

# **FAU FINANCE CORPORATION**

## **BOARD OF DIRECTORS**

### **AGENDA**

**Thursday, October 1, 2015 2:00 p.m.**

**President's Conference Room**

**Boca Raton Campus, Building 10, Room 340**

**Call in Number: 1-888-537-7715 / Passcode: 59289651#**

---

1. Roll Call and Approval of the Draft Minutes of the April 1, 2015 Meeting of the FAUFC Board of Directors
2. Review of the Audited FAU Finance Corporation Financial Report for the Year Ended June 30, 2015
3. Housing Report as of August 31, 2015
4. Request for Approval of the 2016-17 Housing Budget and Rental Rates
5. Plans to Refinance Selected Debt from FAU DBF Bonds and Stadium Loan
6. Adjournment of Meeting

# FAU FINANCE CORPORATION

Item: 1

## BOARD OF DIRECTORS

Thursday, October 1, 2015

**SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE APRIL 1, 2015 MEETING OF THE FAU FINANCE CORPORATION BOARD OF DIRECTORS.**

---

### 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 April 1, 2015 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, April 1, 2015 11:00 a.m.

1. **ROLL CALL AND APPROVAL OF THE DRAFT MINUTES OF THE OCTOBER 20, 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; Mr. Michael Cocuzza, Director of Finance and Budgets for Division of Student Affairs; Mr. Patrick Chun, Athletics Director; Mr. Brian Battle, Associate Athletic Director; Ms. Michelle Smith, Regional VP of Operations for FAU Housing/Capstone-on-Campus; Ms. Jessica Cohen, Associate Controller; Ms. Elizabeth Rubin, Associate General Counsel; and, Ms. Jessica Camacho, Administrative Assistant/Financial Affairs.

The following guests were in attendance only for Item 2:

Mr. Israel Gomez, C.P.A. Partner with Keefe McCullough and Mr. Marc Grace, C.P.A. Manager with Keefe McCullough.

A motion was made and seconded to approve the minutes of the October 20, 2014 meeting without change or correction. **The motion passed unanimously.**

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

The representative from Keefe McCullough, Mr. Gomez, presented the audited financial statements for the fiscal year ending June 30, 2014 to keep the Board of Directors informed about the financial status of the FAUFC. The financials reflect a \$3M increase in net position. Mr. Gomez stated it was a very clean report and the highest level report that can be completed. There were no comments, adjustments or significant deficiencies and the debt service requirements were met timely each quarter. Mr. Gomez also stated that the auditors experienced full cooperation from the FAU staff throughout the entire audit process.

Upon question, Ms. Semmel explained that although it looks like there is a surplus of cash, it is only due to a timing issue as a result of money transferred between the University and FAUFC.

No further questions or comments were put forth.

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

Ms. Russell provided a brief explanation on the housing rate increase for 2015-16, which was approved by the Board of Trustees Audit and Finance Committee and Full Board in October and November of last year. She then introduced Dr. King to review operating performance including occupancy rates for the current fiscal year. Dr. King stated that he put very aggressive steps into place in order to get the housing occupancy up to 87% in the fall. Due to the “melt” that occurs each year from fall to spring, the occupancy dropped to 83% in the spring semester. Academic suspensions, graduating students, and medical withdrawals accounted for most of the 4% decrease in housing occupancy from fall to spring. Projected revenue is \$30.1M, which is a \$1.19M revenue shortfall from what was projected earlier in the year. Dr. King had already made several changes to reduce expenses such as eliminating and combining positions and spending cuts to offset the shortfall, which resulted in a \$1.3M reduction in expenses overall. This reduction in expenses will be maintained going into the next fiscal year and leadership changes have also been made within the Housing department. The upcoming fall 2015 projection is 90% occupancy.

Ms. Russell explained how instrumental Capstone has been to get Housing to this point and they will continue to be strong partners who will help to further streamline revenues. Capstone hadn't been utilized correctly in the past but will be going forward.

Mr. Lobello inquired about summer semester occurrences and Dr. King provided stated that he expects approximately 700 students on campus. Last year there were 539 deposits for new students for summer and this year there are 713 deposits. Mr. Barbar added that accepted students who are in the bottom sector due to grades are required to attend in the summer and take courses, which will strengthen revenue and performance metrics. Students who do not do well over the summer can transfer to Palm Beach State College and will be able to come back as a transfer in future semesters. Parliament Hall and University Village Apartments will be open during the summer for students and will also be utilized for summer camps and conferences.

Dr. King stated that there are currently 2,554 applications to the University compared to 1,400 last year at this time. There has been much improvement in communication with students and parents since bringing on a full time Customer Service Response Specialist who personally responds very quickly to any and all questions that come through the department.

Upon question, Dr. King confirmed that students are talking about the new off campus housing development, University Park. Most of the students have revealed that it is too far from campus, there is no difference in amenities and no difference in cost compared to on-campus housing. Ms. Russell stated that this off campus housing competition has helped to directly focus on providing students with our amenities and what is uniquely offered through on campus housing.

After the board members and guests congratulated Dr. King on his permanent position of Vice President of Student Affairs, there were no further questions or comments.

4. **REQUEST FOR APPROVAL OF THE 2015-16 FAU FINANCE CORPORATION OPERATING BUDGET.**

Ms. Russell reviewed housing, administrative and stadium operating and non-operating revenues and expenses projected for the fiscal year ending June 30, 2016. The budget meets debt service requirements and provides net income of approximately \$7.1 million. The housing budget is based on 90% occupancy and net income is expected at \$7.6M. Administrative remains unchanged compared to last year and the stadium income is applied directly to the bond debt. Stadium will always net to zero given that any overage goes directly to Athletics. Ms. Russell expects ticket revenue to increase for the six games on the roster for next year including the opening game versus University of Miami. Overall the budget changes very little from year to year and the fund balance continues to grow.

Mr. Adams inquired about the total revenue and if other events besides football had an impact on that number. Ms. Russell confirmed that revenue from other events such as soccer games are included in the final number. These events generate student interest and the University is exploring more of these opportunities for the future. Mr. Chun added that there are several upcoming events for next year already scheduled such as Major League Lacrosse, USA Soccer and a potential bowl game.

Mr. Chun also mentioned that overall paid attendance is up 28% and there was a 58% increase in student attendance from 2013 to 2014, which is very impressive especially since only ten schools nationally have reported a student attendance increase. He also informed the board that the student section within the stadium has been moved from under the scoreboard to facing the scoreboard, which will attract more students to go to the games. Mr. Barbar stated that part of the tour during orientation now takes place in the student section of the Stadium.

A motion was made and seconded to approve the proposed 2015-16 Operating Budget of the FAU Finance Corporation's and Stadium Budget as presented. **The motion passed unanimously.**

**DISCUSSION:**

Discussion ensued between the board members regarding the housing tour that took place preceding this meeting. Mr. Adams stated that he was impressed with the maintenance, painting and overall cleanliness of the residence halls. He expressed his opinion about improving surveillance on the older buildings and all agreed that this was important to explore further. If necessary and readily available, the board will be provided with a quarterly housing report for the upcoming fiscal year.

