

FAU Finance Corporation
(A Component Unit of Florida Atlantic University)

Financial Statements
Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
FAU Finance Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the 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, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2021 Financial Statements

The financial statements of the Corporation for the year ended June 30, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on November 1, 2021.

Responsibilities of Management for the Financial Statements

The Corporation's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

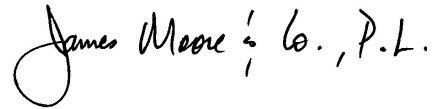
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as listed in the table of contents 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 standard 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022, on our consideration of the Corporation's internal control over financial reporting and on 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* in considering the Corporation's internal control over financial reporting and compliance.

Gainesville, Florida
November 1, 2022

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive, flowing style.

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 (the "Corporation"), a direct support organization and component unit of Florida Atlantic University (the "University") for the fiscal years ended June 30, 2022 and 2021, 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*, and as subsequently amended. 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 statement of net position; the statement of revenues, expenses, and changes in net position; 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 August 2017, the FAU Finance Corporation issued \$40,035,000 of Capital Improvement Revenue Bonds (Football Stadium) Series 2017, which refunded the Series 2010 - Taxable Capital Improvement Revenue Bonds, to finance the construction of a 30,000-seat stadium. This bond bears an interest rate of 2.61% (subject to adjustment) through maturity on July 1, 2040. In April 2022, the FAU Finance Corporation issued Tax-exempt Capital Improvement Refunding Revenue Bonds (Student Housing Project) Series 2022A, which refunded the Series 2012A, totaling \$29,670,000 which mature beginning in July 2022 through July 2041. The bond has interest rates ranging from 4% to 5% with semiannual interest payments due on the first of July and January beginning in July 2022. In addition, the FAU Finance Corporation issued Tax-exempt Capital Improvement Revenue Bond (Student Housing Project) Series 2012B, which refunded the Series 2010B – Taxable Bonds in November 2012. The Tax-exempt Capital Improvement Revenue Bond (Student Housing Project) Series 2012B totals \$3,440,000 and matures beginning in July 2013 through 2025, with an interest rate of 2.17% to 2.64%. Additionally, the FAU Finance Corporation issued \$120,900,000 of Taxable Capital Improvement Revenue Bonds (Student Housing Project) Series 2010. The Series 2010 was subsequently refinanced in January 2019 totaling \$90,600,000. The Tax-exempt Capital Improvement Refunding Revenue Bonds (Innovation Village) Series 2019A has interest rates ranging from 4% to 5% through maturity on July 2039. In November 2019, the Corporation issued \$68,190,000 of Tax-exempt Capital Improvement Revenue Bonds (Student Housing Project) Series 2019B, to finance the construction of new student housing on both the Boca Raton and Jupiter campuses. This bond has interest rates ranging from 4% to 5% through maturity on July 2049.

The FAU Finance Corporation's assets and deferred outflows of resources totaled approximately \$246.9 million and \$250.9 million at June 30, 2022 and 2021, respectively. These balances reflect \$38.9 million and \$48.0 million of deposits with a fiscal agent held in connection with the sale of bonds at June 30, 2022 and 2021, respectively. The FAU Finance Corporation's net revenues totaled approximately \$40.1 million and \$23.9 million representing earnings on funds held with fiscal agent, IRS interest credits, housing revenues, and athletic fees, for the years ended June 30, 2022 and 2021, respectively. Majority of all funds held with fiscal agent are invested in the State of Florida Special Purpose Investment Account (SPIA). Expenses totaled approximately \$32.7 million and \$25.6 million, for the years ended June 30, 2022 and 2021, respectively.

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 Vice President for Financial Affairs, FAU Finance Corporation, 777 Glades Road, Boca Raton, Florida 33431.

