FAU FINANCE CORPORATION

Item: __2

BOARD OF DIRECTORS

Thursday, October 25, 2012

SUBJECT: REVIEW OF THE FAU FINANCE CORPORATION FINANCIAL REPORT FROM THE FISCAL YEAR ENDED JUNE 30, 2012.

PROPOSED BOARD ACTION

Information Only.

BACKGROUND INFORMATION

The audited financial statements of the Florida Atlantic University Finance Corporation (FAUFC) are presented to keep the Board of Directors informed about the financial status of the FAUFC. The audited financial statements are for the period ending June 30, 2012.

Supporting Documentation: FAUFC Financial Report 2012.

Presented by: Mr. Dennis Crudele, Executive Director **Phone:** 561-297-3266

FAU Finance Corporation
(A component unit of Florida Atlantic University)

Financial Report
For the Year Ended June 30, 2012

McGladrey

Assurance · Tax · Consulting

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McGladrey

Independent Auditor's Report

To the Board of Directors
FAU Finance Corporation
Boca Raton, Florida

We have audited the accompanying financial statements of FAU Finance Corporation (the "Corporation"), a direct support organization and component unit of Florida Atlantic University, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2012, and the respective changes in financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

McGladrey LLP

Fort Lauderdale, Florida
October 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the FAU Finance Corporation, a component unit of Florida Atlantic University (thereafter the University) for the fiscal year ended June 30, 2012, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of the FAU Finance Corporation's management. Pursuant to GASB Statement No. 35, the FAU Finance Corporation's financial report includes three basic financial statements: the balance sheet; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

FINANCIAL HIGHLIGHTS

The FAU Finance Corporation was incorporated on August 12, 2009 as a not-for-profit organization. It was established to assist the activities and educational purposes of the University by providing finance and investment –related assistance in connection with the acquisition or construction of capital or other University projects. In November 2010 the FAU Finance Corporation issued $44.5 million of Capital Improvement Revenue Bonds to finance the construction of a 30,000 seat stadium. The FAU Finance Corporation's assets totaled $148.2 million at June 30, 2012. This balance reflects $33.3 million of deposits with a fiscal agent held in connection with the sale of bonds. The stadium and dorm facility construction projects were completed in the current year and the facilities commenced operations. The FAU Finance Corporation's revenues totaled $28.8 million for the 2011-12 fiscal years, representing earnings on funds held with fiscal agent, Housing Revenues, Athletic Revenues, University Contributions, and IRS interest credits. All funds held with fiscal agent are invested in the State of Florida Special Purpose Investment Account and Fidelity Funds. Expenses totaled $40 million for the 2011-12 fiscal year, representing interest paid from the capitalized interest funds held with fiscal agent and contributions made to the University in connection with the stadium facility, and other operating expenses.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplemental information or requests for additional financial information should be addressed to the Senior Vice President for Financial Affairs, FAU Finance Corporation, 777 Glades Road, Boca Raton, Florida 33431.

FAU Finance Corporation

Balance Sheet
June 30, 2012

Assets	
Current Assets:	
Cash in bank	$ 1,838,076
Cash and cash equivalents with fiscal agent	18,110,494
Due from University	1,193,722
Total current assets	21,142,292
Noncurrent Assets:	
Cash and cash equivalents with fiscal agent	15,206,716
Prepaid land lease and other	11,066,667
Capital assets on leased land (net of depreciation)	96,753,566
Deferred charges – bond issuance costs, net	1,665,065
Total noncurrent assets	124,692,014
Total assets	$ 145,834,306
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	$ 331,892
Interest payable	6,191,936
Due to University	859,257
Deferred revenue	173,740
Other current liabilities	14,473
Total current liabilities	7,571,298
Long-term liabilities:	
Bonds payable	168,795,000
Unamortized premium, net	695,174
Total long-term liabilities	169,490,174
Total liabilities	177,061,472
Net Assets (deficit):	
Invested in capital assets, net of related debt	(3,261,478)
Restricted for debt service and reserve	4,519,039
Restricted for repair and replacement of capital assets	561,323
Unrestricted net deficit	(33,046,050)
Total net assets (deficit)	(31,227,166)
Total liabilities and net assets	$ 145,834,306

See Notes to Financial Statements.