Additional conversation followed regarding the Licenses to Carry Concealed Weapons or Firearms bill, which would allow an individual to carry a concealed weapon onto a university or college campus and into any building. There were concerns expressed on the subject and Ms. Russell suggested having Mr. Charles Lowe, Assistant Vice President for Public Safety at our next meeting if the bill is passed to provide a better understanding of how the University is preparing and if there will be policy changes.

Mr. Adams also requested a list of the performance based funding metrics that would be important for the board members to keep track of, which will be provided at the next meeting later this year.

5. **ADJOURNMENT OF MEETING.** With no other issues to discuss, a motion was made and seconded to adjourn the meeting. The meeting was adjourned at 11:46 a.m.

# FAU FINANCE CORPORATION

Item: 2

## BOARD OF DIRECTORS

Thursday, October 1, 2015

**SUBJECT: REVIEW OF THE AUDITED FAU FINANCE CORPORATION FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015.**

---

### 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, 2015.

---

**Supporting Documentation:** FAUFC Financial Report Year Ended June 30, 2015

**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, 2015

## Contents

---

Independent Auditor's Report on the Financial Statements	1 – 2
Management's Discussion and Analysis (unaudited)	3
Financial Statements	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 16

---



## 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, 2015, 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, 2015, 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**

*Required Supplementary Information*

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 September 24, 2015, 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

Fort Lauderdale, Florida  
September 24, 2015

## **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, 2015, 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 \$193 million at June 30, 2015. This balance reflects \$44.4 million of deposits with a fiscal agent held in connection with the sale of bonds. The FAU Finance Corporation's revenues totaled approximately \$30.9 million for the 2014-15 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 approximately \$31.1 million for the 2014-15 fiscal year, inclusive of interest paid from the capitalized interest funds held with fiscal agent.

### **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, 2015**

---

**Assets**

Current Assets:

Cash in bank	\$ 4,543,445
Cash with fiscal agent – restricted	25,485,696
Due from University	<u>2,552,620</u>
<b>Total current assets</b>	<b><u>32,581,761</u></b>

Noncurrent Assets:

Cash with fiscal agent – restricted	18,957,280
Prepaid land lease and other	9,866,667
Capital assets, on leased land (net of depreciation)	<u>131,549,978</u>
<b>Total noncurrent assets</b>	<b><u>160,373,925</u></b>
<b>Total assets</b>	<b><u>\$ 192,955,686</u></b>

**Liabilities**

Current Liabilities:

Accounts payable	\$ 1,143,017
Interest payable	6,454,513
Due to University	480,221
Unearned revenue	2,958,236
Bonds payable – due within one year	<u>4,530,000</u>
<b>Total current liabilities</b>	<b><u>15,565,987</u></b>

Long-term liabilities:

Bonds payable – due in more than one year	203,895,000
Unamortized premiums, net	<u>1,234,894</u>
<b>Total long-term liabilities</b>	<b><u>205,129,894</u></b>
<b>Total liabilities</b>	<b><u>220,695,881</u></b>

**Net Position (Deficit):**

Net investment in capital assets	(13,176,916)
Restricted for debt service and reserve	19,452,960
Restricted for repair and replacement of capital assets	2,532,930
Unrestricted (deficit)	<u>(36,549,169)</u>
<b>Total net position (deficit)</b>	<b><u>\$ (27,740,195)</u></b>

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, 2015**

---

Operating Revenues (Expenses):	
Housing revenue	\$ 24,909,837
Operating expenses	(12,841,462)
Depreciation expense	<u>(5,325,686)</u>
<b>Total operating income</b>	<u>6,742,689</u>
Nonoperating Revenues (Expenses):	
Athletic revenues pledged for debt service	1,694,505
IRS interest credit	3,476,812
Interest income	620,802
Unrealized losses	(15,390)
Capital contributions	232,839
Interest expense	<u>(12,929,553)</u>
<b>Nonoperating expenses, net</b>	<u>(6,919,985)</u>
<b>Changes in net position</b>	(177,296)
Net position (deficit):	
Beginning of year	<u>(27,562,899)</u>
End of year	<u>\$ (27,740,195)</u>

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, 2015**

---

Cash Flow From Operating Activities	
Cash paid to suppliers	\$ (12,150,829)
Athletic fees collected on behalf of the University	2,147,088
Housing contracts – dormitory fees	24,005,146
<b>Net cash provided by operating activities</b>	<u>14,001,405</u>
Cash Flow From Capital and Related Financing Activities	
Receipt of IRS interest credit	2,666,544
Payment of interest	(10,472,752)
Acquisition of capital assets	(2,397,522)
Payment of principal	(3,045,000)
<b>Net cash used in capital and related financing activities</b>	<u>(13,248,730)</u>
Cash Flow From Non-capital and Related Financing Activities	
Contributions to the University	(1,362,059)
Contributions from the University	232,839
Receipt of IRS interest credit	810,268
Payment of interest	(2,553,154)
Payment of principal	(960,000)
Athletic fees	1,694,505
<b>Net cash used in non-capital and related financing activities</b>	<u>(2,137,601)</u>
Cash Flow From Investing Activities	
Interest received	620,802
<b>Net cash provided by investing activities</b>	<u>620,802</u>
<b>Net decrease in cash</b>	(764,124)
Cash:	
Beginning of year	49,750,545
End of year	<u>\$ 48,986,421</u>
Classified as:	
Cash with fiscal agent – restricted (Note 2)	\$ 44,442,976
Cash in bank	4,543,445
	<u>\$ 48,986,421</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net operating income	\$ 6,742,689
Depreciation expense	5,325,686
Increase in due from University	(904,691)
Decrease in prepaid land lease and other	400,000
Increase in accounts payable	338,542
Increase in due to University	1,015,780
Increase in unearned revenues	1,083,399
<b>Net cash provided by operating activities</b>	<u>\$ 14,001,405</u>

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 previously adopted GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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)**

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 September 24, 2015, 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, 2015, 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.

**Cash:** For purposes of the statement 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.



**FAU Finance Corporation**  
**Notes to Financial Statements**  
**June 30, 2015**

---

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

**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, 2015 was \$9,866,667.

**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 included costs related to construction and capital projects on the University Dormitories.

**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.

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

Category	Amount
Salaries and Benefits	\$ 4,259,213
Utilities	2,003,302
Repairs and maintenance	1,722,750
Communications	753,379
Supplies	303,585
Other operating costs	3,799,233
	\$ 12,841,462

**Revenues:**

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

**FAU Finance Corporation**  
**Notes to Financial Statements**  
**June 30, 2015**

---

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

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 (losses) 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.

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	\$ 2,288,784	\$ -	\$ 2,288,784
Revenue Fund	-	16,316	16,316
Debt Service Fund	-	15,060,177	15,060,177
Reserve Fund	16,668,496	-	16,668,496
Repair and Replacement Fund	-	2,532,930	2,532,930
Surplus Fund	-	7,876,273	7,876,273
<b>Total</b>	<b>\$ 18,957,280</b>	<b>\$ 25,485,696</b>	<b>\$ 44,442,976</b>

**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, 2015:

**FAU Finance Corporation**  
**Notes to Financial Statements**  
**June 30, 2015**

---

**Note 2. Cash (Continued)**

Investment Type	Fair Value	Investment (In Years) Less Than 1 Year
State of Florida Special Purpose Investment Account (SPIA)	\$ 44,442,976	\$ 44,442,976

**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, 2015.

**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.

**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 Corporation's 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.