FINANCIAL STATEMENTS

FAU FINANCE CORPORATION
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets		
Cash in bank	\$ 11,927,598	\$ 6,995,057
Cash with fiscal agent - restricted	32,811,711	29,303,718
Accounts receivable	44,860	1,125
Due from University - cash collected	1,292,164	878,520
Due from University - housing receivable	2,442,975	-
Due from FAU Foundation	-	31,213
Total current assets	<u>48,519,308</u>	<u>37,209,633</u>
Noncurrent assets		
Cash with fiscal agent - restricted	6,065,472	18,660,159
Capital assets, on leased land, net	186,497,553	189,162,201
Total noncurrent assets	<u>192,563,025</u>	<u>207,822,360</u>
Total assets	<u><u>\$ 241,082,333</u></u>	<u><u>\$ 245,031,993</u></u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources		
Deferred charge on debt refunding	\$ 5,864,639	\$ 5,869,991
Total deferred outflows of resources	<u><u>\$ 5,864,639</u></u>	<u><u>\$ 5,869,991</u></u>
 <u>LIABILITIES</u>		
Current liabilities		
Accounts payable	\$ 623,461	\$ 4,404,020
Interest payable	4,412,293	5,014,611
Due to University	4,268,838	719,841
Due to University - housing collection	754,969	754,968
Unearned revenue	475,614	559,399
Bonds payable - due within one year	6,070,000	5,795,000
Total current liabilities	<u>16,605,175</u>	<u>17,247,839</u>
Noncurrent liabilities		
Bonds payable - due in more than one year	211,115,000	225,800,000
Unamortized premiums, net	24,484,622	20,502,135
Total noncurrent liabilities	<u>235,599,622</u>	<u>246,302,135</u>
Total liabilities	<u><u>\$ 252,204,797</u></u>	<u><u>\$ 263,549,974</u></u>
 <u>NET POSITION</u>		
Net position (deficit)		
Net investment in capital assets	\$ (17,795,549)	\$ (16,354,979)
Restricted for debt service and reserve	7,919,731	9,267,581
Restricted for repair and replacement of capital assets	5,945,956	5,078,769
Unrestricted (deficit)	(1,327,963)	(10,639,361)
Total net position (deficit)	<u><u>\$ (5,257,825)</u></u>	<u><u>\$ (12,647,990)</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

FAU FINANCE CORPORATION
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating revenues (expenses)		
Housing revenues	\$ 39,301,422	\$ 24,237,858
Operating expenses	(14,054,429)	(11,867,031)
Depreciation and amortization expense	(8,734,414)	(6,448,084)
Operating income, net	<u>16,512,579</u>	<u>5,922,743</u>
Nonoperating revenues (expenses)		
Athletic revenues	1,770,597	1,962,534
Interest income	293,996	1,196,540
Unrealized gains (losses)	(1,252,914)	(3,467,728)
Contributions to the University, net	(287,569)	(50,000)
Other nonoperating expenses	(330,745)	(350,000)
Interest expense	(9,315,779)	(6,904,409)
Nonoperating expenses, net	<u>(9,122,414)</u>	<u>(7,613,063)</u>
Change in net position	<u>7,390,165</u>	<u>(1,690,320)</u>
Net position (deficit), beginning of year	(12,647,990)	(10,957,670)
Net position (deficit), end of year	<u><u>\$ (5,257,825)</u></u>	<u><u>\$ (12,647,990)</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

