



**Housing - Honors
Financial Statements
June 30, 2012**

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM - HONORS
MANAGEMENT DISCUSSION AND ANALYSIS**
June 30, 2012

Our discussion and analysis of Florida Atlantic University's Housing Division's (Honors) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with Housing's financial statements.

The statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets report Housing's net assets and changes in net assets respectively. An analysis and review of Housing's net assets – the difference between assets and liabilities is one way to measure the financial health, or financial position of the Division. Over time, increases or decreases in Housing's net assets are one indicator of whether its financial health is improving or deteriorating. We believe that the financial position of Housing is stable. The University's management has insured its financial strength through comprehension and strategic planning for the future.

Operating revenues for the Housing Department were up 4% when compared to the previous fiscal year. The increase in revenue is due to an increase in Housing room rates and a significant increase in year long camps and conferences business. The department took on 2 major renovation projects this fiscal year; installation of generators and reroofed both halls. Total cost for these projects was nearly \$1 million. Since the focus was on major capital projects, the department was conservative with other spending which resulted in operating expenses being significantly lower. The operating expenses, excluding the increase in salaries and benefits for full time and student staff, decreased by 26% in comparison to the previous fiscal year. The increase in the salaries and benefits category was due to revised job descriptions which resulted in added responsibilities – maintenance of the residence halls at the Jupiter Campus is no longer supported by the main campus. Overall, the total operating expenses increased 13%.

University management is confident that the steady demand, along with competitive rates and prudent monitoring of expenditures will continue to generate adequate cash flow to meet the annual debt service requirements of the Honors Housing system.

This Management Discussion and Analysis related to the financial information is designed to provide a general overview of Housing's financial condition. If you have questions about this report or need additional financial information, please contact Ms. Stacey Semmel CPA, CBM, Master of Accounting, Assistant Vice President for Financial Affairs & University Controller, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida (561) 297-3102.

**Florida Atlantic University
Housing System - Honors
Statement of Net Assets
As of June 30, 2012**

Assets

Current Assets:

Cash	\$ 1,570,268
Accounts receivable (net)	25,519
Prepaid items	<u>251,893</u>
Total Current Assets	1,847,679

Noncurrent Assets:

Buildings & building improvements	212,081
Computer software	19,822
Infrastructure and other improvements	564,361
Property under capital lease	12,530,000
Accumulated depreciation	<u>(3,599,179)</u>
Total Noncurrent Assets	9,727,085

Total Assets

\$ 11,574,764

Liabilities

Current Liabilities:

Accounts payable	\$ 132,891
Deferred revenue	<u>3,725</u>
Total Current Liabilities	136,616

Noncurrent Liabilities:

Capital lease payable	9,355,000
Total Noncurrent Liabilities	9,355,000

Total Liabilities

\$ 9,491,616

Net Assets:

Unrestricted	1,711,063
Invested in capital assets, net of related debt	<u>372,085</u>

Total Net Assets

2,083,148

Total Liabilities and Net Assets:

\$ 11,574,764

**Florida Atlantic University
Housing System - Honors
Statement of Revenues, Expenses, and Change in Net Assets
For the Year Ended June 30, 2012**

Revenues

Operating Revenues

Housing fees	\$	1,772,474
Rental income		141,799
Sales and services		51,692
Repair & maintenance		5,655
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Total Operating Revenues	\$	1,971,620

Expenses

Operating Expenses

Salaries & benefits	\$	207,862
Other personal services		63,949
Contractual services		40,154
Telecommunication		65,256
Freight & postage		408
Printing		829
Repair and maintenance		90,436
Travel		12,686
Utilities		149,532
Materials & supplies		61,410
Rental expenses		6,015
Insurance		2,204
Depreciation expense		229,285
Other expenses		14,357
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Total Operating Expenses	\$	944,382
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Operating income		1,027,238
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Nonoperating Revenues (Expenses)

Debt service-interest & related expenses	\$	(533,508)
Assets Threshold adjustments		(63,876)
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Net nonoperating revenues (expenses)	\$	(597,384)

Income Before Transfers		429,854
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Contribution and Transfers

Distr & Trans-Inter-Fund	\$	(37,947)
Administrative overhead		(53,778)
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Total transfers in (out)	\$	(91,725)

Increase in Net Assets		338,129
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Net Assets, Beginning of Year		1,745,019
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Net Assets, End of Year	\$	2,083,148
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**Florida Atlantic University
Housing System - Honors
Statement of Cash Flows
For the Year Ended June 30, 2012**

Cash Flows From Operating Activities:

Receipt from customers	\$	1,971,620
Payment to suppliers		(356,358)
Payment to Employees		(271,811)
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Net Cash Provided by Operating Activities \$ 1,343,451

Cash Flows From Noncapital Financing Activities

Other overhead transfers	\$	(37,948)
Administrative overhead transfers		(53,778)
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Net Cash Used By Noncapital Financing Activities \$ (91,725)

Cash Flows From Capital and Related Financing Activities:

Interest paid on capital debt	\$	(533,508)
Purchases of capital assets		(575,397)
Principal paid on capital debt		(335,000)
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Net Cash Used By Capital and Related Financing Activities \$ (1,443,905)

Net Decrease in Cash (192,179)

Cash, Beginning of year 1,762,447

Cash, End of Year \$ 1,570,268

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities

Operating income	\$	1,027,238
Adjustments to Reconcile Income to		
Net Cash Provided by Operating Activities:		
Depreciation expense		229,285
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Change in Assets and Liabilities		
Accounts Receivables, net		(14,490)
Prepaid items		14,862
Accounts payable		123,071
Deferred revenue		(36,515)
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Net Cash Provided by Operating Activities	\$	1,343,451

**FLORIDA ATLANTIC UNIVERSITY
HOUSING – HONORS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

To enhance the usefulness of the financial statements, the significant accounting policies followed by the housing Division of Florida Atlantic University (“University”) are described below.

REPORTING ENTITY

Florida Atlantic University. The University is a separate public instrumentality that is part of the State university system of public universities which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of each university also are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors’ Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government’s financial statements to be misleading or incomplete. Based on the application of these criteria the University is a component of the State of Florida and its financial balances and activities included in these financial statements are reported on the State’s Comprehensive Annual Financial Report by discrete presentation.

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BASIS OF PRESENTATION

The University's accounting policies conform with generally accepted accounting principles applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provide the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges and universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange

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activities are generally recognized when all applicable eligibility requirements, include time requirements, are met.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University has elected to apply those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards

The University's principal operating activities consist of instruction, research and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income and revenues for capital construction projects. Interest on asset-related debts is a nonoperating expense.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depositary insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local

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governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(17), Florida Statutes. The University's Board of Trustees as adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

External Investment Pools

The University reported investments at fair value totaling \$183,889,266 at June 30, 2012, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+F by Standard and Poor's and had an effective duration of 2.38 years at June 30, 2012. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

ACCOUNTS RECEIVABLE

Accounts receivable reported in the Statement of Net Assets represent amounts due from students for services provided by the Housing division. Accounts Receivable over one year old are considered as doubtful accounts. That amount as of June 30, 2012 is \$ 25,519.

CAPITAL ASSETS

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Capital Assets consist of buildings that are capitalized and recorded at cost at the date of acquisition. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed on the straight-line basis over the estimated useful life of the related assets

LONG-TERM LIABILITIES

As of June 30, 2012, the Housing System's noncurrent liabilities reported as capital lease payable on the Statement of Net Assets amounted to \$9,355,000.