**FAU Finance Corporation**  
**Notes to Financial Statements**  
**June 30, 2015**

---

**Note 3. Capital Assets, on Leased Land**

The following is a summary of changes in capital asset balances for the year ended June 30, 2015:

Asset	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
Construction in progress	\$ 864,918	\$ -	\$ (864,918)	\$ -
Buildings and improvements	143,690,593	3,254,240	-	\$ 146,944,833
Furniture, fixtures and equipment	1,310,217	8,200	(6,250)	\$ 1,312,167
<b>Property and equipment, gross</b>	<b>145,865,728</b>	<b>3,262,440</b>	<b>(871,168)</b>	<b>\$ 148,257,000</b>
Less accumulated depreciation	(11,387,586)	(5,325,686)	6,250	\$ (16,707,022)
<b>Property and equipment, net</b>	<b>\$ 134,478,142</b>	<b>\$ (2,063,246)</b>	<b>\$ (864,918)</b>	<b>\$ 131,549,978</b>

**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 7.3% in fiscal 2015.

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 7.3% 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%.

**Note 4. Bonds Payable (Continued)**

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%.

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 7.3% as a result of sequestration.

Bondholders have the option to require that the Corporation purchase the bonds on the Initial Purchase Date of October 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).

**FAU Finance Corporation**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 4. Bonds Payable (Continued)**

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

Debt	Beginning Balance	Additions	Repayments	Ending Balance	Due Within One Year
Bonds, Series 2010A Innovation Village	\$ 119,375,000	\$ -	\$ 1,950,000	\$ 117,425,000	\$ 2,395,000
Bonds, Series 2010 Stadium	43,575,000	-	960,000	42,615,000	995,000
Bonds, Series 2012A Parliament Hall	46,205,000	-	855,000	45,350,000	890,000
Bonds, Series 2012B Innovation Village	3,275,000	-	240,000	3,035,000	250,000
	<u>\$ 212,430,000</u>	<u>\$ -</u>	<u>\$ 4,005,000</u>	<u>\$ 208,425,000</u>	<u>\$ 4,530,000</u>

The Corporation's 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
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	5,375,000	11,801,721	17,176,721
2021-2025	30,245,000	54,079,855	84,324,855
2026-2030	35,870,000	44,007,982	79,877,982
2031-2035	44,215,000	31,222,513	75,437,513
2036-2040	55,275,000	14,942,817	70,217,817
2041-2043	17,940,000	907,311	18,847,311
<b>Total</b>	<u>\$ 208,425,000</u>	<u>\$ 206,809,614</u>	<u>\$ 415,234,614</u>

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 and does not include the \$ 1,234,894 in unamortized bond premiums in the total principal outstanding.

*Pledged Revenue*

The Corporation has pledged revenues to repay bonds outstanding as of June 30, 2015. 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, 2015:

**FAU Finance Corporation**  
**Notes to Financial Statements**  
**June 30, 2014**

---

**Note 4. Bonds Payable (Continued)**

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	\$ 7,947,673	\$ 10,723,021	\$ 257,408,092	2040
Bonds, Series 2012A Parliament Hall	Housing Revenues	\$ 4,120,702	\$ 2,754,175	\$ 77,625,988	2042
Bonds, Series 2010 Stadium	Athletic Revenues	\$ 1,694,505	\$ 3,457,357	\$ 80,200,534	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 system 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 (Stadium) 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, 2015 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) (hereafter “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, 2015 amounted to \$480,221. 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, 2015, the University owed the Corporation \$2,552,620 for amounts collected on behalf of the Corporation.



**FAU Finance Corporation**  
**(A Component Unit of Florida Atlantic**  
**University)**

**Report to the Board of Directors**  
**For the Year Ended June 30, 2015**

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

Report to the Board of Directors  
For the Year Ended June 30, 2015

**Table of Contents**

---

Introduction	1
Required Communications	2-3
Summary of Significant Accounting Estimates	4
<b>Exhibit A – Material Written Communications Between Management and our Firm</b>	
<ul style="list-style-type: none"><li>• Representation Letter</li><li>• Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></li></ul>	

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

We are pleased to present this report related to our audit of the financial statements of FAU Finance Corporation (the "Corporation") as of and for the year ended June 30, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Corporation's financial reporting process.

It has been our pleasure to serve as your independent auditors for this engagement. If we can be of additional service to you during the year, please call on us. We appreciate the opportunity to be of service to FAU Finance Corporation.

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

*Keefe McCullough*

KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 24, 2015

**FAU Finance Corporation  
Required Communications**

---

Generally accepted auditing standards require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

<b>Area</b>	<b>Comments</b>
<b>Our Responsibilities with regard to the Financial Statement Audit</b>	Our responsibilities under generally accepted auditing standards and <i>Government Auditing Standards</i> , as well as certain information related to the scope and timing of our audit, have been communicated to you in our engagement letter dated July 22, 2015.
<b>Accounting Policies and Practices</b>	<p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Corporation. The Corporation did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p><b>Significant or Unusual Transactions</b></p> <p>We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p><b>Management's Judgments and Accounting Estimates</b></p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Significant Accounting Estimates."</p>
<b>Corrected Misstatements – Adjusting Entries</b>	No audit adjustments were proposed/recorded by us as a result of our audit procedures.
<b>Uncorrected Misstatements</b>	No uncorrected misstatements were reported as a result of our audit procedures.
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

**FAU Finance Corporation  
Required Communications  
(continued)**

---

<b>Area</b>	<b>Comments</b>
<b>Management Consultation with Other Independent Accountants</b>	In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Corporation’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.
<b>Significant Issues Discussed with Management</b>	No issues arising from the audit were discussed with or were the subject of correspondence with management.
<b>Difficulties Encountered in Performing the Audit</b>	We did not encounter difficulties in dealing with management in performing and completing our audit.
<b>Letter Communicating Significant Deficiencies and Material Weaknesses in Internal Control over Financial Reporting</b>	We did not identify any deficiencies in internal control that we consider to be material weaknesses.
<b>Certain Written Communications Between Management and Our Firm: Representation Letter</b>	Copies of material written communications between our firm and the management of the Corporation, including the representation letter provided to us by management, are attached in Exhibit A.

**FAU Finance Corporation**  
**Summary of Significant Accounting Estimates**

---

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The following describes the significant accounting estimates reflected in the Corporation's June 30, 2015 financial statements:

<b>Area</b>	<b>Accounting Policy</b>	<b>Estimation Methodology</b>	<b>Comments</b>
<b>Depreciation of Capital Assets</b>	Depreciation on capital assets is provided using the straight-line method over the lesser of the useful life of the asset or the land lease term.	Capital assets are recorded at historical cost or estimated historical cost and depreciated on a straight-line basis over the lesser of the useful life of the asset or the land lease term.	Management's estimates appear reasonable and consistent in relation to the financial statements taken as a whole.

