



**Housing
Financial Statements
June 30, 2011**

FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2011

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 ended June 30, 2011. 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 healthy. The University's management has insured its financial strength through comprehension and strategic planning for the future.

Operating revenues for the Housing Department were up 7% and operating expenses went down 2% when compared to the previous fiscal year. The increase in revenue is due to an increase in Housing room rates and considerable increase in summer school occupancy and increased camps and conferences business.

Overall the amount of total operating expenses was almost flat in comparison to the previous fiscal year. The department wasn't undertaking many major renovation projects in anticipation of maintenance outsourcing, but had to change a transformer in Algonquin Hall. The cost of the project was over \$425,000. Also, the department continued work on structural/safety improvements of a walkway at the University Village Apartments. The amount spent on this project just in FY 10-11 was over \$80,000. To keep our buildings attractive and in good shape the Housing department had the exterior of Indian River Towers painted at a cost of \$160,000. There was a replacement of condenser coils in HPT for the cost of almost \$95,000 and carpeting for \$90,000.

There were spikes in some individual expense categories like Contractual Services, Travel, Rental Expense and Materials & Supplies. A 25 % increase in Contractual Services is due to a Greek Housing Market Analysis, and the University's new requirement to charge departments for personnel background checks. The continuing "loosening" of the travel freeze meant students and staff had the ability to attend some professional development events and it is reflected in the increase in the Travel expense line. Despite the increase, it is only 35% higher than in 2007 when Glades Park Towers were not erected yet and less students traveling. Also, in this year's financial statements the expense line Rental Expenses was added. In the previous year's financial statements these expenses were part of the category "Other Expenses", hence the 100% increase.

These increases in expenses were offset by considerable decrease in the category "Other Expenses" and minor decreases in expense lines salaries and benefits, telecommunication, postage, printing, repair and maintenance and utilities.

Nonoperating revenues decreased by 100% due to a one time receipt of interest earnings on bond funds from DOE that was used to pay debt service in fiscal year 2010. Transfers out of the housing fund amounting to \$7.1 million were made to fund the construction of the stadium. Capital donations amounting to \$7 million equate to the net of buildings and accumulated depreciation of housing building adjustments not previously reported. Building additions relate to previous donations made by the FAU Foundation and capitalized costs that were not associated to bond proceeds or housing operations.

Demand for on campus housing continues as we had our 7th year of a waiting list for the 2010-2011 academic year. The summer of 2010 and 2011 saw waiting lists of 300 students despite the addition of 1200 beds for fall semester of 2011. Innovation Village Apartments North and South buildings opened in August 2011 for upper class and graduate students, however due to the increased freshman class approximately 300 freshman were housed in apartments.

The Honors College numbers has been declining over the last several years but a concerted effort to increase enrollment has been put into place for Fall 2011.

University management is 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 requirements of the overall 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
Statement of Net Assets
As of June 30, 2011**

Assets

Current Assets:

Cash	\$ 2,681,500
Investments	7,038,401
Adjustment to fair market value	166,957
Interest and dividends receivable	18,843
Accounts receivable (net)	615,204
Deferred fiscal charges	599,440
Prepaid items	266,754
Due From Comp.Unit/Primary Govt.	<u>30,123</u>

Total Current Assets 11,417,222

Noncurrent Assets:

Works Of Art,Hist.Trea.-Depreciable	3,800
Buildings & building improvements	94,551,969
Furniture and equipments	1,305,537
Computer software	59,165
Infrastructure and other improvements	863,507
Property under capital lease	12,586,852
Accumulated depreciation	<u>(19,121,355)</u>

Total Noncurrent Assets 90,249,475

Total Assets 101,666,697

Liabilities

Current Liabilities:

Accounts payable	111,567
Deposit payable	18,034
Deferred revenue	<u>661,587</u>

Total Current Liabilities 791,188

Noncurrent Liabilities:

Capital lease payable	9,690,000
Capital improvement debt payable net	<u>71,131,373</u>

Total Noncurrent Liabilities 80,821,373

Total Liabilities 81,612,561

Net Assets:

Unrestricted	10,626,034
Invested in capital assets, net of related debt	<u>9,428,102</u>

Total Net Assets 20,054,136

Total Liabilities and Net Assets: \$ 101,666,697

Florida Atlantic University
Housing System
Statement of Revenues, Expenses, and Change in Net Assets
For the Year Ended June 30, 2011

Revenues

Operating Revenues		
Housing fees	\$	17,021,913
Rental income		288,137
Repair & maintenance		88,074
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Total Operating Revenues		17,398,124

Expenses

Operating Expenses		
Salaries & benefits		2,283,048
Other personal services		577,886
Contractual services		64,484
Telecommunication		506,202
Freight & postage		11,054
Printing		42,180
Repair and maintenance		1,181,185
Travel		57,168
Utilities		1,445,151
Materials & supplies		312,315
Rental expenses		13,589
Insurance		30,107
Depreciation expense		2,448,868
Other expenses		291,060
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Total Operating Expenses		9,264,297
Operating income		8,133,827

Nonoperating Revenues (Expenses)

Debt service-interest & related expenses		(3,929,172)
Investment income		363,729
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Net nonoperating revenues (expenses)		(3,565,443)

Income Before Transfers 4,568,384

Contribution and Transfers

Distr & Trans-Inter-Fund		(7,131,901)
Administrative overhead		(514,592)
Capital Donations		6,962,603
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Total transfers in (out)		(683,890)

Increase in Net Assets 3,884,494

Net Assets, Beginning of Year

16,169,642

Net Assets, End of Year

\$ 20,054,136

**Florida Atlantic University
Housing System
Statement of Cash Flows
For the Year Ended June 30, 2011**

Cash Flows From Operating Activities:

Receipt from customers	\$ 17,398,124
Payment to suppliers	(11,169,117)
Payment to Employees	(2,860,934)
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Net Cash Provided by Operating Activities \$ 3,368,073

Cash Flows From Noncapital Financing Activities

Other overhead transfers	(7,131,901)
Administrative overhead transfers	(514,592)
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Net Cash Used By Noncapital Financing Activities (7,646,493)

Cash Flows From Capital and Related Financing Activities:

Interest paid on capital debt	(3,820,732)
Purchases of capital assets	(1,110,304)
Principal paid on capital debt	(2,800,000)
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Net Cash Used By Capital and Related Financing Activities (7,731,036)

Cash Flows From Investing Activities:

Purchase of Investments	11,016,894
Interest and dividends	363,729
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Net Cash Used by Investing Activities 11,380,623

Net Decrease in Cash (628,833)

Cash, Beginning of year

3,310,333

Cash, End of Year

\$ 2,681,500

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities

Operating income	\$ 8,133,827
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities:	
Depreciation expense	2,448,868

Change in Assets and Liabilities

Accounts Receivables, net	(232,762)
Interest & dividends receivables	23,473
Prepaid items	10,385
Due from Comp.Units/Primary Govt.	(30,123)
Accounts payable	(293,346)
Deposit payable	18,434
Deferred revenue	(6,710,683)
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Net Cash Provided by Operating Activities

\$ 3,368,073

**FLORIDA ATLANTIC UNIVERSITY
HOUSING
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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 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 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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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
- Required Supplementary Information (RSI) Other Than MD&A

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

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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.

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

The amount reported as cash and cash equivalents consist of cash on hand and cash in demand accounts. Cash set aside to make debt service payments, maintain sinking fund reserves, and to purchase or construct capital assets is classified as restricted. Banks qualified as public depositories under Florida law hold cash deposits of the University. Cash in demand accounts are held in banks qualified in accordance with the provisions of Chapter 280, Florida Statutes, as a public depository. Deposits are fully insured by Federal depository insurance or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing with

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the State Treasury and State Board of Administration, 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. Pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration (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. 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 \$189,129,947 at June 30, 2011, 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 1.01 years at June 30, 2011. 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 \$ 7,205,358.

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, 2011 is \$ 615,204.

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

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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, 2011, the Housing System's noncurrent liabilities reported as capital lease payable and capital improvement debt payable on the Statement of Net Assets amounted to \$80,821,373.