**FAU FINANCE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
Cash flows from operating activities		
Housing contracts - dormitory fees	\$ 36,383,689	\$ 26,804,388
Cash payments to suppliers	(13,765,959)	(10,867,351)
Net cash provided by operating activities	<u>22,617,730</u>	<u>15,937,037</u>
Cash flows from capital and related financing activities		
Interest paid	(8,977,243)	(7,607,235)
Acquisition of capital assets	(6,370,755)	(44,000,282)
Proceeds from bond issuance	29,670,000	-
Principal payments on bonds	(42,680,000)	(4,210,000)
Unamortized premiums	3,982,488	(954,305)
Charge on debt refunding	5,352	335,428
Net cash used in capital and related financing activities	<u>(24,370,158)</u>	<u>(56,436,394)</u>
Cash flows from noncapital financing activities		
Contributions to the University, net	(287,569)	(50,000)
Interest paid	(940,855)	(980,104)
Payment of principal	(1,400,000)	(1,360,000)
Receipt of athletic revenues	1,516,361	2,107,798
Payment of other nonoperating expenses	(330,744)	(350,000)
Net cash used in noncapital financing activities	<u>(1,442,807)</u>	<u>(632,306)</u>
Cash flows from investing activities		
Interest received	293,996	1,196,540
Net cash provided by investing activities	<u>293,996</u>	<u>1,196,540</u>
Noncash investing activities		
Unrealized gain (loss) on cash held in SPIA	(1,252,914)	(3,467,728)
Adjustment for noncash investing activities	<u>(1,252,914)</u>	<u>(3,467,728)</u>
Net change in cash	<u>(4,154,153)</u>	<u>(43,402,851)</u>
Cash, beginning of year	54,958,934	98,361,785
Cash, end of year	<u><u>\$ 50,804,781</u></u>	<u><u>\$ 54,958,934</u></u>
Cash classified as:		
Cash with fiscal agent - restricted (Note 2)	\$ 38,877,183	\$ 47,963,877
Cash in bank	11,927,598	6,995,057
Total Cash	<u><u>\$ 50,804,781</u></u>	<u><u>\$ 54,958,934</u></u>
Reconciliation of net operating income to net cash provided by operating activities		
Net operating income	\$ 16,512,579	\$ 5,922,743
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization expense	8,734,414	6,448,084
Lease expense related to right of use asset	273,389	265,079
Loss on disposal of capital assets	27,600	-
(Increase) decrease in assets:		
Accounts receivable	(12,522)	57,691
Due from University, net	(2,643,946)	2,566,527
Increase (decrease) in liabilities:		
Accounts payable	(3,822,781)	74,112
Due to University, net	3,548,997	602,801
Net cash provided by operating activities	<u><u>\$ 22,617,730</u></u>	<u><u>\$ 15,937,037</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

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

On August 12, 2009, the FAU Finance Corporation (the “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 responsible for managing, supervising and controlling the business, property, affairs and funds of the Corporation. The Directors of the Corporation are appointed in the following manner – (a) one appointed Director shall be the President of the University or the President's designee; (b) one appointed Director shall be appointed by the chair of the University Board of Trustees; and (c) a minimum of three (3) additional Directors shall be appointed by the President of the University and must be approved by the University's Board of Trustees. Each Director must have demonstrated outstanding qualities of leadership or managerial ability. 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 are as follows:

Basis of presentation: The Corporation is engaged in a single business-type activity whose operations are primarily supported by user fees and charges. The statements were prepared in accordance with the 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 statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

The Corporation previously adopted GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 requires that the statement of net position report assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and the difference between them as net position/deficit. Net position represents the residual interest in the Corporation's assets and consists of three sections: net invested in capital assets, restricted net position and unrestricted net position/deficit. The net position component, net invested in capital assets, consists of all capital assets, net of accumulated depreciation, less the outstanding balances of any outstanding debt that is attributable to the acquisition, construction or improvements of those assets. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation.

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

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's revenues are generated primarily from operations of the dormitory and stadium facilities. 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, deferred inflows/outflows, 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.

Income taxes: The Corporation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Restricted assets: Assets required to be segregated by contractual obligations are identified as restricted assets. Restricted assets at June 30, 2022, represent funding required to be segregated by the Series 2012B – Tax-Exempt Capital Improvement Revenue Bonds (Student Housing Project), Series 2017 – Tax-Exempt Capital Improvement Revenue Refunding Bonds (Football Stadium Project), Series 2019A – Tax-Exempt Capital Improvement Refunding Revenue Bonds (Student Housing Project), and Series 2019B – Tax-Exempt Capital Improvement Revenue Bonds (Student Housing Project), Series 2022A – Tax-Exempt Capital Improvement Refunding Revenue Bonds (Student Housing Project) contractual obligations.