**EXHIBIT A**

**MATERIAL WRITTEN COMMUNICATIONS BETWEEN MANAGEMENT AND OUR FIRM**

# FAU FINANCE CORPORATION

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

September 24, 2015

Keefe McCullough  
Certified Public Accountants  
6550 North Federal Highway, #410  
Fort Lauderdale, Florida 33308

## Auditors:

This representation letter is provided in connection with your audit of the financial statements of FAU Finance Corporation, (the "Corporation"), a direct support organization and component unit of Florida Atlantic University (the "University") as of and for the year ended June 30, 2015 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of your auditor's report, the following representations made to you during your audit.

## Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 22, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates are reasonable.
- Related party relationships and transactions, including revenues, expenditures/expenses, transfers, leasing arrangement, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- The following have been properly recorded and/or disclosed in the financial statements:
  - Restrictions on cash balances.



- Debt issue provisions.
- All leases and material amounts of rental obligations under long-term leases.
- Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- Any liabilities which are subordinated in any way to any other actual or possible liabilities.
- Deposits and investment securities categories of risk.
- Debt issues repurchase operations or agreements.
- There are no:
  - Arrangements with financial institutions involving compensating balances.
  - Assets that have permanently declined in value.
  - Guarantees, whether written or oral, under which the Corporation is contingently liable.
  - Agreements to repurchase assets previously sold.
  - Line of credit or similar arrangements.
  - Authorized but unissued bonds and/or notes.
  - Derivative financial instruments.
  - Arbitrage rebate liabilities.
  - Impairment of capital assets.
- To the best of our knowledge, there are no instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

- Expenditures of federal and state awards were below the \$ 500,000 threshold for the fiscal year ended June 30, 2015, and we were not required to have an audit in accordance with OMB Circular A-133 or the Florida Single Audit Act.
- We have complied with aspects of each debt agreement that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are in compliance with the Rate Covenants listed in each debt agreement and have tested compliance in accordance with the requirements stated in each agreement.
- We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the reporting entity's ability to record, process, summarize, and report financial data.
- We have no direct or indirect, legal or moral, obligation for any debt of any entity, public or private, or to special assessment bond holders that is not disclosed in the financial statement.
- Management's discussion and analysis is properly measured and presented.
- Capital assets, including capitalized interest, are properly capitalized, reported, and depreciated.
- The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in the statement of activities, and allocations (as applicable) have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of activities.
- Deposits and investment securities are properly classified as to risk and are properly disclosed.
- We have appropriately disclosed the Corporation's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

#### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence.
- Minutes of the meetings of the Corporation or summaries of actions of recent meetings for which minutes have not yet been prepared.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have no knowledge of any risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Corporation and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, regulators, or others.
- We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or abuse, whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the Corporation's related parties and all the related party relationships and transactions of which we are aware.
- The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization is not required to file an annual Form 990, Return of Organization Exempt from Income Tax.

**In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:**

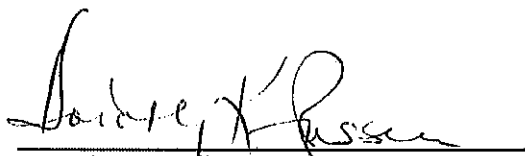
- There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- We are responsible for compliance with the laws, regulations, and provisions of contracts applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities.

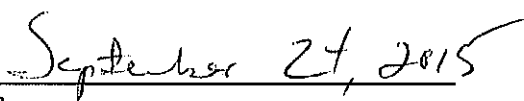
- To the best of our knowledge, there are no instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- To the best of our knowledge, there are no instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- To the best of our knowledge, there are no instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- There are no violations or possible violations of laws and regulations, provisions of contracts, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- Management with sufficient skills, knowledge, and experience; has supervised, reviewed, and approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
- The Corporation has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

We are responsible for identifying significant events or transactions that have occurred since the balance sheet date and through the date of this letter. No events or transactions have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

Very truly yours,

FAU FINANCE CORPORATION

  
\_\_\_\_\_  
Dorothy Russell, Executive Director

  
\_\_\_\_\_  
Date

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 24, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 24, 2015

# FAU FINANCE CORPORATION

Item: 3

## BOARD OF DIRECTORS

Thursday, October 1, 2015

**SUBJECT: HOUSING REPORT AS OF AUGUST 31, 2015.**

---

### PROPOSED BOARD ACTION

Information only.

### BACKGROUND INFORMATION

The interim financial data as of August 31, 2015 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:** FAU Housing System – Financial Comparisons

**Presented by:** Ms. Dorothy Russell

# FAU Housing System

For the Month Ended August 31, 2015

	Annual Budget FY16	Year to Date FY16 (16%)	Budget vs. Actual % Variance
<b>Total Revenues</b>	<b>33,322,722</b>	<b>16,866,197</b>	<b>51%</b>
Operating Expenses:			
Payroll	4,514,530	843,100	19%
Other Expenses	6,927,346	623,490	9%
<b>Total Operating Expenses</b>	<b>11,441,876</b>	<b>1,466,590</b>	<b>13%</b>
<b>Non-Operating Expenses</b>			
Reserves	626,661	110,198	18%
Overhead	785,318	62,772	8%
<b>Total Non-Operating Expenses</b>	<b>1,411,979</b>	<b>172,970</b>	<b>12%</b>
<b>Total Expenses</b>	<b>12,853,856</b>	<b>1,639,560</b>	<b>13%</b>
<b>Revenue over Expense</b>	<b>20,468,866</b>	<b>15,226,637</b>	<b>74%</b>

	Year to Date FY15 (16%)	Year to Date FY16 (16%)	FY16 vs. FY15 \$ Variance
<b>Total Revenues</b>	<b>14,627,330</b>	<b>16,866,197</b>	<b>2,238,867</b>
Operating Expenses:			
Payroll	453,925	843,100	389,175
Other Expenses	468,414	623,490	155,076
<b>Total Operating Expenses</b>	<b>922,339</b>	<b>1,466,590</b>	<b>544,251</b>
<b>Non-Operating Expenses</b>			
Reserves	111,128	110,198	(930)
Overhead	37,899	62,772	24,873
<b>Total Non-Operating Expenses</b>	<b>149,027</b>	<b>172,970</b>	<b>23,943</b>
<b>Total Expenses</b>	<b>1,071,366</b>	<b>1,639,560</b>	<b>568,194</b>
<b>Revenue over Expense</b>	<b>13,555,964</b>	<b>15,226,637</b>	<b>1,670,673</b>



# FAU FINANCE CORPORATION

Item: 4

## BOARD OF DIRECTORS

Thursday, October 1, 2015

**SUBJECT: REQUEST FOR APPROVAL OF THE 2016-17 HOUSING BUDGET AND RENTAL RATES.**

---

### PROPOSED BOARD ACTION

Review and recommend approval of the proposed Housing rental rates and projected budget for 2016-17.

### BACKGROUND INFORMATION

The Department of Housing and Residential Life is not proposing any rate increases for the 2016-17 fiscal year.

