



FLORIDA ATLANTIC
UNIVERSITY

**Housing System
Financial Statements
June 30, 2016**

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Our 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, 2016. 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 reports 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 on the representative financials, Housing Management believes that the financial position of Housing remains healthy. The University's Housing management team has insured its financial strength through strategic and comprehensive planning for the future.

Housing's total operating revenues increased \$1,830,610 or 12.4% from approximately \$14.8 million for the fiscal year ended June 30, 2015 to \$16.6 million for the fiscal year ended June 30, 2016. The increase in total operating revenue is primarily due to occupancy increase year over year from 88% to 96% or approximately \$1.4 million. The components of operating revenue which reported revenue gains year over year included housing fees which increased \$1,781,602 or 12.6%, applications revenue which increased \$30,706 or 10.7%, and rental income which increased \$49,388 or 16.9%. The only component of total operating revenue that declined from FY15 to FY16 was repairs and maintenance revenue which decreased \$31,086 or 48.9%. This decrease is attributable to fewer claims and smaller incidents reported year over year.

Total operating expenses increased \$888,633 or 9.2% from approximately \$9.6 million for the fiscal year ended June 30, 2015 to \$10.5 million for the fiscal year ended June 30, 2016. Due to restructuring of operations and inventory in FY15, the efficiency and productivity gains began to pay dividends, as our operating margin has increased from 34.8% to 36.7%. This margin would have been higher if we had not invested significantly in our repair and replacement plan to

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upgrade facilities. As result, contractual services, increased from \$456,000 in Fiscal Year 2014-15 to \$1.5 million in Fiscal Year 2015-2016. We invest heavily in our capital replacement plans when we experienced significant positive operating margins.

For a second year in a row, Housing management implemented aggressive strategies to boost occupancy by providing new housing amenities, increasing marketing to both parents and new/returning/transfer students, strengthening participation in new student orientation, increasing social media presence, and building a more comprehensive and cohesive new student on-boarding process (admissions, financial aid, registrar orientation, academic advising, and housing). Additionally, Fall 2015 was the second-time Housing management launched its re-contracting for the following fiscal year. As a result of these strategies, the university realized 99% occupancy for Fall 2016, versus 96% in 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, 2016**

ASSETS:

Current Assets

Cash	\$ 6,129,019
Investments	4,547,211
Accounts Receivable (net)	501,338
Due from University	796,031
Total Current Assets	<u>11,973,599</u>

Noncurrent Assets

Buildings & building improvements	98,707,110
Infrastructure and other improvements	1,250,886
Furniture and equipment	1,036,038
Computer software	76,646
Construction Work In Progress	314,405
Accumulated depreciation	(26,635,544)
Total Noncurrent Assets	<u>74,749,541</u>

TOTAL ASSETS

86,723,140

LIABILITIES

Current Liabilities

Accounts Payable	460,561
Due to Other Departments	213,611
Unearned Revenue	77,890
Total Current Liabilities	<u>752,062</u>

Noncurrent Liabilities:

Capital improvement debt payable net	57,544,310
Total Noncurrent Liabilities	<u>57,544,310</u>

TOTAL LIABILITIES

58,296,372

Net Position:

Invested in capital assets, net of related debt	17,205,231
Unrestricted	11,221,537
Total Net Position	<u>28,426,768</u>

Total Liabilities and Net Position

\$ 86,723,140

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

REVENUES

Operating Revenues

Housing Fees	\$ 15,914,581
Applications Revenue	316,500
Rental Income	342,408
Repairs and Maintenance Rev	32,436
Total Operating Revenues	<u>16,605,925</u>

EXPENSES

Operating Expenses:

Salaries and Benefits	2,650,930
Contractual Services	1,491,917
Telecommunication	479,813
Freight & Postage	1,332
Printing	24,171
Repairs and Maintenance	1,324,109
Travel	36,630
Utilities	1,285,321
Materials & Supplies	503,445
Insurance	19,705
Rental Expense	19,212
Other Expenses	299,517
Depreciation Expense	2,379,438
Total Operating Expenses	<u>10,515,540</u>

OPERATING INCOME /(LOSS) 6,090,385

Nonoperating Revenues (Expenses)

Interest Income	58,831
Debt Service- Interest & Related Expenses	(2,832,530)
Other Non-Operating Expenses	(37,896)
Net Nonoperating Revenues (Expenses)	<u>(2,811,595)</u>

INCOME BEFORE TRANSFERS 3,278,790

Contribution and Transfers In/(Out)

Administrative Overhead	(293,259)
Transfers- Other	(2,515,693)
Total Contribution and Transfers In/(Out)	<u>(2,808,952)</u>

Change in Net Position 469,838

Net Position, Beginning of Year 27,956,930

NET POSITION, END OF YEAR \$ 28,426,768

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

Cash Flows From Operating Activities:	
Receipt from customers	\$ 16,267,694
Other Operating Receipts	335,414
Payment to suppliers	(6,193,911)
Payment to Employees	(2,650,930)
Net Cash Provided From Operating Activities	<u>7,758,267</u>
Cash Flows From Noncapital Financing Activities	
Administrative overhead	(293,259)
Transfers- Other	(2,515,693)
Net Cash Flows From Noncapital Financing Activities	<u>(2,808,952)</u>
Cash Flows From Capital and Related Financing Activities:	
Interest paid on capital debt	(2,832,530)
Purchases of capital assets	(1,102,559)
Principal paid on capital debt	(3,020,000)
Net Cash Flows From Capital and Related Financing Activities	<u>(6,955,089)</u>
Cash Flows From Investing Activities:	
Net change in Investments	1,736,286
Interest and dividends	58,831
Net Cash Flows From Investing Activities	<u>1,795,117</u>
Net Change in Cash	(210,657)
Cash, Beginning of the year	<u>6,339,676</u>
Cash, End of Year	<u>\$ 6,129,019</u>
Reconciliation of Operating Cash Flows to Operating Income	
Cash Provided From Operating Activities:	
Operating income	\$ 6,090,385
Adjustments to Reconcile Income to	
Net Cash Provided by Operating Activities	
Depreciation expense	2,379,438
Bad Debt expense	43,924
Change in Assets and Liabilities:	
Accounts Receivables, net	36,613
Due from Component Units/Primary Govt.	(310,756)
Accounts payable	(708,739)
Due to other departments	149,512
Unearned revenue	77,890
Net Cash Provided From Operations	<u>\$ 7,758,267</u>

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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 Governmental Accounting Standards Board (GASB). The National Association of College and

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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 transactions as reductions of expenditures and not revenues of those

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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 funds of the University shall be invested in those institutions and instruments

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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 \$230,726,758, at June 30, 2016, 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, 2016. 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 \$4,547,211.

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 \$501,338 are reported net of allowances of \$499,220 at June 30, 2016.

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4. Long Term Liabilities

As of June 30, 2016, the Housing System's noncurrent liabilities reported as capital improvement debt payable on the Statement of Net Position amounted to \$57,544,310.