



**Housing System
Financial Statements
June 30, 2015**

FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2015

Our discussion and analysis of Florida Atlantic University's Department of Housing and Residential Life's (Housing) financial performance provides an overview of the financial activities for the fiscal year ending June 30, 2015. 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. Based upon the representative financials, Housing Management believes 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.

Overall operating revenues decreased by 6.6% which is directly related to a decrease in occupancy. Overall, operating expenses increased by 3%. The increase is mainly due to repairs and maintenance costs incurred for replacing the showers and the flooring in the rooms and hallways of the Glades Park Tower (GPT) residence hall. Net of the repairs and maintenance expenditures, Salaries & Benefits declined for the second consecutive year by 7.4% in FY15 due to Management restructuring of Housing operations.

Utilities and Other Expense categories decreased for a second year in a row due to lower occupancy levels and housing management's initiative to pare back expenditures to offset lower projected revenues.

As a result of trimming normal operating expenditures and increasing investment in its strategic occupancy plan, Management developed strategies to boost occupancy by providing new housing amenities, increasing marketing to parents and new/returning/transfer students, strengthening participation in new student orientation, increasing social media

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presence, and building a more comprehensive and cohesive new student on-boarding process (admissions, financial aid, orientation, and housing). Additionally, Fall 2014 was the first-time Housing Management launched its re-contracting for the following fiscal year. As a result of these strategies, Housing achieved 96% occupancy for Fall 2015.

The Management team of University Housing are 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 Ms. Jessica Cohen CPA, Assistant Vice President for Financial Affairs & University Controller, 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, 2015

Assets:

Current Assets:

Cash	\$	6,339,676
Investments		6,480,433
Accounts Receivable (net)		537,951
Due from University		485,275
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Total Current Assets	\$	13,843,335
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Noncurrent Assets:

Buildings & building improvements	\$	98,548,652
Infrastructure and other improvements		830,283
Furniture and equipment		853,591
Computer software		50,000
Accumulated depreciation		(24,152,785)
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Total Noncurrent Assets:	\$	76,129,741
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Total Assets	\$	89,973,076
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Liabilities:

Current Liabilities:

Accounts Payable	\$	1,169,300
Due to Other Departments		363,123
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Total Current Liabilities	\$	1,532,423
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Noncurrent Liabilities:

Capital improvement debt payable net	\$	60,483,723
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Total Liabilities	\$	62,016,146
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**Florida Atlantic University
Housing System
Statement of Net Position
As of June 30, 2015**

Net Position:

Invested in capital assets, net of related debt	\$ 15,646,019
Unrestricted	12,310,912
Total Net Position	<u>\$ 27,956,930</u>
Total Liabilities and Net Position	<u>\$ 89,973,076</u>

Florida Atlantic University
Housing System
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Revenues:

Operating Revenues

Housing Fees	\$	14,132,979
Application Fees		285,794
Rental Income		293,020
Repairs and Maintenance Rev		63,522

Total Operating Revenues	\$	14,775,315
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Expenses:

Operating Expenses

Salaries and Benefits	\$	2,427,597
Contractual Services		456,713
Telecommunication		523,907
Freight & Postage		6,735
Printing		39,604
Repairs and Maintenance		1,855,535
Travel		55,579
Utilities		1,355,496
Materials & Supplies		412,031
Insurance		72,753
Rental Expense		47,296
Other Expenses		320,295
Depreciation Expense		2,053,365

Total Operating Expenses	\$	9,626,907
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Operating Income / (Loss)	\$	5,148,408
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Nonoperating Revenues / (Expenses)

Interest Income	\$	52,287
Debt Service- Interest & Related Expenses		(2,948,826)
Other Non-Operating Expenses		(61,021)

Net Nonoperating Revenues / (Expenses)	\$	(2,957,559)
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Income / (Loss) Before Transfers	\$	2,190,849
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Florida Atlantic University
Housing System
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2015

Contribution and Transfers In /(Out)	
Administrative Overhead	\$ (271,690)
Gain or Loss Disposal-Fixed Assets	(9,706)
Transfers- Other	(827,331)
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Total Contribution and Transfers In / (Out)	\$ (1,108,727)
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Change in Net Position	\$ 1,082,122
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Net Position, Beginning of Year	26,874,808
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Net Position, End of Year	\$ 27,956,930
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Florida Atlantic University
Housing System
Statement of Cash Flows
For the Year Ended June 30, 2015

Cash Flows From Operating Activities:	
Receipt from customers	\$ 14,915,414
Other Operating Receipts	413,495
Payment to suppliers	(4,948,228)
Payment to Employees	(2,427,597)
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Net Cash Provided From Operating Activities	\$ 7,953,084
Cash Flows From Noncapital Financing Activities	
Administrative overhead	\$ (271,690)
Transfers- Other	(827,331)
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Net Cash Flows From Noncapital Financing Activities	\$ (1,099,021)
Cash Flows From Capital and Related Financing Activities:	
Interest paid on capital debt	\$ (2,948,826)
Purchases of capital assets	(1,992,795)
Principal paid on capital debt	(2,900,000)
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Net Cash Flows From Capital and Related Financing Activities	\$ (7,841,621)
Cash Flows From Investing Activities:	
Net change in Investments	\$ 921,934
Interest and dividends	52,287
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Net Cash Flows From Investing Activities	\$ 974,221
Net Change in Cash	\$ (13,336)
Cash, Beginning of the year	\$ 6,353,012
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Cash, End of Year	\$ 6,339,676
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**Florida Atlantic University
Housing System
Statement of Cash Flows
For the Year Ended June 30, 2015**

Reconciliation of Operating Cash Flows to Operating Income

Cash Provided From Operating Activities:

Operating income \$ 5,148,408

Adjustments to Reconcile Income to

Net Cash Provided by Operating Activities:

Depreciation expense 2,053,365

Bad Debt expense 55,637

Change in Assets and Liabilities

Accounts Receivables, net 140,099

Due from Component Units/Primary Govt. 211,404

Accounts payable (197,716)

Due to other departments 249,871

Unearned revenue 292,017

Net Cash Provided From Operations \$ 7,953,084

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

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NOTES TO THE FINANCIAL STATEMENTS
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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 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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

follows GASB standards of accounting and financial reporting. Auxiliary service departments account for interdepartmental 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 nonoperating expense.

ADJUSTMENT TO BEGINNING NET POSITION

The University participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The beginning net position of the University was decreased by \$48.6 million due to the adoption of GASB 68 and the University's proportionate share of the net pension liabilities at June 30, 2015 totaled \$ 37.2 million.

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.

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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 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 \$212,953,219, at June 30, 2015, 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 2.67 years and had a fair value factor of 1.0013 at June 30, 2015. 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. The University also reported other investments totaling \$2,483,535, held by the Florida Atlantic University College of Medicine Self-Insurance Program, a blended component unit included within the University reporting entity. Of the University's investments reported above, Housing's investments in SPIA at fair value totaled \$6,480,433.

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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. Accounts receivable as of June 30, 2015 is \$537,951.

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 LIABILITIES

As of June 30, 2015, the Housing System's noncurrent liabilities reported as capital improvement debt payable on the Statement of Net Position amounted to \$63,483,723.