Cash: For purposes of the statement of cash flows, cash and cash equivalents include the State of Florida Special Purpose Investments ("SPIA") accounts 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. SPIA funds are combined with State funds and invested as part of the Treasury Investment Pool in various short-term liquid investments and fixed income securities. The funds can be withdrawn at any time and are reported at fair value. The Corporation considers all highly liquid investments with a maturity of 3 months or less when purchased, to be cash equivalents.

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

Right to use lease asset: In 2010, the Corporation prepaid to the University the sum of \$12,000,000 which represents the total sum for the ground rent of a facility site located on the Boca Raton campus of the University on which student housing facilities and related surface parking was constructed. The lease also provided the Corporation with a leasehold interest in certain existing student dormitory housing facilities on the Boca Raton campus of the University. The original term of the land lease balance was amortized on a straight-line basis over 30 years. In 2019, the Corporation issued new underlying debt for a longer period modifying the term of the lease. The prepaid lease balance was amortized on a straight-line basis over the remaining 30 years in conjunction with the new debt. The unamortized prepaid lease balance at June 30, 2022 and 2021 was \$7,404,296 and \$7,677,685 respectively. The Corporation has implemented GASB Statement No.87, *Leases* which improves lease accounting and financial reporting. As a result, the lease that was previously classified as prepaid has been classified as a Right to use leases asset for the earliest year presented.

Capital assets, on leased land: Capital assets, which include property, plant, and equipment assets, are reported in the statement of net position. The Corporation capitalizes all capital assets with a cost in excess of a \$5,000 threshold and an estimated life greater than one year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available.

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 7 to 30 years.

Construction in progress: Construction in progress is stated at cost and includes costs related to construction and capital projects on the University dormitories.

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation has one item that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Corporation does not have any items that qualify for reporting in this category.

Unearned Revenue: Unearned revenue consists of cash collected in advance for services that have not yet been provided. Stadium ticket revenues collected in advance are unearned until the relevant football season has commenced and revenue is recognized over that period.

Bond premium: Bond premiums are amortized using the effective interest method over the life of the related bond.

Expenses: Operating expenses are those costs incurred for the day to day operation of the Corporation. All other expenses, including contributions made to the University, are reported as non-operating expenses.

Operating expenses as reported on the statement of revenues, expenses and changes in net position are comprised of the following categories of expenses:

Category	2022	2021
Salaries and Benefits	\$ 6,951,961	\$ 6,376,277
Utilities	2,577,018	1,862,278
Repairs and maintenance	1,645,935	733,205
Communications	581,105	672,576
Supplies	403,161	374,271
Other operating costs	1,895,249	1,848,424
	<u>\$ 14,054,429</u>	<u>\$ 11,867,031</u>

Revenues: Operating Revenues – Housing contract dormitory revenues are recognized in the period in which housing is provided to students.

Nonoperating revenues – In general, athletic fees are recognized in the period in which goods/services are provided and when seating is made accessible for stadium facility events. Contributions from University, including capital contributions, are recognized as revenues when eligibility requirements are met. Interest income and related gains (losses) are recognized in the period earned.

Reclassifications: Certain beginning balances have been reclassified to conform to the current year presentation.

Note 2. Cash

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 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 Securities and Exchange Commission (SEC) or other investments authorized by the Corporation’s Board of Directors.

SPIA pooled investments with the State Treasury are not registered with the SEC. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.575, Florida Statutes. 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.

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

A significant portion of all the Corporation’s recurring fair value measurements as of June 30, 2022 and 2021, are valued based on the Corporation’s share of the pool (Level 3 inputs). The remaining amounts are money market funds for the year ended June 30, 2022 and 2021, which are measured at amortized cost.