---

**Supporting Documentation:** Housing Powerpoint Presentation

**Presented by:** Dr. Corey King

October 2015



**Division of Student Affairs  
Department of Housing and  
Residential Life**

**FAUFC Meeting  
Housing Updates/  
Budget Proposal**

*Making Waves*



# Occupancy Evaluation

Inventory	Actual FY13-14	Actual FY14-15	Actual To Date FY15-16	Budgeted FY16-17
Total Economic Design			4,178	4,172
Less:			(139)	(11)
Staff Beds			(2)	(16)
Tour Rooms				
Total Revenue Beds	4,102	4,055	4,037	4,145
Total Occupancy (4 <sup>th</sup> week of classes)	3,617	3,512	3,998	3,880
Economic Occupancy Rate	88%	87%	96%	93%

Economic Design – Total beds: Revenue Producing and Other  
 Total Occupancy – Renewal/Transfer + FTIC / Freshman  
 Economic Occupancy Rate – Total Occupancy / Economic Design

# FY17 Proposed Rates

**No Proposed Rate Increases for FY17 are recommended**

Fall/Spring Rates	Proposed
Housing Facilities	2016-17
<b>Algonquin Hall</b>	
Single	3,300
<b>Indian River Towers</b>	
Double	3,365
Single	4,600
<b>University Village Apartments</b>	
4-Bedroom (Single)	4,200
4-Bedroom (Single, 12 months)	4,330
Double (Studio)	*
1-Bedroom (Single, Efficiency)	4,600
Studio (12 months)	5,100
<b>Heritage Park Towers</b>	
Double (Suite A)	3,050
Double (Suite C)	3,650
Single (Suite B)	4,160
<b>Glades Park Towers</b>	
Double (Suite A)	3,050
Double (Suite C)	3,650
Single (Suite B)	4,160
<b>Average Rate (Tier I)</b>	<b>3,940</b>

Fall/Spring Rates	Proposed
Housing Facilities	2016-17
<b>Innovation Village Apartments North</b>	
4-Bedroom (Single)	5,180
2-Bedroom (Single)	5,480
1-Bedroom (Single)	5,680
<b>Innovation Village Apartments South</b>	
4-Bedroom (Single)	5,180
1-Bedroom (Single)	5,680
<b>Average Rate (Tier II)</b>	<b>5,440</b>
<b>Parliament Hall</b>	
Double	3,365
Single	4,600
<b>Average Rate (Tier III)</b>	<b>3,983</b>

Summer Rates	Proposed
Housing Facilities	2016-17
<b>Boca</b>	
Single - Summer 1	3,250
Single - Summer 2 & 3	1,736
Double - Summer 2 & 3	1,270
Super Double - Summer 2 & 3	1,524

# Revenue & Expense Analysis

**FAU Finance Corporation**  
**Housing FY 16-17 Budget Summary**

	Actual Total FY14	Actual Total FY15	Budgeted Total FY16	Proposed Total FY17
<b>OPERATING REVENUES:</b>				
Resident Housing Fees	30,047,974	30,026,721	32,575,892	34,450,894
Student Repair Fees	188,266	85,865	199,560	203,551
Application Fees	-	-	-	175,000
Conference/Guest Housing Fees	465,046	720,315	469,270	418,450
Interest Income	<u>76,659</u>	<u>52,287</u>	<u>78,000</u>	<u>78,000</u>
<b>TOTAL OPERATING REVENUES</b>	<b>30,777,945</b>	<b>30,885,188</b>	<b>33,322,722</b>	<b>35,325,894</b>
<b>TOTAL OPERATING EXPENSES</b>	10,268,496	10,746,562	11,441,876	12,589,342
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>1,005,654</u>	<u>913,415</u>	<u>1,411,979</u>	<u>1,597,024</u>
<b>TOTAL EXPENSES</b>	<b>11,274,150</b>	<b>11,659,977</b>	<b>12,853,856</b>	<b>14,186,365</b>
<b>TOTAL DEBT SERVICE</b>	<u>14,147,445</u>	<u>13,342,818</u>	<u>17,086,086</u>	<u>17,112,976</u>
<b>NET REVENUES OVER EXPENSES</b>	<b>5,356,350</b>	<b>5,882,393</b>	<b>3,382,780</b>	<b>4,026,553</b>
Economic Occupancy Rate	<b>88%</b>	<b>87%</b>	<b>91%</b>	<b>93%</b>
Debt Service Coverage Ratio	<b>10.24</b>	<b>2.29</b>	<b>2.27</b>	<b>2.37</b>

\*Includes Capitalized Interest



# FY17 Maintenance - \$3 Million

	HPT	GPT	IRT	UVA	IVA-N	IVA-S	Parliament	Admin
HVAC Replacement	✓	✓	✓					
Security Camera Upgrade	✓	✓						
Elevator Upgrade				✓				
Shower/Wall Replacement			✓					
Furniture/Bed Frames/Mattresses	✓	✓			✓	✓		✓
Windows/Blinds					✓			
Paint				✓	✓		✓	
Carpet/LVT Flooring					✓		✓	
Recreation Equipment				✓			✓	

