297-3267

Florida Atlantic University Finance Corporation
Operating Budget FY 2016

	Housing	Administrative	Stadium	Total
	Approved by FAUFC BOD October 20, 2014			
Operating Revenues:				
Pledged Revenue (90% Occupancy)	33,244,722	-	2,687,213	35,931,935
Operating Expenses:				
Lease Expense	-	400,000	-	400,000
Housing Operating Expenses	11,441,876	-	-	11,441,876
Other Operating Expenses	1,411,979	624,624	-	2,036,603
Total Operating Expenses	12,853,856	1,024,624	-	13,878,480
Net Operating Income	20,390,867	(1,024,624)	2,687,213	22,053,456
Nonoperating Revenues (Expenses):				
Investment Income	78,000	548,787	-	626,787
Depreciation	(5,294,897)	-	-	(5,294,897)
Bond Expenses:				-
Bond Interest Expense	(10,271,421)	-	(3,480,730)	(13,752,151)
Babs Subsidy	2,711,239	-	793,517	3,504,756
Net Bond Interest Expense	(7,560,182)	-	(2,687,213)	(10,247,395)
Total Nonoperating Income (Expense)	(12,777,078)	548,787	(2,687,213)	(14,915,504)
Net Income (Financial Statement-accrual)	**7,613,789**	**(475,837)**	**-**	**7,137,952**

Florida Atlantic University
Stadium Operations
FY 2016

Pledged Revenues:	
Ticket Sales/Other Event Tickets	1,885,000
Game Guarantees	1,000,000
Student Fees (5% of prior year)	559,879
Development/Corporate Sales	1,918,366
Catering/Concessions/Novelties	75,000
Facilities/Parking	400,000
Premium/Priority Seating	400,000
Capital Gifts	350,000
Total Pledged Revenue	**6,588,245**
Operating Expenses:	
Salaries and Benefits	220,445
Utilities/Maintenance/Facility Rental	528,653
Replacement/Repairs Fund	370,000
Rental Expenses	335,000
Game day Expenses	455,000
Equipment/Supplies/Memberships	54,848
Advertising/Promotions	250,000
Insurances	60,100
Debt Service	2,687,213
Total Expenses	**4,961,259**
Total Revenue in excess of Expenses	**1,626,986**
	25%
Debt Covenant:	
Pledged Revenues	**6,588,245**
BABS	**793,517**
Gross Debt Service	**3,480,730**
Debt Coverage Ratio	**2.12**