Cash and investments with fiscal agent are amounts restricted by debt agreements and are held in the following accounts at June 30, 2022 and 2021:

FAU Finance Corporation
Notes to Financial Statements
June 30, 2022 and 2021

Note 2. Cash (continued)

			6/30/2022
<u>Account</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Construction Fund	\$ 187,014	\$ 3,779,050	\$ 3,966,064
Revenue Fund	3,913	-	3,913
Debt Service Fund	10,045,601	-	10,045,601
Reserve Fund	-	2,286,422	2,286,422
Repair and Replacement	4,734,149	-	4,734,149
Surplus Fund*	17,841,031	-	17,841,031
Athletic Fee	3	-	3
Total	<u>\$ 32,811,711</u>	<u>\$ 6,065,472</u>	<u>\$ 38,877,183</u>

			6/30/2021
<u>Account</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Construction Fund	\$ 3,265,960	\$ 13,527,649	\$ 16,793,609
Revenue Fund	124,511	-	124,511
Debt Service Fund	9,149,682	-	9,149,682
Reserve Fund	-	5,132,510	5,132,510
Repair and Replacement	4,181,242	-	4,181,242
Surplus Fund*	12,336,385	-	12,336,385
Athletic Fee	245,938	-	245,938
Total	<u>\$ 29,303,718</u>	<u>\$ 18,660,159</u>	<u>\$ 47,963,877</u>

* The Corporation segregates funds from the Surplus Fund for housing repair purposes in addition to debt agreement restrictions on repair and replacement funds. The balance internally restricted for Housing Repair purposes was \$1,211,807 and \$897,527 for fiscal years 2022 and 2021, respectively.

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 effective duration at June 30, 2022 and 2021:

FAU Finance Corporation
Notes to Financial Statements
June 30, 2022 and 2021

Note 2. Cash (continued)

Investment Type	2022 Fair Value	2022 Effective (in Years)	2021 Fair Value	2021 Effective (in Years)
State of Florida Special Purpose Account (SPIA)	<u>\$ 36,984,731</u>	<u>2.66%</u>	<u>\$ 45,872,206</u>	<u>2.60%</u>
Total investments measured at fair value	<u>\$ 36,984,731</u>		<u>\$ 45,872,206</u>	
Money market funds	<u>\$ 1,892,452</u>	<u>N/A</u>	<u>\$ 2,091,671</u>	<u>N/A</u>
Total investments measured at cost	<u>\$ 1,892,452</u>		<u>\$ 2,091,671</u>	
Total investments	<u>\$ 38,877,183</u>		<u>\$ 47,963,877</u>	

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 as AAA or better. As a SPIA participant, the Corporation invests in the Florida Treasury Investment Pool. The Florida Treasury Pool is rated AA-f as of June 30, 2022 and 2021.

Foreign currency risk: State law and investment policy do not authorize the Treasury Investment Pool to purchase investments in foreign currencies; therefore, the Treasury Investment Pool is not exposed to foreign currency risk.

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. Eligible collateral 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.

Note 2. Cash (continued)

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 investments 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 and Right to Use Lease Asset

The following is a summary of changes in capital asset balances for the years ended June 30, 2022 and 2021:

Description of Asset	Beginning Balance	Additions	Deletions/ Transfers	6/30/2022 Ending Balance
Construction in progress	\$ 70,136,866	\$ -	\$ (70,120,597)	\$ 16,269
Building and improvements	161,599,471	76,535,837	(92,654)	238,042,654
Furniture, fixtures and equipment	1,750,907	60,096	(83,780)	1,727,223
Right to use lease asset	7,677,685	-	(273,389)	7,404,296
Total capital assets	241,164,929	76,595,933	(70,570,420)	247,190,442
Less accumulated depreciation and amortization	(52,002,728)	(8,734,414)	44,253	(60,692,889)
Capital assets, on leased land, net	<u>\$189,162,201</u>	<u>\$ 67,861,519</u>	<u>\$ (70,526,167)</u>	<u>\$186,497,553</u>