FAU Finance Corporation

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2012

Operating Revenues (Expenses):	
Housing revenue	$ 20,990,198
Depreciation expense	(3,261,478)
Operating expenses	(9,287,344)
Total operating income	8,441,376
Nonoperating Revenues (Expenses):	
Athletic revenues pledged for debt service	1,694,728
IRS interest credit	3,796,772
Interest income	946,840
Contributions from University	1,299,332
Interest expense	(5,771,247)
Contributions to University – Stadium Costs	(21,678,038)
Nonoperating loss	(19,711,613)
Changes in net assets	(11,270,237)
Net assets (deficit):	
Beginning	(19,956,929)
Ending	$ (31,227,166)

See Notes to Financial Statements.

FAU Finance Corporation

Statement of Cash Flows
For the Year Ended June 30, 2012

Cash Flow From Operating Activities	
Cash paid to suppliers	$ (10,735,627)
Cash paid to University	169,257
Housing contract – dorm fees	19,796,476
Net cash provided by operating activities	9,230,106
Cash Flow From Non-capital Financing Activities	
Payment of Stadium Construction Costs (Contributions to University)	(21,678,038)
Payment on due to University	(6,237,294)
Contribution from University	1,299,332
Payment of interest	(2,614,968)
Liquidation of advance from University	(1,262,041)
Receipt of IRS interest credit	920,191
Athletic revenues pledged for debt service	1,694,728
Net cash used in Non-capital Financing Activities	(27,878,090)
Cash Flow From Capital and Related Financing Activities	
Acquisition of capital assets	(9,822,792)
Payment of interest	(8,875,534)
Receipt of IRS interest credit	2,876,531
Net cash used in capital financing activities	(15,821,795)
Cash Flow From Investing Activities	
Interest received	946,843
Net decrease in cash	(33,522,936)
Cash and cash equivalents	
Beginning	68,678,222
Ending	$ 35,155,286
Classified as:	
Cash and cash equivalents with fiscal agent – construction fund	$ 2,392,493
Cash and cash equivalents with fiscal agent – debt service fund	8,819,163
Cash and cash equivalents with fiscal agent – reserve fund	12,814,223
Cash and cash equivalents with fiscal agent – revenue fund	8,730,008
Cash and cash equivalents with fiscal agent – repair & replacement	561,323
Cash in Bank	1,838,076
	$ 35,155,286

(Continued)

FAU Finance Corporation

Statement of Cash Flows (continued)
For the Year Ended June 30, 2012

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net operating income	$ 8,441,376
Depreciation expense	3,261,478
Decrease in land lease and other	482,941
Increase in due from University	(1,011,740)
Increase in accounts payable	331,892
Decrease in due to University	(2,398,068)
Increase in deferred revenues	173,740
Increase in other liabilities	14,473
Decrease in deferred charges	(65,986)
Net cash provided by operating activities	$ 9,230,106
Supplemental Disclosures of Noncash Investing and Financing Activities	
Amount of interest cost which is capitalized	$ 5,719,256

See Notes to Financial Statements.

Note 1. Description and Nature of Organization and Significant Accounting Policies

On August 12, 2009, the FAU Finance Corporation was incorporated as a not-for-profit organization under the laws of the State of Florida. The Corporation is a direct support organization of the Florida Atlantic University (the "University"), a part of the State university system of public universities. The Corporation has been organized to assist the activities and educational purposes of the University by providing finance and investment- related assistance in connection with the acquisition or construction of capital or other University projects, including but not limited to the structuring of debt relating thereto. The governing body of the Corporation is its Board of Directors (the "Board"). The Board is comprised of a maximum of five (5) directors who are responsible for managing, supervising and controlling the business, property, affairs and funds of the Corporation. The University's Board of Trustees can unilaterally allow for a decertification of the Corporation and cause for dissolution of the Corporation, resulting in all assets reverting to the University. Consequently, the Corporation meets the criteria for inclusion in the University's reporting entity as a component unit.

