



Housing System
Financial Statements
June 30, 2020

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2020**

Our analysis of Florida Atlantic University's Department of Housing and Residential Education (Housing) financial performance is based on the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and provides an overview of the financial activities for the fiscal year ending June 30, 2020. Please read this in conjunction with Housing's financial statements.

Over time, increases or decreases in Housing's net assets are one indicator of whether its financial health is improving or deteriorating. Based on the representative financials, Housing Management believes that the financial position of Housing remains healthy. The University's Housing management team has ensured its financial strength through strategic and comprehensive planning for the future.

Housing's total operating revenues decreased \$2.9 million or 15% from approximately 19.6 million for the fiscal year ended June 30, 2019, to \$16.7 million for the fiscal year ended June 30, 2020. The decrease in total operating revenues is due to a decline in occupancy year over year from 104.53% to 100.6% and the loss of the revenue from the decline in university's summer students and cancelation of summer camps due to COVID-19.

Total operating expenses decreased \$716K or 6.42% from approximately \$11.1 million for the fiscal year ended June 30, 2019, to \$10.4 million for the fiscal year ended June 30, 2020. The decrease in operating expenses is due to a decrease in salaries and wages as a result of the streamlining of the Housing tutoring and career center programs. Also, to the use of federal work-study students where permissible by \$(151K). Contractual Services decreased by \$(446K) due to the Housing custodian not requiring the additional assistance from an external cleaning services, as in the past because Capstone Management (COCM) had the time with the buildings being emptied earlier, Telecommunication increased as a result of the installation of multiple access points to the HPT building in which the individual amounts did not meet the university asset

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threshold by \$103K. Material & Supplies decreased by \$(197K), Deprecation expense increased by \$230K. Also, repairs and maintenance have decreased by \$(82K), due to the deferred maintenance and some items being done internally, with modernization and repairs, rental expense increase by \$363 due to a University-wide Athletics agreement, Utilities decreased \$(227K) due to the ESCO project energy savings being realized. Various other expenses netting to a total decrease of \$(308.6K). Our operating margin decline year over year from 43.26% in FY19 to 37.56% in FY20, due to the decrease in revenue caused by COVID-19.

For the sixth year in a row, Housing management implemented aggressive strategies to boost occupancy by enhancing housing amenities, increasing marketing to both parents and new/returning/transfer/International students, strengthening participation in new student orientation, increasing social media presence, and continuing a more comprehensive and cohesive new student on-boarding process (admissions, financial aid, registrar orientation, academic advising, immunization, and housing). Additionally, Fall 2019 was the sixth-time Housing Management launched its re-contracting for the following fiscal year. As a result of these strategies, the university continued to realize just over 100% occupancy for Fall 2020, as it did in the prior year.

The Management team of University Housing is confident that the continued demand, especially on the Boca Raton campus, along with competitive rates, strong occupancy management, and prudent monitoring of expenditures will generate adequate cash flow to meet the annual debt service requirement of the overall 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 Mr. Art Kite CPA, Deputy CFO & Assistant Vice President of Finance, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida (561) 297-1424.

**Florida Atlantic University
Housing System
Statement of Net Position
As of June 30, 2020**

ASSETS:	6/30/2020
Current Assets:	
Cash	7,246,656
Investments	477,716
Accounts Receivable (net)	1,073,385
Due from University	1,831,712
Total Current Assets	10,629,469
Noncurrent Assets:	
Buildings & building improvements	100,349,796
Infrastructure and other improvements	9,544,291
Furniture and equipment	1,331,834
Computer software	131,146
Library Resources	325
Construction Work In Progress	39,093
Accumulated depreciation	(36,551,517)
Total Noncurrent Assets:	74,844,968
TOTAL ASSETS	\$ 85,474,437
LIABILITIES:	
Current Liabilities:	
Accounts Payable	319,087
Due to Other Departments	-
Unearned Revenue	58,892
Total Current Liabilities	377,979
Noncurrent Liabilities:	
Capital improvement debt payable net	45,013,895
Total Noncurrent Liabilities	45,013,895
TOTAL LIABILITIES	\$ 45,391,874
Net Position:	
Invested in capital assets, net of related debt	29,831,073
Unrestricted	10,251,490
Total Net Position	40,082,563
Total Liabilities and Net Position	\$ 85,474,437

Florida Atlantic University
Housing System
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2012 - June 30, 2020
As of June 30, 2020

Revenues

Operating Revenues	2020
Housing Fees	16,244,365
Applications Revenue	365,100
Rental Income	91,406
Repairs and Maintenance Rev	8,115
Total Operating Revenues	16,708,986

Expenses

Operating Expenses:

Salaries and Benefits	2,649,899
Other Personal Services	
Contractual Services	1,516,940
Telecommunication	274,823
Freight & Postage	670
Printing	5,560
Repairs and Maintenance	657,558
Travel	22,874
Utilities	1,012,493
Materials & Supplies	587,814
Insurance	34,774
Scholarships and grants	
Rental Expense	383,312
Other Expenses	140,578
Depreciation Expense	3,145,286
Total Operating Expenses	10,432,581

Operating Income /(loss) **6,276,405**

Nonoperating Revenues (Expenses)

Interest Income	14,836
Unrealized Gains and Losses	74
Debt Service- Interest & Related Expenses	(2,007,767)
Other Non-Operating Expenses	(542)
Net Nonoperating Revenues (Expenses)	(1,993,399)

Income Before Transfers **4,283,006**

Contribution and Transfers In/(Out)

Administrative Overhead	(1,525,340)
Gain or Loss Disposal-Fixed Assets	(636,277)
Transfers- Other	(334,161)
Total Contribution and Transfers In/(Out)	(2,495,778)

Change in Net Position **1,787,228**

Net Position, Beginning of Year 38,295,335

Net Position, End of Year **\$ 40,082,563**

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

	6/30/2020
Cash Flows From Operating Activities:	
Receipt from customers	\$ 17,285,263
Other Operating Receipts	99,521
Payment to suppliers	(5,099,367)
Payment to Employees	(2,649,899)
Net Cash Provided From Operating Activities	<u>9,635,518</u>
Cash Flows From Noncapital Financing Activities	
Administrative overhead	(1,525,340)
Transfers- Other	(334,161)
Net Cash Flows From Noncapital Financing Activities	<u>(1,859,501)</u>
Cash Flows From Capital and Related Financing Activities:	
Interest paid on capital debt	(2,182,300)
Debt Related Expenses Paid	(4,394)
Purchases of capital assets	(1,037,158)
Principal paid on capital debt	(3,210,000)
Net Cash Flows From Capital and Related Financing Activities	<u>(6,433,852)</u>
Cash Flows From Investing Activities:	
Net change in Investments	504,941
Interest and dividends	14,836
Net Cash Flows From Investing Activities	<u>519,777</u>
Net Change in Cash	1,861,943
Cash, Beginning of the year	<u>5,384,713</u>
Cash, End of Year	<u><u>\$ 7,246,656</u></u>
Reconciliation of Operating Cash Flows to Operating Income	
Cash Provided From Operating Activities:	
Operating income	\$ 6,276,405
Adjustments to Reconcile Income to	
Net Cash Provided by Operating Activities	
Depreciation expense	3,145,286
Amortization expense	
Bad Debt expense	
Change in Assets and Liabilities:	
Accounts Receivables, net	(9,347)
Due from ComponentUnits/Primary Govt.	735,699
Accounts payable	(448,631)
Due to other departments	(13,340)
Unearned revenue	(50,554)
Net Cash Provided From Operations	<u><u>\$ 9,635,518</u></u>

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

1. Summary of Significant Accounting Policies

Reporting Entity. Florida Atlantic University is a separate public instrumentality that is part of a 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 thirteen 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 members. The Board of Governors establishes the powers and duties of the Trustees. The trustees are responsible for setting policies for the university, which provides governance in accordance with State law and Board of Governors' Regulations. The Board of trustees selects 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 Board of 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.

Basis of Presentation. The University's accounting policies conform with generally accepted accounting principles applicable to public colleges and universities as prescribed by the

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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 Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - 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 activities are generally recognized when all applicable eligibility requirements, include time requirements, are met. The University follows GASB standards of accounting and financial reporting. Auxiliary service departments account for interdepartmental

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transactions as reductions of expenditures 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 plus administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues are State noncapital appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on asset-related debts is a non-operating 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 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 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.

2. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds 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 governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus

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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; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; 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 Pool. The University reported investments at fair value totaling \$280,770,413 at June 30, 2020, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. 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. Of the University's investments reported above, Housing's investments in SPIA at fair value totaled \$477,716.

3. Receivables

Accounts receivable reported in the Statement of Net Position represent amounts due from students for services provided by Housing division. Accounts receivable over one year old are considered as doubtful accounts. Accounts receivable of \$1,073,385 are reported net of allowances of \$897,983 at June 30, 2020.

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4. Long Term Liabilities

On December 20, 2016 bond series 2016A has been issued to refund the outstanding 2003, 2006A and 2006B bonds. As of June 30, 2020, the Housing System's noncurrent liabilities reported as capital improvement debt payable on the Statement of Net Position amounted to \$45,013,895.