Description of Asset	Beginning Balance	Additions	Deletions/ Transfers	6/30/2021 Ending Balance
Construction in progress	\$ 20,869,622	\$ 49,305,798	\$ (38,554)	\$ 70,136,866
Building and improvements	161,332,430	228,487	38,554	161,599,471
Furniture, fixtures and equipment	1,798,095	-	(47,188)	1,750,907
Right to use lease asset	7,942,764	-	(265,079)	7,677,685
Total capital assets	191,942,911	49,534,285	(312,267)	241,164,929
Less accumulated depreciation and amortization	(45,601,832)	(6,448,084)	47,188	(52,002,728)
Capital assets, on leased land, net	<u>\$146,341,079</u>	<u>\$ 43,086,201</u>	<u>\$ (265,079)</u>	<u>\$189,162,201</u>

Note 3. Capital Assets, on Leased Land and Right to Use Lease Asset (continued)

In August 2021, construction of two new student housing facilities at the Boca and Jupiter campuses was completed and the assets were capitalized.

Lease: The Corporation leases land under a non-cancelable lease agreement dated March 4, 2010 with Florida Atlantic University with terms extending through July 2039. 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 lease of the 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 is being amortized to lease expense over the life of the lease. The total lease expense for the years ended June 30, 2022 and 2021 was \$273,389 and 265,079, respectively.

Note 4. Bonds Payable

Series 2012B – Tax-Exempt Capital Improvement Revenue Bonds (Innovation Village)

The Series 2012B – Capital Improvement Revenue Bonds (Student Housing Project) in the amount of \$3,440,000 were issued in November 2012. The bonds mature beginning in July 2013 through 2025, with an interest rate of 2.17% to 2.64%.

Interest is paid semiannually on each January 1 and July 1. Debt service is paid semiannually commencing January 2013 through July 2025.

Series 2017 – Tax-Exempt Capital Improvement Revenue Refunding Bonds (Football Stadium)

Previously, the Corporation issued \$44,500,000 of Taxable Capital Improvement Revenue Bonds (BAB Bonds), Series 2010, maturing in 2040, with an interest rate of 5.78%. The bonds were issued in connection with construction of a 30,000-seat stadium facility, parking improvements, and other associated athletic and onsite and offsite infrastructure improvements and projects. On August 30, 2017, the Corporation issued Capital Improvement Refunding Revenue Bonds (Football Stadium Project), Series 2017, amounting to \$40,035,000, to refund the then outstanding Series 2010 Bonds. At August 30, 2017, the Series 2010 Bonds were considered retired/fully defeased. The Series 2017 Bonds bear interest at a 10-year fixed rate of 2.61%, subject to adjustment through maturity.

Interest is paid semiannually on each January 1 and July 1. Principal on the debt is paid annually commencing July 2018 through July 2040.

The Corporation is required to adopt an operating budget for each fiscal year covering all operations and operating expenses of the project, which shall assure that pledged revenues will exceed all contemplated expenses by at least 25%. In addition, the Corporation is required to certify on a bi-annual basis that the operating and nonoperating revenues from

Note 4. Bonds Payable (continued)

the previous twelve-month period are sufficient to cover at least 125% of an amount equal to the annual bond service requirements.

Series 2019A – Tax-Exempt Capital Improvement Refunding Revenue Bonds (Innovation Village)

Previously, the Corporation issued \$112,455,000 of Taxable Capital Improvement Revenue Bonds, Series 2010A maturing in 2040, with an interest rate of 5.48% to 7.64%. The bonds were issued in connection with the construction of the Innovation Village Dormitory facility. On January 19, 2019, the Corporation issued Tax-Exempt Capital Improvement Refunding Revenue Bonds (Innovation Village), Series 2019A for \$90,600,000, to advance refund the outstanding 2010A Series Bonds. At January 19, 2019, the Series 2010A Bonds were considered retired/legally defeased in substance. This amount was fully retired by July 2020. The bonds mature beginning July 2019 through 2039 with interest rates ranging from 4% to 5%.