A summary of the Corporation's significant accounting policies follows:

Basis of presentation: The Corporation is engaged in business-type activities whose operations are primarily supported by user fees and charges. The financial statements were prepared in accordance with Government Accounting Standards Board ("GASB") codification section 2100, which establishes standards for defining and reporting of the financial reporting entity. The Corporation maintains a proprietary fund which reports transactions related to activities similar to those found in the private sector. As such, the Corporation presents only the statements required of enterprise funds, which include the balance sheet, statement of revenues, expenses, and changes in net assets, and statement of cash flows.

The accounting and financial reporting treatments applied to a fund are determined by its measurement focus. The Corporation's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Corporation completed construction of the dorm facility which will be the primary source of revenues. The Corporation's policy is to use restricted resources first, then unrestricted resources when both are available for use to fund activity.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted assets: Assets required to be segregated by contractual obligations are identified as restricted assets. Restricted assets at June 30, 2012, represent money required to be segregated by the Series 2010A – Tax-Exempt Bonds (Dorm Facility), Series 2010A – Taxable BAB Bonds (Dorm Facility), Series 2010B –Taxable Bonds (Dorm Facility) and, the Series 2010 – Taxable Capital Improvement Revenue Bonds (Stadium Bonds) contractual obligations.

Note 1. Description and Nature of Organization and Significant Accounting Policies (Continued)

Cash: For purposes of the statement of cash flows, cash and cash equivalents includes the State of Florida Special Purpose Investment ("SPIA") and Fidelity Institutional accounts (money markets) and cash on hand at the statement date. The fair value of the Corporation's position in the SPIA is the same as the value of the pooled shares. The funds are invested in treasuries and can be withdrawn at any time and are reported at cost. The Corporation considers all highly liquid investments with a maturity of 3 months or less when purchased, to be cash equivalents.

Prepaid land lease and other: In 2010 the Corporation prepaid to the University the sum of $12,000,000 which represents the total sum for the ground rent of an unimproved facility site located on the Boca Raton Campus of the University on which new student housing facilities and related surface parking was constructed. The lease also provided the Corporation with a leasehold interest in certain existing student dorm housing facilities on the Boca Raton Campus of the University. The prepaid land lease balance is being amortized on a straight-line basis over the lease term of 30 years. The unamortized prepaid land lease balance at June 30, 2012 was $11,066,667.

Capital assets on leased land: Cost related to the construction of the student housing facility, including interest costs associated with construction financing were capitalized. The buildings are being depreciated using the straight line method since placed in service in fiscal year 2012. Interest expense of $5,719,256 was capitalized in the current year.

Depreciation on buildings and improvements, furniture, fixtures, and equipment are computed on the straight-line basis over the lesser of the useful life of the asset or the land lease term. Depreciation of buildings and improvements, furniture, fixtures, and equipment are being computed over useful lives ranging from ten to twenty-eight years.

Deferred charges – bond issuance costs: Bond issuance costs are amortized over the life of the bond using the straight-line method.

Bond premium: The bond premium is amortized using the effective interest method over the life of the bond.

Expenses: Operating expenses are those costs incurred by the Corporation for the day to day operation of the dormitory facilities. All other expenses, including contributions made to the University, are reported as non-operating expenses. Contributions made to the University were used for construction of the stadium facility assets which is financed by the Series 2010 – Taxable Capital Improvement Revenue Bond proceeds.

Operating expenses as reported on the statement of revenues, expenses and changes in net assets is comprised of the following categories of expenses.

Category	Amount
Contract services / management fee	$ 4,169,021
Utilities	1,802,236
Repairs and maintenance	1,288,589
Communications	538,352
Supplies	108,274
Other operating costs	1,380,872
	$ 9,287,344

Note 1. Description and Nature of Organization and Significant Accounting Policies (Continued)

Revenues: *Operating Revenues* – Dorm revenues are recognized in the period in which housing is provided to students.

Nonoperating revenues – Athletic revenues are recognized in the period in which goods/services are provided and when seating is made accessible for stadium facility events. IRS interest credit revenue is recognized in the period in which related interest expense is incurred and reported in the financial statements. Contributions from University are recognized as revenues when eligibility requirements are met.

