



**Housing - Honors
Financial Statements
June 30, 2013**

FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM - HONORS
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2013

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, 2013. 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 remained stable overall when compared to the previous fiscal year. Housing fee revenue increased by 5% due to an increase in Housing room rates, but camps and conference revenue was down significantly from the prior year. The decrease in year-long camps and conferences business was due to the loss of baseball Spring/Extended Spring Training clients that historically had stayed in Jupiter guest housing from April to August. The Housing Department is in the process of planning and evaluating new marketing initiatives to promote the facilities and ultimately increase the revenue stream back to or close to the 2012 level.

Operating expenses for the Housing Department increased by 13% from 2012. The department took on 2 major renovation projects in fiscal year 2012: installation of generators and reroofed both halls. As a result, depreciation expense increased by approximately \$53K during fiscal year 2013. The other major increase in depreciation expense of \$137K was due to the refinancing of the capital lease. Overall, depreciation expense increased 85%. Therefore, the department continues to be conservative with other spending which resulted in operating expenses being significantly lower. Operating expenses (excluding depreciation expense, but including salaries & benefits) decreased by 10% in comparison to the previous fiscal year.

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 Position
As of June 30, 2013**

Assets

Current Assets:

Cash	\$	1,689,081
Accounts receivable (net)		3,958
Prepaid items		484

Total Current Assets **\$ 1,693,523**

Noncurrent Assets:

Buildings & building improvements	\$	753,069
Infrastructure and other improvements		564,361
Computer software		19,822
Property under capital lease		11,856,557
Accumulated depreciation		(4,022,969)

Total Noncurrent Assets **\$ 9,170,840**

Total Assets **\$ 10,864,363**

Liabilities

Current Liabilities:

Accounts payable	\$	26,631
Deferred revenue		340

Total Current Liabilities **\$ 26,971**

Noncurrent Liabilities:

Capital lease payable	\$	8,290,558
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Total Noncurrent Liabilities **8,290,558**

Total Liabilities **\$ 8,317,529**

Net Position:

Unrestricted	1,666,552
Invested in capital assets, net of related debt	880,282

Total Net Position **\$ 2,546,834**

Total Liabilities and Net Position: **\$ 10,864,363**

Florida Atlantic University
Housing System - Honors
Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended June 30, 2013

Revenues

Operating Revenues		
Housing fees	\$	1,852,911
Rental income		78,506
Sales and services		47,075
Repair & maintenance		2,412
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Total Operating Revenues	\$	1,980,904

Expenses

Operating Expenses		
Salaries & benefits	\$	153,232
Other personal services		63,638
Contractual services		63,834
Telecommunication		67,614
Freight & postage		79
Printing		786
Repair and maintenance		75,069
Travel		6,700
Utilities		148,907
Materials & supplies		25,824
Rental expenses		3,915
Insurance		903
Depreciation expense		423,790
Other expenses		34,181
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Total Operating Expenses	\$	1,068,472

Total Operating income	\$	912,432
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Nonoperating Revenues (Expenses)

Debt service-interest & related expenses		(342,090)
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Net nonoperating revenues (expenses)	\$	(342,090)
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Income Before Transfers	\$	570,342
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Contribution and Transfers

Distr & Trans-Inter-Fund		(29,113)
Administrative overhead		(77,543)
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Total transfers in (out)	\$	(106,656)
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Change in Net Position		463,686
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Total Net Position, Beginning of Year	\$	2,083,148
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Total Net Position, End of Year	\$	2,546,834
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**Florida Atlantic University
Housing System - Honors
Statement of Cash Flows
For the Year Ended June 30, 2013**

Cash Flows From Operating Activities:

Receipt from customers	\$ 1,999,079
Payment to suppliers	(282,663)
Payment to Employees	(216,870)
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Net Cash Provided by Operating Activities **\$ 1,499,546**

Cash Flows From Noncapital Financing Activities

Other overhead transfers	(29,113)
Administrative overhead transfers	(77,543)
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Net Cash Used By Noncapital Financing Activities **\$ (106,656)**

Cash Flows From Capital and Related Financing Activities:

Interest paid on capital debt	(342,090.00)
Purchases of capital assets	(540,987.00)
Principal paid on capital debt	(391,000.00)
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Net Cash Used By Capital and Related Financing Activities **\$ (1,274,077)**

Net Change in Cash **\$ 118,813**

Cash, Beginning of year **1,570,268.00**

Cash, End of Year **\$ 1,689,081**

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities

Operating income	\$ 912,432
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities:	
Depreciation expense	423,790.00

Change in Assets and Liabilities

Accounts Receivables, net	21,560.00
Prepaid items	251,409.00
Accounts payable	(106,260.00)
Deferred revenue	(3,385.00)
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Net Cash Provided by Operating Activities **\$ 1,499,546**

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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 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 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 Governmental Accounting

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JUNE 30, 2013**

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. 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. Auxiliary service departments account for interdepartmental transactions as reductions of expenditures and not revenues of those departments.

**FLORIDA ATLANTIC UNIVERSITY
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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. Included in nonoperating revenues are State appropriations, investment income and revenues for capital construction projects. Interest on asset-related debts is a nonoperating expense.

The University applies all applicable GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. 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 after November 30, 1989, not in conflict with GASB standards.

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 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 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

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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 Pools

The University reported investments at fair value totaling \$197,667,396 at June 30, 2013, 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 2.65 years at June 30, 2013. 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 Position represent amounts due from students for services provided by Housing division. Accounts Receivable over one year old are considered as doubtful accounts. That amount as of June 30, 2013 is \$ 3,958.

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.

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LONG-TERM LIABILITES

As of June 30, 2013, the Housing System's noncurrent liabilities reported as capital lease payable on the Statement of Net Position amounted to \$ 8,290,558.