## Florida Atlantic University Finance Corporation Housing FY 16-17 Budget

	Total FY17									Total FY17 - All		
	Algonquin	UVA	IRT	HPT	GPT	IVAN	IVAS	Parliament	Residence Halls	Admin.	Operations	OPERATING REVENUES:
<b>OPERATING REVENUES:</b>												<b>OPERATING REVENUES:</b>
Resident Housing Fees	574,200	3,514,000	4,546,600	3,673,640	4,448,576	7,104,127	5,787,880	4,801,870	34,450,894	-	34,450,894	Resident Housing Fees
Student Repair Fees	8,568	21,216	41,983	14,688	15,208	23,276	45,890	32,722	203,551	-	203,551	Student Repair Fees
Application Fees	-	-	-	-	-	-	-	-	-	175,000	175,000	Application Fees
Conference/Guest Housing Fees	-	10,000	80,000	155,349	140,000	16,928	16,173	-	418,450	-	418,450	Conference/Guest Housing Fees
Interest Income	-	-	-	-	-	-	-	-	-	78,000	78,000	Interest Income
<b>TOTAL OPERATING REVENUES</b>	<b>582,768</b>	<b>3,545,216</b>	<b>4,668,583</b>	<b>3,843,677</b>	<b>4,603,785</b>	<b>7,144,331</b>	<b>5,849,942</b>	<b>4,834,592</b>	<b>35,072,894</b>	<b>253,000</b>	<b>35,325,894</b>	<b>TOTAL OPERATING REVENUES</b>
<b>OPERATING EXPENSES:</b>												<b>OPERATING EXPENSES:</b>
Salaries and Benefits	91,645	272,117	366,650	317,028	393,665	294,185	292,239	355,413	2,382,941	1,199,383	3,582,324	Salaries and Benefits
OPS	10,530	124,809	138,098	144,564	149,032	-	-	197,884	764,917	361,686	1,126,603	OPS
Management Fee	14,599	69,616	93,897	93,129	93,129	93,897	92,975	16,741	567,982	-	567,982	Management Fee
Utilities	89,985	492,199	554,566	453,823	451,237	311,260	276,179	441,433	3,070,682	73,017	3,143,700	Utilities
Maintenance	48,350	247,900	123,350	107,550	104,200	154,800	151,650	86,800	1,024,600	38,850	1,063,450	Maintenance
Service Contracts	20,640	173,400	81,100	80,150	78,650	163,500	163,500	155,650	916,590	19,350	935,940	Service Contracts
Admin and Supplies	4,563	23,826	14,247	19,776	19,544	12,191	19,008	12,505	125,659	310,936	436,595	Admin and Supplies
Marketing and Printing	-	-	-	-	-	-	-	-	-	100,000	100,000	Marketing and Printing
Training and Development	750	2,750	3,500	3,500	3,500	3,500	3,500	3,500	24,500	75,370	99,870	Training and Development
Special Projects (Technology)	1,000	3,000	-	143,000	143,000	-	-	3,000	293,000	38,500	331,500	Special Projects (Technology)
Special Projects (Residential Life)	1,000	5,200	6,200	6,200	6,200	6,200	6,200	11,000	48,200	151,800	200,000	Special Projects (Residential Life)
Special Projects (Academic Partnerships)	-	-	-	-	-	-	-	-	-	200,000	200,000	Special Projects (Academic Partnerships)
Special Projects (Maintenance)	-	66,000	10,000	243,377	5,000	200,000	10,000	120,000	654,377	47,000	701,377	Special Projects (Maintenance)
Contingency	-	15,000	15,000	15,000	15,000	-	-	15,000	75,000	25,000	100,000	Contingency
<b>TOTAL OPERATING EXPENSES</b>	<b>283,063</b>	<b>1,495,817</b>	<b>1,406,608</b>	<b>1,627,096</b>	<b>1,462,155</b>	<b>1,239,533</b>	<b>1,015,251</b>	<b>1,418,926</b>	<b>9,948,449</b>	<b>2,640,892</b>	<b>12,589,342</b>	<b>TOTAL OPERATING EXPENSES</b>
<b>Net Operating Revenue Over Expense</b>	<b>299,705</b>	<b>2,049,399</b>	<b>3,261,975</b>	<b>2,216,581</b>	<b>3,141,630</b>	<b>5,904,799</b>	<b>4,834,691</b>	<b>3,415,666</b>	<b>25,124,445</b>	<b>(2,387,892)</b>	<b>22,736,553</b>	<b>Net Operating Revenue Over Expense</b>
<b>Non-Operating Expenses</b>												<b>Non-Operating Expenses</b>
Repair and Replacement Fund	11,139	81,357	86,174	73,477	86,995	107,485	107,485	116,743	670,855	-	670,855	Repair and Replacement Fund
Overhead/Student Affairs Allocation	4,839	35,686	48,014	58,048	67,035	9,777	9,244	58,785	291,430	634,739	926,169	Overhead/Student Affairs Allocation
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>15,978</b>	<b>117,043</b>	<b>134,188</b>	<b>131,525</b>	<b>154,030</b>	<b>117,262</b>	<b>116,729</b>	<b>175,528</b>	<b>962,285</b>	<b>634,739</b>	<b>1,597,024</b>	<b>TOTAL NON-OPERATING EXPENSES</b>
<b>TOTAL EXPENSES</b>	<b>299,041</b>	<b>1,612,860</b>	<b>1,540,796</b>	<b>1,758,622</b>	<b>1,616,185</b>	<b>1,356,795</b>	<b>1,131,980</b>	<b>1,594,454</b>	<b>10,910,734</b>	<b>3,275,631</b>	<b>14,186,365</b>	<b>TOTAL EXPENSES</b>
<b>Net Revenue Over Expense</b>	<b>283,727</b>	<b>1,932,356</b>	<b>3,127,787</b>	<b>2,085,055</b>	<b>2,987,600</b>	<b>5,787,536</b>	<b>4,717,962</b>	<b>3,240,137</b>	<b>24,162,160</b>	<b>(3,022,631)</b>	<b>21,139,529</b>	<b>Net Revenue Over Expense</b>
<b>DEBT SERVICE:</b>												<b>DEBT SERVICE:</b>
DBF Existing Housing Debt	-	1,005,176	1,577,538	1,473,680	1,716,873	-	-	-	5,773,266	-	5,773,266	DBF Existing Housing Debt
2010 Babs/Tax IV - Senior Debt (2010A/Tax)	-	-	-	-	-	5,459,330	5,459,330	-	10,918,660	-	10,918,660	2010 Babs/Tax IV - Senior Debt (2010A/Tax)
2012A Parliament Hall 2012	-	-	-	-	-	-	-	2,787,075	2,787,075	-	2,787,075	2012A Parliament Hall 2012
2012B IV- 2012B	-	-	-	-	-	157,451	157,451	-	314,902	-	314,902	2012B IV- 2012B
Babs Subsidy	-	-	-	-	-	(1,340,463)	(1,340,463)	-	(2,680,927)	-	(2,680,927)	Babs Subsidy
<b>TOTAL DEBT SERVICE</b>	<b>-</b>	<b>1,005,176</b>	<b>1,577,538</b>	<b>1,473,680</b>	<b>1,716,873</b>	<b>4,276,318</b>	<b>4,276,318</b>	<b>2,787,075</b>	<b>17,112,976</b>	<b>-</b>	<b>17,112,976</b>	<b>TOTAL DEBT SERVICE</b>
<b>Net Revenue Over Expense before Depreciation</b>	<b>283,727</b>	<b>927,180</b>	<b>1,550,249</b>	<b>611,375</b>	<b>1,270,727</b>	<b>1,511,219</b>	<b>441,644</b>	<b>453,062</b>	<b>7,049,184</b>	<b>(3,022,631)</b>	<b>4,026,553</b>	<b>Net Revenue Over Expense before Depreciation</b>
<b>Depreciation Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,655,016</b>	<b>5,655,016</b>	<b>Depreciation Expense</b>
<b>TOTAL REVENUES OVER EXPENSES</b>	<b>283,727</b>	<b>927,180</b>	<b>1,550,249</b>	<b>611,375</b>	<b>1,270,727</b>	<b>1,511,219</b>	<b>441,644</b>	<b>453,062</b>	<b>7,049,184</b>	<b>(8,677,647)</b>	<b>(1,628,463)</b>	<b>TOTAL REVENUES OVER EXPENSES</b>
<b>Debt Service Coverage Ratio (DSCR)</b>											<b>2.51</b>	<b>Debt Service Coverage Ratio (DSCR)</b>
<b>Bed Design</b>												<b>Bed Design</b>
<b>Total Bed Design</b>	<b>94</b>	<b>451</b>	<b>607</b>	<b>602</b>	<b>602</b>	<b>605</b>	<b>599</b>	<b>612</b>	<b>4,172</b>	<b>-</b>	<b>4,172</b>	<b>Total Bed Design</b>
<i>Less Non-Revenue Beds:</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>Less Non-Revenue Beds:</i>
<i>Staff</i>	<i>-</i>	<i>1</i>	<i>5</i>	<i>-</i>	<i>-</i>	<i>4</i>	<i>1</i>	<i>-</i>	<i>11</i>	<i>-</i>	<i>11</i>	<i>Staff</i>
<i>Tour Rooms</i>	<i>-</i>	<i>-</i>	<i>4</i>	<i>4</i>	<i>-</i>	<i>4</i>	<i>-</i>	<i>4</i>	<i>16</i>	<i>-</i>	<i>16</i>	<i>Tour Rooms</i>
<b>Total Revenue Bed Design</b>	<b>94</b>	<b>450</b>	<b>598</b>	<b>598</b>	<b>602</b>	<b>597</b>	<b>598</b>	<b>608</b>	<b>4,145</b>	<b>-</b>	<b>4,145</b>	<b>Total Revenue Bed Design</b>
<b>Budgeted % occupancy (Revenue Beds) Economic</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>93%</b>	<b>-</b>	<b>93%</b>	<b>Budgeted % occupancy (Revenue Beds) Economic</b>
FTIC Beds	-	-	565	560	560	-	-	569	2,254	-	2,254	FTIC Beds
Returning Beds	87	419	-	-	-	563	557	-	1,626	-	1,626	Returning Beds
<b>No. of Revenue Producing Beds</b>	<b>87</b>	<b>419</b>	<b>565</b>	<b>560</b>	<b>560</b>	<b>563</b>	<b>557</b>	<b>569</b>	<b>3,880</b>	<b>-</b>	<b>3,880</b>	<b>No. of Revenue Producing Beds</b>