Note 2. Cash and Investments

Investments: The Corporation is authorized to invest in State of Florida Special Purpose Investment Accounts ("SPIA"), U.S. Treasury Bills, Notes, Bonds, and Strips and other obligations whose principal and interest is fully guaranteed by the United States of America or any of its agencies or instrumentalities, Government Sponsored Enterprises, Asset-Backed Securities rated "AAA" by either S&P or Moody's, Money Market Instruments rated "A1/P", Corporate Notes rated single A or higher, Money Market Funds registered with the SEC or other investments authorized by the Corporation's Board of Directors. SPIA pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with State Treasury is provided by the Treasury Investment Committee per Section 17.575, F.S. The authorized investment types are set forth in Section 17.57, F.S The SPIA pooled investments are recorded at fair value based on net asset value of the pool, which is consistent with the treatment of "2a-7 like" pool.

Cash and investments with fiscal agent are restricted by debt agreements and are held in the following accounts:

Account	Noncurrent	Current	Total
Construction fund	$ 2,392,493	$ -	$ 2,392,493
Debt service fund	-	8,819,163	8,819,163
Reserve fund	12,814,223	-	12,814,223
Revenue fund	-	8,730,008	8,730,008
Repair and replacement fund	-	561,323	561,323
Total	$ 15,206,716	$ 18,110,494	$ 33,317,210

Interest rate risk: Interest rate risk is the risk that changes in the market interest rate will adversely affect the fair value of an investment. The Corporation's investment policy does have a provision which limits investment maturity as a mean of managing exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair value of the Corporation's investments and market interest rate fluctuations is provided by the following table that shows the distribution of the Corporation's investments by maturity at June 30, 2012:

Investment Type	Fair Value	Investment Maturity (In Years) Less Than 1 year	Rating	Rating Agency
SPIA (external investment pool)	$ 31,425,399	$ 31,425,399	Not Rated	-
Fidelity Institutional Prime Money Market	592,412	592,412	AAA-mf	Moodys
Fidelity Institutional Gov't CL I	1,299,399	1,299,399	AAA-mf	Moodys
	$ 33,317,210	$ 33,317,210		

Note 2. Cash and Investments (Continued)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Corporation's investment policy limits credit risk by requiring all fixed-income securities to be rated by Moody's as AAA or better. Investments in the State of Florida Special Purpose Investment Funds are not rated by a nationally recognized statistical rating agency as of June 30, 2012.

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. It is the Corporation's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. Under Florida statutes, Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral equal to between 50% and 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, corporate bonds) to public deposits is dependent upon the depository institution's financial history and its compliance with Florida Statutes, Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (for example, a broker-dealer) to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the Corporation's investment policy, the investments are held by the Corporation's custodial institution and registered in the Corporation's name. Investments in the State of Florida Special Purpose Investment funds are not subject to custodial credit risk.

Note 3. Capital Assets, on Leased Land

The following is a summary of the changes in capital asset for the year ended June 30, 2012:

Asset Type	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
Construction in progress	$ 84,488,631	$ 14,277,081	$ (98,765,712)	$ -
Buildings and improvements	-	99,302,222	-	99,302,222
Furniture, fixtures, and equipment	-	712,822	-	712,822
Property and equipment, gross	84,488,631	114,292,125	(98,765,712)	100,015,044
Less accumulated depreciation	-	(3,261,478)	-	(3,261,478)
Property and equipment, net	$ 84,488,631	$ 111,030,647	$ (98,765,712)	$ 96,753,566

Note 4. Bonds Payable

Series 2010 – A&B Bonds

Series 2010A – Tax-Exempt Bonds, Series 2010A – Taxable BAB Bonds, and Series 2010B Taxable Bonds were issued in March 2010 for the Innovation Village Dorm Project. Issuance of the bonds provided the Corporation with Federal subsidy through a refundable tax credit paid to the Corporation each fiscal year by the Internal Revenue Service (IRS), in an amount equal to 35 percent of the total coupon interest payable to investors in these taxable bonds.

