



FLORIDA ATLANTIC
UNIVERSITY

**HOUSING SYSTEM – HONORS COLLEGE
FINANCIAL STATEMENTS
JUNE 30, 2017**

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM – HONORS COLLEGE
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Management's discussion and analysis (MD&A) of Florida Atlantic University's Housing Division's (Honors College) financial performance provides an overview of the financial position and activities for the fiscal year ended June 30, 2017, and should be read in conjunction with the financial statements and notes thereto.

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets report the University Housing's net assets and changes in net assets, respectively. An analysis and review of University 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 University Housing's net assets are an indicator of whether its financial health is improving or deteriorating. Based on this review, the financial position of University Housing is steadily improving. The University Housing's management has insured its financial strength through development of a strategic plan focused on enhanced marketing strategies and financial accountability.

Operating revenues for the Housing Department slightly decreased in the 2016-17 fiscal year to \$2.50M, compared to \$2.53M in the 2015-16 fiscal year. The slight decrease is mainly due to lower repair and maintenance revenue. Operating expenses totaled \$1.54M for the 2016-17 fiscal year, representing an increase of 4.7% as compared to the 2015-16 fiscal year due to the implementation of a multi-year capital improvement plan involving repairs and maintenance of its facilities. Jupiter Housing outsources the management of its facilities and building maintenance to Capstone on Campus Management.

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

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to Ms. Jessica Cohen CPA, Assistant Vice President for Financial affairs & University Controller, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida 33431 or by phone at (561) 297-1424.

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM – HONORS COLLEGE
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Current Assets:

Cash	\$ 4,003,984
Accounts Receivable (net)	28,289
Total Current Assets	<u>4,032,273</u>

Noncurrent Assets:

Buildings & Building Improvements	753,935
Infrastructure and Other Improvements	610,444
Furniture and Equipment	157,512
Computer Software	19,822
Property Under Capital Lease	11,856,558
Accumulated Depreciation	<u>(6,251,338)</u>
Total Noncurrent Assets	<u>7,146,933</u>

TOTAL ASSETS

11,179,206

LIABILITIES

Current Liabilities:

Accounts Payable	8,107
Due to Other Departments	2,250
Unearned Revenue	5,348
Capital Lease Payable - Current	<u>517,000</u>
Total Current Liabilities	<u>532,705</u>

Noncurrent Liabilities:

Capital Lease Payable - Long Term	<u>6,668,000</u>
Total Noncurrent Liabilities	<u>6,668,000</u>

TOTAL LIABILITIES

7,200,705

NET POSITION

Unrestricted	<u>3,978,501</u>
TOTAL NET POSITION	<u>3,978,501</u>

TOTAL LIABILITIES AND NET POSITION

\$ 11,179,206

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM – HONORS COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

REVENUES

Operating Revenues:

Housing Fees	\$ 2,341,605
Rental Income	154,672
Repairs and Maintenance Rev	1,688
Total Operating Revenues	<u>2,497,965</u>

EXPENSES

Operating Expenses:

Salaries and Benefits	241,792
Contractual Services	2,096
Telecommunication	74,594
Repairs and Maintenance	252,149
Travel	2,120
Utilities	160,750
Materials & Supplies	107,261
Insurance	16,674
Rental Expense	2,208
Other Expenses	137,247
Depreciation Expense	544,463
Total Operating Expenses	<u>1,541,354</u>

OPERATING INCOME

956,611

Nonoperating Revenues (Expenses):

Interest Income	1,010
Debt Service- Interest & Related Expenses	(184,602)
Loss on Disposal	(43,000)
Net Nonoperating Revenues (Expenses)	<u>(226,592)</u>

INCOME BEFORE TRANSFERS

730,019

Contribution and Transfers In/(Out):

Administrative Overhead	(105,066)
Transfers- Other	(230,000)
Total Contribution and Transfers In/(Out)	<u>(335,066)</u>

CHANGE IN NET POSITION

394,953

NET POSITION, BEGINNING OF YEAR

3,583,548

NET POSITION, END OF YEAR

\$ 3,978,501

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM – HONORS COLLEGE
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Cash Flows From Operating Activities:	
Receipt from Customers	\$ 2,495,847
Payment to Suppliers	(760,563)
Payment to Employees	(241,792)
Net Cash Provided by Operating Activities	<u>1,493,492</u>
 Cash Flows From Noncapital Financing Activities:	
Other Transfers	(230,000)
Administrative Overhead Transfers	(105,066)
Net Cash Used By Noncapital Financing Activities	<u>(335,066)</u>
 Cash Flows From Capital and Related Financing Activities:	
Interest Paid on Capital Debt	(184,602)
Purchases of Capital Assets	(115,167)
Principal Paid on Capital Debt	(507,000)
Net Cash Used By Capital and Related Financing Activities	<u>(806,769)</u>
 Cash Flows From Investing Activities:	
Interest and Dividends	1,010
Net Cash Flows From Investing Activities	<u>1,010</u>
 Net Increase in Cash	 352,667
 Cash, Beginning of Year	 <u>3,651,317</u>
 Cash, End of Year	 <u><u>\$ 4,003,984</u></u>

**RECONCILIATION OF OPERATING INCOME
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Income	956,611
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation Expense	544,463
Changes in Assets, Liabilities, Deferred Outflows of Resource, and Deferred Inflows of Resources:	
Accounts Receivable, Net	2,118
Accounts Payable	(9,700)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ 1,493,492</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM – HONORS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Summary of Significant Accounting Policies

Reporting Entity. 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 (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University 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, and selecting 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. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

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 provides 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:

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM – HONORS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Management’s Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting. Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments. 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 of capital assets. Non-operating revenues include State noncapital appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a non-operating expense.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University’s policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources. The statement of revenues, expenses, and changes in net position is presented by major sources. The

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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

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 depository 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.

Capital Assets. Capital assets consist of land; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; property under capital leases and leasehold improvements, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. 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. The University has a capitalization threshold of \$5,000 for tangible personal property, new buildings, and building improvements. Depreciation is computed on the straight-line basis over the estimated useful life of the related assets.

2. Receivables

Accounts Receivable. Accounts receivable represent amounts due from students for services provided by the Honors Housing System. Accounts receivable over one year old are considered as doubtful accounts. Accounts receivable of \$28,289 are reported net of allowances of \$20,920 at June 30, 2017.

3. Liabilities

Capital Leases Payable. Liabilities of the University at June 30, 2017 represent capital leases payable. The University entered into a capital lease agreement in connection with the Certificates of Participation issued by Florida Atlantic University Foundation, Inc. to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The University, in

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exchange for use of the buildings, makes lease payments sufficient to cover all amounts due under the Certificates of Participation (COP). At June 30, 2017, the amount reported by the University as capital leases payable includes \$7,185,000, representing the total future payments remaining under the Certificates of Participation.

Certificates of Participation – Component Unit. The Florida Atlantic University Foundation, Inc. refunded its 1999 and 2000 Certificates of Participation through the issuance of Series 2012 Certificates of Participation for \$9,540,000. These funds were used to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The stated interest rate on the 2012 certificates is 2.41 percent. At June 30, 2017, Certificates of Participation payable are as follows:

COP Series	Amount of Issues	Total Retired	Outstanding Principal	Outstanding Interest	Interest Rate	Maturity Date
2012	\$ 9,540,000	\$ 2,355,000	\$ 7,185,000	\$ 1,187,360	2.41	2030

The Foundation entered into agreements with the University, whereby the University was allowed use of the buildings in exchange for the University paying all amounts due under the Certificates.