# FAU FINANCE CORPORATION

Item: 5

## BOARD OF DIRECTORS

October 1, 2015

**SUBJECT: PLANS TO REFINANCE SELECTED DEBT FROM FAU DBF BONDS AND STADIUM LOAN.**

---

### PROPOSED BOARD ACTION

Information Only.

### BACKGROUND INFORMATION

Plans to assess the feasibility of refinancing debt of Housing- Series 2003A, Series 2006A, and Series 2006B, and to refinance Stadium Series 2015. The goals are to take advantage of current interest rates, reduce our annual debt obligations, and realize savings to the University. It is expected that the transactions will be completed by December 2015, if possible, to maximize market conditions.

---

**Supporting Documentation:** FAUFC Statement of Net Position – June 30, 2015

**Presented by:** Ms. Dorothy Russell



# Potential Refinancing Bonds/Debt

## Housing Division of Bond Finance Bonds

Housing Series 2003 – UVA (University Village Apartments)

- Principle balance \$21,670,000
- Current DS \$2.5M
- Were callable 2013
- Final Maturity date 7/1/33

Housing Series 2006A – GPT (Glades Park Towers)

- Principle balance \$22,980,000
- Current DS 1.7M
- Callable 7/1/16 at 101
- This has NOT been advance refunded before
- Final Maturity date 7/1/36

Housing Series 2006B – IRT (Indian River Towers)

- Principle balance \$17,230,000
- Current DS \$1.6M
- Already used 1 advance refunding – and since used refunding life of escrow cannot exceed 90 days – closure date would be 4/1/16
- If close prior to 4/1/06 a premium added of 3-5 basis points a month to hedge the lock in rate
- Callable 7/1/16 at 101
- Final Maturity date 7/1//36

**Total DBF Housing Principle \$61,880,000 – Assets would transfer to the FAUFC**

## Stadium

- Principle balance **\$41,620,000**
- Reserves held with Trustee
  - Reserve fund \$2,598,663
  - DSRF \$3,497,100
- Cash in Regions bank held by FAU \$6,000,000
- Net DS (after Babs) \$2.6M
- Final Maturity 7/1/40
- If refunding prior to 2017 there is a termination fee \$310,473
- Current Interest rate 5.78%
- Original BABs subsidy was 35% and now reduced to approx. 28%
- Do not need approval if we do not extend the maturity date
- Few banks interested BoA, Bank United
- Bank loan is the only option as it cannot be rated
- Ideal for a 10 year lock but will ask for 15

FAU Finance Corporation  
Statement of Net Position  
June 30, 2015

	<u>Draft 6/30/15</u>	<u>Refinancing</u>	<u>Restated 6/30/15</u>
<b>Assets</b>			
Current Assets:			
Cash in bank	\$ 4,543,445		\$ 4,543,445
Cash with fiscal agent – restricted	25,485,696		25,485,696
Due from University	<u>2,552,620</u>		<u>2,552,620</u>
<b>Total current assets</b>	<u>32,581,761</u>	<u>-</u>	<u>32,581,761</u>
Noncurrent Assets:			
Cash with fiscal agent – restricted	18,957,280		18,957,280
Prepaid land lease and other	9,866,667		9,866,667
Capital assets, on leased land (net of depreciation)	<u>131,549,978</u>	<u>71,915,625</u>	<u>203,465,603</u>
<b>Total noncurrent assets</b>	<u>160,373,925</u>	<u>71,915,625</u>	<u>232,289,550</u>
<b>Total assets</b>	<u>\$ 192,955,686</u>	<u>71,915,625</u>	<u>264,871,312</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	\$ 1,143,017		1,143,017
Interest payable	6,454,513		6,454,513
Due to University	480,221		480,221
Unearned revenue	2,958,236		2,958,236
Bonds payable – due within one year	<u>4,530,000</u>	<u>3,020,000</u>	<u>7,550,000</u>
<b>Total current liabilities</b>	<u>15,565,987</u>	<u>3,020,000</u>	<u>18,585,987</u>
Long-term liabilities:			
Bonds payable – due in more than one year	203,895,000	58,860,000	262,755,000
Unamortized premiums, net	<u>1,234,894</u>		<u>1,234,894</u>
<b>Total long-term liabilities</b>	<u>205,129,894</u>	<u>58,860,000</u>	<u>263,989,894</u>
<b>Total liabilities</b>	<u>220,695,881</u>	<u>61,880,000</u>	<u>282,575,881</u>
<b>Net Position (Deficit):</b>			
Net investment in capital assets	(13,176,916)	71,915,625	58,738,709
Restricted for debt service and reserve	19,452,959	(61,880,000)	(42,427,041)
Restricted for repair and replacement of capital assets	2,532,930		2,532,930
Unrestricted (deficit)	<u>(36,549,168)</u>		<u>(36,549,168)</u>
<b>Total net position (deficit)</b>	<u>\$ (27,740,195)</u>	<u>10,035,625</u>	<u>(17,704,570)</u>
<b>Total liabilities and net assets</b>	<u>\$ 192,955,686</u>	<u>10,035,625</u>	<u>264,871,312</u>

**FAU Finance Corporation**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2015**

	<u>Draft 6/30/15</u>	<u>Refinancing</u>	<u>Restated 6/30/15</u>
Operating Revenues (Expenses):			
Housing revenue	\$ 24,909,837		\$ 24,909,837
Operating expenses	(12,841,462)		(12,841,462)
Depreciation expense	<u>(5,325,686)</u>		<u>(5,325,686)</u>
<b>Total operating income</b>	<u>6,742,689</u>	<u>-</u>	<u>6,742,689</u>
Nonoperating Revenues (Expenses):			
Athletic revenues pledged for debt service	1,694,505		1,694,505
IRS interest credit	3,476,812		3,476,812
Interest income	620,802		620,802
Unrealized losses	(15,390)		(15,390)
Capital contributions	232,839	10,035,625	10,268,464
Interest expense	<u>(12,929,553)</u>		<u>(12,929,553)</u>
<b>Nonoperating expenses, net</b>	<u>(6,919,985)</u>	<u>10,035,625</u>	<u>3,115,640</u>
<b>Changes in net position</b>	(177,296)	10,035,625	9,858,329
Net position (deficit):			
Beginning of year	<u>(27,562,899)</u>		<u>(27,562,899)</u>
End of year	<u>\$ (27,740,195)</u>	<u>\$10,035,625</u>	<u>\$ (17,704,570)</u>