The Series 2010A – Tax-Exempt Bonds total $8,475,000 with maturities from July 2013 through 2016, with interest rates ranging from 2.18% through 3.44%. The Series 2010A – Taxable BAB Bonds total $112,455,000 with maturities from 2017 through 2021, with interest rates ranging from 5.48% through 6.45%. The Series 2010B –Taxable Bonds total $3,365,000 and mature beginning in July 2013 through 2036, with an interest rate of 7.39%. Interest on the bonds is due semiannually on the first of July and January beginning July 1, 2010. Upon completion of construction, the Corporation is required to establish and collect fees, rentals and other charges from students, faculty members and others, in order for the net revenues available for debt service to be sufficient to cover at least 125% of the amount equal to the annual bond service requirement.

Series 2010 – Taxable Capital Improvement Revenue Bonds

Series 2010 – Taxable Capital Improvement Revenue Bonds were issued November 2010 in the amount of $44,500,000 to finance the construction of a 30,000 seat stadium facility, parking improvements, and other associated athletic and onsite and offsite infrastructure improvements and projects. The Bonds shall bear interest at an interest rate per annum equal to 5.78%. Interest shall be payable semi-annually on the first of July and January beginning July 1, 2011. Issuance of the bonds provided the Corporation with Federal subsidy through a refundable tax credit paid to Corporation each fiscal year by the IRS, in an amount equal to 35 percent of the total coupon interest payable to investors in these taxable bonds.

Bondholders have the option to require that the Corporation purchase the bonds on the initial put date of October 17, 2017 or agree to an extended put date which cannot exceed three years from the initial put date or each extended put date. The bonds will mature in 2040 if the bondholders agree to each extended put date allowed under the agreement. The interest rate on the Bonds is subject to adjustment on each extended put date and will be determined by taking the 3-year LIBOR swap rate as of the applicable extended put date and adding 336 basis points. The extended put date interest shall be calculated on the basis of actual number of days elapsed in a 360 day year. The Corporation is required to collect and have available net pledged revenues to be sufficient to cover at least 125% of the amount equal to the annual bond service requirement.

In accordance with trust indenture agreements for the bonds above, the Corporation established and maintains a Debt Service fund (includes a capitalized interest account), a Cost of Issuance fund, a Construction fund, a Reserve fund, a Subordinate Debt Service fund and a Repair and Replacement Fund for each bond issuance (see Note 2).

Note 4. Bonds Payable (Continued)

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

Debt	Beginning Balance	Ending Balance
Bonds, Series 2010A Innovation Village	$ 120,930,000	$ 120,930,000
Bonds, Series 2010B Innovation Village	3,365,000	3,365,000
Bonds, Series 2010 Stadium	44,500,000	44,500,000
	$ 168,795,000	$ 168,795,000

The Corporation's expected debt service requirements to maturity are as follows, assuming the bondholders agree to each extended put date under the Series 2010 – Taxable Capital Improvement Revenue Bonds, extending maturity through fiscal year 2041:

Year Ending June 30,	Principal	Interest	Total
2013	$ -	$ 11,490,502	$ 11,490,502
2014	2,535,000	11,456,032	13,991,032
2015	2,970,000	11,334,525	14,304,525
2016	3,455,000	11,175,299	14,630,299
2017	3,680,000	10,997,936	14,677,936
2018-2022	20,760,000	51,634,100	72,394,100
2023-2027	25,505,000	44,387,389	69,892,389
2028-2032	31,855,000	34,677,034	66,532,034
2033-2037	40,010,000	22,219,339	62,229,339
2038-2041	38,025,000	6,714,783	44,739,783
Total	$ 168,795,000	$ 216,086,939	$ 384,881,939

The Series 2010 – Taxable Capital Improvement Revenue Bonds provide bondholders with the option to require that the Corporation purchase the bonds on the initial put date of October 17, 2017 in the amount of $39,515,000 or agree to an extended put date which cannot exceed three years from the initial put date or each extended put date. The table above does not reflect any accelerated amortizations that may result under the put options as previously discussed above.