Interest is paid semiannually on each January 1 and July 1. Debt service is paid semiannually commencing on July 2019 through July 2039.

Series 2019B – Tax-Exempt Capital Improvement Revenue Bonds (Student Housing)

The Series 2019B – Capital Improvement Revenue Bonds in the amount of \$68,190,000 were issued in November 2019 for construction of the Student Housing Project. The bonds mature beginning in July 2022 through 2049, with interest rates ranging from 4% to 5%.

Interest is paid semiannually on each January 1 and July 1. Debt service is paid semiannually commencing January 2020 through July 2049.

Series 2022A – Tax-Exempt Capital Refunding Improvement Revenue Bonds (Parliament Hall)

Previously, the Corporation issued \$46,205,000 of Capital Improvement Revenue Bonds, Series 2012A maturing in 2042, with interest rates ranging from 3% to 5%. On April 5, 2022, the Corporation issued Tax-Exempt Capital Refunding Improvement Revenue Bonds (Parliament Hall), Series 2022A for \$29,670,000. The bonds mature beginning in July 2022 through 2041, with interest rates ranging from 4% to 5%.

Interest is paid semiannually on each January 1 and July 1. Debt service is paid semiannually commencing July 2022 through July 2041.

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 for the Series 2012B, 2019A, 2019B, and 2022A student housing bonds.

FAU Finance Corporation
Notes to Financial Statements
June 30, 2022 and 2021

Note 4. Bonds Payable (continued)

The following is a summary of changes in long-term obligations for the years ended June 30, 2022 and 2021:

Debt	7/1/2021 Beginning Balance	Additions	Repayments	6/30/2022 Ending Balance	Due within One Year
Bond Series 2012A Parliament Hall	\$ 39,420,000	\$ -	\$ (39,420,000)	\$ -	\$ -
Bond Series 2012 B Innovation Village	1,460,000	-	(280,000)	1,180,000	285,000
Bond Series 2017 Stadium	36,260,000	-	(1,400,000)	34,860,000	1,435,000
Bond Series 2019A Innovation Village	86,265,000	-	(2,980,000)	83,285,000	3,125,000
Bond Series 2019B Student Housing	68,190,000	-	-	68,190,000	1,225,000
Bond Series 2022A Parliament Hall	-	29,670,000	-	29,670,000	-
Total Debt	<u>\$231,595,000</u>	<u>\$ 29,670,000</u>	<u>\$ (44,080,000)</u>	<u>\$217,185,000</u>	<u>\$ 6,070,000</u>

Debt	7/1/2020 Beginning Balance	Additions	Repayments	6/30/2021 Ending Balance	Due within One Year
Bond Series 2012A Parliament Hall	\$ 40,510,000	\$ -	\$ (1,090,000)	\$ 39,420,000	\$ 1,135,000
Bond Series 2012 B Innovation Village	1,735,000	-	(275,000)	1,460,000	280,000
Bond Series 2017 Stadium	37,620,000	-	(1,360,000)	36,260,000	1,400,000
Bond Series 2019A Innovation Village	89,110,000	-	(2,845,000)	86,265,000	2,980,000
Bond Series 2019B Student Housing	68,190,000	-	-	68,190,000	-
Total Debt	<u>\$237,165,000</u>	<u>\$ -</u>	<u>\$ (5,570,000)</u>	<u>\$231,595,000</u>	<u>\$ 5,795,000</u>

Note 4. Bonds Payable (continued)

The Corporation's expected debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 6,070,000	\$ 8,376,207	\$ 14,446,207
2024	7,300,000	9,143,583	16,443,583
2025	7,610,000	8,817,417	16,427,417
2026	7,950,000	8,471,891	16,421,891
2027	7,980,000	8,116,292	16,096,292
2028-2032	45,595,000	34,700,129	80,295,129
2033-2037	56,825,000	23,124,605	79,949,605
2038-2042	49,530,000	10,859,004	60,389,004
2043-2047	16,465,000	4,946,375	21,411,375
2048-2049	11,860,000	909,000	12,769,000
Total	\$ 217,185,000	\$ 117,464,503	\$ 334,649,503

The previous table does not include the \$24,484,622 and \$20,502,135 in unamortized bond premiums in the total principal outstanding for the years ended June 30, 2022 and 2021, respectively.