**Florida Atlantic University Finance Corporation  
Capital Improvement Refunding Revenue Bonds, Series 2015A, B, & C (BANK LOAN)**

September						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October						
S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Date	Event	Responsible Party
09/10/15	Distribute 1 <sup>st</sup> Draft of Legal Documents	BC
09/17/15	Comments Due on 1 <sup>st</sup> Draft of Legal Documents Working Group Call to Review Legal Documents	ALL ALL
09/22/15	FAU BOT Meeting – Presentation on Informational Item (Refunding of Series 2003 (Current), 2006A (Advance), and 2006B (Forward) Bonds)	FAUFC
09/23/15	Distribute 2 <sup>nd</sup> Draft of Legal Documents	BC
09/24/15	Distribute RFP	FA
09/25/15	Notify BOG Staff and DBF of Refundings	FAUFC
10/08/15	RFP Responses Due	FAUFC, FA
10/15/15	Summary of RFP Responses	FA
10/20/15	FAU Audit and Finance Meetings Recommendation to FAUFC	FAUFC FA
10/23/15	Distribute Draft Final Legal Documents Distribute Draft Bank Loan Documents	BC BC
11/03/15	Working Group Call to Review Legal and Bank Loan Documents	ALL
TBD	FAUFC to Approve Legal Documents	FAUFC
11/17/15	FAU BOT Meeting to Approve Legal Documents Pre-Closing – Series 2015A (Current Ref.) and 2015B (Advance Ref.) Execute Forward Bank Loan Agreement for Series 2015C	FAUFC ALL ALL
11/18/15	Closing – Series 2015A (Current Ref.) and 2015B (Advance Ref.)	ALL
04/12/16	Closing – Series 2015C (Forward Ref.)	ALL

**Legend**

FAUFC – FAU Finance Corporation  
BC – Bond Counsel – Bryant Miller Olive  
Bank - TBD

FA – Financial Advisor – Dunlap & Associates, Inc.  
UC – Bank Counsel – TBD



**Florida Atlantic University Finance Corporation  
Capital Improvement Refunding Revenue Bonds, Series 2015A, B, & C (BOND ISSUE)**

September							October							November						
S	M	T	W	Th	F	S	S	M	T	W	Th	F	S	S	M	T	W	Th	F	S
		1	2	3	4	5					1	2	3	1	2	3	4	5	6	7
6	7	8	9	10	11	12	4	5	6	7	8	9	10	8	9	10	11	12	13	14
13	14	15	16	17	18	19	11	12	13	14	15	16	17	15	16	17	18	19	20	21
20	21	22	23	24	25	26	18	19	20	21	22	23	24	22	23	24	25	26	27	28
27	28	29	30				25	26	27	28	29	30	31	29	30					

Date	Event	Responsible Party
09/10/15	Distribute 1 <sup>st</sup> Draft of Legal Documents	BC
09/17/15	Comments Due on 1 <sup>st</sup> Draft of Legal Documents Working Group Call to Review Legal Documents	ALL ALL
09/22/15	FAU BOT Meeting – Presentation on Informational Item (Refunding of Series 2003 (Current), 2006A (Advance), and 2006B (Forward) Bonds)	FAUFC
09/23/15	Distribute 2 <sup>nd</sup> Draft of Legal Documents	BC
09/24/15	Distribute RFP	FA
09/25/15	Notify BOG Staff and DBF of Refundings	FAUFC
10/08/15	RFP Responses Due	FAUFC, FA
10/15/15	Summary of RFP Responses	FA
10/16/15	Distribute 1 <sup>st</sup> Draft of POS	DC
10/20/15	FAU Audit and Finance Meetings Recommendation to FAUFC	FAUFC FA
10/21/15	Distribute Rating Packages to Rating Agencies Comments Due on 1 <sup>st</sup> Draft of POS	FA, FAUFC ALL
10/27/15	Distribute 2 <sup>nd</sup> Draft of POS	DC
Week of 11/2	Rating Agency Calls/Presentations	FAUFC, FA
11/10/15	Ratings Due	FAUFC, FA
TBD	FAUFC to Approve Legal Documents	FAUFC
11/17/15	FAU BOT Meeting to Approve Legal Documents	ALL
11/18/15	Mail/Post POS	DC

**Legend**

FAUFC – FAU Finance Corporation  
 BC – Bond Counsel – Bryant Miller Olive  
 DC – Disclosure Counsel – Bryant Miller Olive  
 UW – Underwriter - TBD

FA – Financial Advisor – Dunlap & Associates, Inc.  
 UC – Underwriters Counsel – TBD



**Florida Atlantic University Finance Corporation**  
**Capital Improvement Refunding Revenue Bonds, Series 2015A, B, & C (BOND ISSUE)**

---

December						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

<u>Date</u>	<u>Event</u>	<u>Responsible Party</u>
12/01/15	Price Bonds (Tentative) Execute Bond Purchase Agreement	FAUFC, FA, UW FAUFC, UW
12/08/15	Mail/Post Final OS Distribute Draft Final Closing Documents	DC BC
12/15/15	Pre-Closing – Series 2015A, 2015B and 2015C	ALL
12/16/15	Closing – Series 2015A and Series 2015B	ALL
04/12/16	Closing – Series 2015C	ALL

---

**Legend**

FAUFC – FAU Finance Corporation  
BC – Bond Counsel – Bryant Miller Olive  
DC – Disclosure Counsel – Bryant Miller Olive  
UW – Underwriter - TBD

FA – Financial Advisor – Dunlap & Associates, Inc.  
UC – Underwriters Counsel – TBD



**Florida Atlantic University Finance Corporation  
Capital Improvement Refunding Revenue Bonds (Stadium Project), Series 2015**

September						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

October						
S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Date	Event	Responsible Party
09/10/15	Distribute 1 <sup>st</sup> Draft of Legal Documents	BC
09/17/15	Comments Due on 1 <sup>st</sup> Draft of Legal Documents Working Group Call to Review Legal Documents	ALL ALL
09/22/15	FAU BOT Meeting – Presentation on Informational Item (Refunding of Series 2010 Stadium Bonds)	FAUFC
09/23/15	Distribute 2 <sup>nd</sup> Draft of Legal Documents	BC
09/24/15	Distribute RFP	FA
09/25/15	Notify BOG Staff and DBF of Refunding	FAUFC
10/08/15	RFP Responses Due	FAUFC, FA
10/15/15	Summary of RFP Responses	FA
10/20/15	FAU Audit and Finance Meetings Recommendation to FAUFC	FAUFC FA
10/23/15	Distribute Draft Final Legal Documents Distribute Draft Bank Loan Documents	BC BC
11/03/15	Working Group Call to Review Legal and Bank Loan Documents	ALL
TBD	FAUFC to Approve Legal Documents	FAUFC
11/17/15	FAU BOT Meeting to Approve Legal Documents Pre-Closing	FAUFC
11/18/15	Closing	ALL

**Legend**

FAUFC – FAU Finance Corporation  
BC – Bond Counsel – Bryant Miller Olive  
Bank - TBD

FA – Financial Advisor – Dunlap & Associates, Inc.  
UC – Bank Counsel – TBD