Pledged Revenue

The Corporation has pledged revenues to repay bonds outstanding as of June 30, 2012. The following table reports the revenues pledged for each debt issue, the amounts of such revenue received in the current year, the current year principal and interest paid on the debt, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenue for each debt, which is the amount of the remaining principal and interest on the bonds at June 30, 2012:

Debt Issue	Pledged Revenue	Revenue Received	Principal and Interest Paid	Outstanding Principal and Interest	Pledged Through
Bonds, Series 2010 A&B Innovation Village	Housing Revenues	$ 20,990,198	$ 8,875,534	$ 295,075,684	2041
Bonds, Series 2010 Stadium	Athletic Revenues	$ 1,694,728	$ 1,694,728	$ 89,806,255	2041

Note 5. Operating Lease Commitments

The Corporation leases land under a noncancelable operating lease agreement dated March 4, 2010 with Florida Atlantic University with terms extending through July 2040. The lease was prepaid in March 2010 by the Corporation to Florida Atlantic University for the sum of $12,000,000 which represents the total sum for the ground rent of an unimproved facility site located on the Boca Raton Campus of the University upon which the Corporation constructed student housing facilities and related surface parking. The lease also provided the Corporation with leasehold interest rights to operate and manage certain existing student housing facilities on the Boca Raton Campus of the University.

The Corporation agreed to operate and manage the new and existing student housing facilities to generate revenues required to service the Series 2010A – Tax-Exempt Bonds, Series 2010A – Taxable BAB Bonds, and Series 2010B Taxable Bonds which were issued in March 2010 to construct the new student housing facility (Innovation Village Dorm Project). Under the terms of the lease agreement, the University will collect and deposit all pledged revenues from operations of the facility in specified accounts as defined in the bond trust indenture agreement. The lease is being amortized to rent expense over the life of the lease. The total rental expense for the year ended June 30, 2012 was $400,000.

Note 6. Stadium Operating Agreement

In November 2010 the University and the Corporation entered into an operating agreement whereby the Corporation issued Series 2010 – Taxable Capital Improvement Revenue Bonds in the amount of $44,500,000 to finance the acquisition, installation and construction a 30,000 seat stadium facility (parking improvements, and other associated athletic and onsite and offsite infrastructure improvements and projects) (thereafter "facility") and the University agreed to operate and manage the facility for use as an athletic stadium to generate revenue to service the related debt. Under the terms of the operating agreement the University will collect and deposit all pledged revenues from operations of the facility in specified accounts as defined in the bond trust indenture agreement. The operating agreement is effective as of November 2010 and will terminate on the date all obligations of the Corporation and University under the bond trust indenture agreement have been fulfilled which is expected to be July 2040 (maturity date of the bonds).

Note 7. Related Party Transactions

<u>Due to University</u>
Certain operating and construction costs are paid for by the University and then reimbursed by the Corporation. The balance due to the University related to these costs at June 30, 2012 amounted to $859,257. The University provides personnel and administrative support to the Corporation to aid in its operation. The amounts related to this are not material and are not recognized in these financial statements.

<u>Due from University</u>
At June 30, 2012, the University owed the Corporation $1,193,722 for amounts collected on behalf of the Corporation.

<u>Contributions to University</u>
All costs incurred by the Corporation for construction of the stadium facility are recorded as a contribution to the University. The stadium facility was completed in the current year and the Corporation incurred $21,678,038 of stadium construction costs which is presented as "Contributions to University - Stadium Costs" on Statement of revenue, expenses and changes in net assets.

Note 7. Related Party Transactions (Continued)

Contributions from University
The University made contributions of $1,299,332 to the Corporation to fund the debt service reserve fund of Series 2010 – Taxable Capital Improvement Revenue Bonds (Stadium Bonds).

Note 8. Subsequent Event

On July 17, 2012, the Corporation issued $46,205,000 Capital Improvement Revenue Bonds (Student Housing Project), Series 2012A – Tax Exempt Bonds. The bond proceeds will be used to finance the acquisition and construction of a new freshman dorm housing facility. The bonds shall bear interest ranging from 3.5% - 5% per annum and mature beginning July 2014 through 2032.