



**Housing
Financial Statements
June 30, 2012**

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

Our discussion and analysis of Florida Atlantic University's Housing Division's (Housing) financial performance provides an overview of the financial activities for the fiscal year ending June 30, 2012. Please read this 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. 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 healthy. The University's management has insured its financial strength through comprehension and strategic planning for the future.

This fiscal year saw seismic changes to Housing:

1. The division became part of a designated special organization – FAU Finance Corporation.
2. This change was a result of the public private partnership as FAU built Innovation Village Apartments, 2 new apartment style residence halls.
3. Innovation Village Apartments opened in August 2011, increasing the housing capacity by 1200 beds to nearly 3700 beds on the Boca Raton campus.
4. The operation of Housing was divided into two managers; FAU overseeing the Business Services of student housing and Residential Life and Capstone On-Campus Management overseeing the facilities of all housing. Jointly creating and overseeing the financials of Housing.
5. The University side of the operation reorganized its staffing pattern, decreasing full time coordinators supported by graduate assistants.

Overall operating revenues were up 4.6% recognizing an increase in the semester room rental fee and guests both in summer school and camps. Operating expenses were up 10% over the last fiscal year.

As the co-managers review expenses, there are several projects, activities, or change in climate that can be contributing to the increase:

- housing 83 students at a local hotel at the beginning of the fall semester
- continuing infrastructure repairs in University Village Apartments and Algonquin
- landscaping was not originally in the budget for University Village Apartments

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- travel for more staff and the climate of the University allowed for more professional development
- increased financial support of programming for students – bigger and better events to build and celebrate community.

Demand for on campus housing continues as we had our 8th year of a waiting list for the 2011-2012 academic year. First Time In College class of 2011 was FAU's largest freshman class. The Housing department had 300+ freshman wanting housing hence placing out of area freshman in a local hotel. Average occupancy of the freshman halls for Fall 2011 was 100%.

The co-managers of University Housing are confident that the continued demand, especially on the Boca Raton campus along with competitive rates 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 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
Statement of Net Assets
As of June 30, 2012**

ASSETS:

Current Assets:

Cash	\$ 7,540,532
Investments	8,036,426
Accounts Receivable (net)	1,171,192
Due from University	(5,562,529)
Due from US Bank	416,526
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Total Current Assets 11,602,147

Noncurrent Assets:

Buildings & building improvements	95,529,530
Infrastructure and other improvements	772,298
Furniture and equipment	753,665
Computer software	50,000
Accumulated depreciation	(17,538,145)
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Total Noncurrent Assets: 79,567,348

Other Non-Current Assets:

Deferred Fiscal Charges	571,587
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TOTAL ASSETS \$ 91,741,081

LIABILITIES:

Current Liabilities:

Accounts payable and Interest payable	\$ 174,610
Due to Other Departments	443,767
Deferred Revenue	220,636
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Total Current Liabilities 839,013

Noncurrent Liabilities:

Capital improvement debt payable net	<u><u>68,626,960</u></u>
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TOTAL LIABILITIES \$ 69,465,973

Net Assets:

Unrestricted	10,763,133
Invested in capital assets, net of related debt	11,511,975
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Total Net Assets	<u><u>22,275,108</u></u>

Total Liabilities and Net Assets \$ 91,741,081

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

Revenues:

Operating Revenues

Housing Fees	\$ 15,948,632
Rental Income	176,174
Repairs & Maintenance	88,027

Total Operating Revenues 16,212,833

Expenses:

Operating Expenses

Salaries & Benefits	1,351,281
Other Personal Services	437,333
Contractual Services	1,607,027
Telecommunication	428,885
Freight & Postage	16,266
Printing	40,200
Repairs & Maintenance	1,081,302
Travel	96,545
Utilities	1,237,971
Materials & Supplies	207,871
Insurance	12,196
Rental Expense	69,861
Other Expense	112,733
Depreciation Expense	2,075,278

Total Operating Expenses \$ 8,774,749

Operating Income / (Loss) **7,438,084**

Nonoperating Revenues / (Expenses)

Interest Income	\$ 86,630
Assets Threshold Adjustment	(78,903)
Debt Service-interest & related expenses	(3,292,530)

Net Nonoperating Revenues / (Expenses) (3,284,803)

Income / (Loss) Before Transfers 4,153,280

Contribution and Transfers In / (Out)

Administrative Overhead (187,289)

Total Contribution and Transfers In / (Out) (187,289)

Change in Net Assets 3,965,991

Net Assets, Beginning of Year 18,309,117

Net Assets, End of Year **\$ 22,275,108**

**Florida Atlantic University
Housing System
Statement of Cash Flows
For the Year Ended June 30, 2012**

Cash Flows From Operating Activities:	
Receipt from customers	\$ 15,245,107
Other Operating Receipts	5,194,968
Payment to suppliers	(4,412,260)
Payment to Employees	<u>(1,788,614)</u>
Net Cash Provided by Operating Activities	14,239,201
Cash Flows From Noncapital Financing Activities	
Administrative overhead	<u>(187,289)</u>
Net Cash Used By Noncapital Financing Activities	(187,289)
Cash Flows From Capital and Related Financing Activities:	
Interest paid on capital debt	(3,184,091)
Purchases of capital assets	(916,905)
Principal paid on capital debt	<u>(2,585,000)</u>
Net Cash Used By Capital and Related Financing Activities	(6,685,996)
Cash Flows From Investing Activities:	
Purchase of Investments	87,986
Interest and dividends	<u>86,630</u>
Net Cash Used by Investing Activities	<u>174,616</u>
Net Increase in Cash	7,540,532
Cash, Beginning of year	<u>-</u>
Cash, End of Year	<u>\$ 7,540,532</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 7,438,084
Adjustments to Reconcile Income to	
Net Cash Provided by Operating Activities:	
Depreciation expense	2,075,278
Change in Assets and Liabilities	
Accounts Receivables, net	(567,016)
Interest & dividends receivables	18,843
Due from Component Units/Primary Govt.	5,592,651
Due from US bank	(416,526)
Accounts payable	54,830
Due to other departments	443,767
Deferred revenue	<u>(400,710)</u>
Net Cash Provided by Operating Activities	<u>\$ 14,239,201</u>

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
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 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.

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. Of the University's investments reported above, Housing's investments at fair value totaled \$ 8,036,426.

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 \$ 1,171,192.

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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

LONG-TERM LIABILITES

As of June 30, 2012, the Housing System's noncurrent liabilities reported as capital improvement debt payable on the Statement of Net Assets amounted to \$68,626,960.