Pledged Revenue

The Corporation has pledged revenues to repay bonds outstanding as of June 30, 2022. The following table reports the revenues pledged for each debt issue, the amounts of such revenue received in the current year (net of operating expenses), the current year principal and interest recorded 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, 2022:

Note 4. Bonds Payable (continued)

Debt Issue*	Pledged Revenue	Net Available* Revenue	Principal and Interest Recorded	Outstanding** Principal and Interest	Pledged Through
Bonds, Series 2022A Parliament Hall & 2012B Innovation Village	Housing Revenues	\$ 12,771,823	\$ 1,444,797	\$ 46,103,825	2041
Bonds, Series 2017 Stadium	Athletic Revenues	\$ 1,770,597	\$ 2,357,483	\$ 44,346,328	2040
Bonds, Series 2019A Innovation Village	Housing Revenues	\$ 16,242,622	\$ 7,225,800	\$ 123,820,650	2039
Bonds, Series 2019 B Student Housing	Housing Revenues	\$ —	\$ 4,327,075	\$ 120,378,700	2049

*Net available revenues are defined as recognized revenue less applicable operating expenses. In addition, the amount includes reserve fund interest and repair and replacement expense per bond trust indenture.

**Represents principal and interest payments outstanding from 7/1/2022 and beyond.

The Corporation's bonds are collateralized by pledged revenues, which is defined as cash collected from usual operating activities less cash paid for operating expenses. Issuance of the bond does not directly obligate the University. However, in the event of default, the trust indenture requires liquidation of net assets equivalent to the current year's debt service.

Debt arrangements include other financial provisions for events of default such as debt service payment defaults and violation of covenants, agreements, or other conditions. Events of default may increase the current interest rates, accelerate maturity, or initiate other remedies available to the bondholders, as described in each debt indenture.

Note 5. Commitments

Construction: In fiscal year 2020, the Corporation began construction of two new student housing facilities at the Boca and Jupiter campuses. As of June 30, 2022, the dorm construction was completed and capitalized in August 2021. In addition, the roofing repairs of Heritage Park Tower were completed and capitalized in December 2021.

During fiscal year 2022, the Corporation approved projects for Indian River Tower Roof and Elevator replacement which totaled \$1,650,000, Glades Park Tower Flooring for \$400,000 and other improvements totaled 1,185,000.

Note 6. Stadium Operating Agreement

Previously, the University and the Corporation entered into an operating agreement whereby the Corporation issued Series 2010 – Taxable Capital Improvement Revenue Bonds to finance the acquisition, installation and construction of 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. The Series 2010 Bonds were subsequently refinanced by the Series 2017 Tax-Exempt Capital Improvement Revenue Refunding Bonds, in August 2017. The University and the Corporation entered into a new operating agreement in August 2017, whereby, the University continues 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 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

Due to University

Certain construction and related 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, 2022 and 2021, amounted to \$5,023,807 and \$1,474,809, respectively. The University provides personnel and administrative support to the Corporation to aid in its operation. The costs of these services are not material to the Corporation, and therefore are not recognized in these financial statements.

Due from University

At June 30, 2022 and 2021, the University owed the Corporation \$1,292,164 and \$878,520 respectively, for amounts collected on behalf of the Corporation.

At June 30, 2022 and 2021, the housing receivable - Due from University is \$2,442,975 and \$0 respectively.

Due from FAU Foundation

At June 30, 2022 and 2021, the FAU Foundation owed the Corporation \$0 and \$31,213 respectively, for amounts collected on behalf of the Corporation and for premium seating contributions and capital gifts.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
FAU Finance Corporation:

We have audited, 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, the 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, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated November 1, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

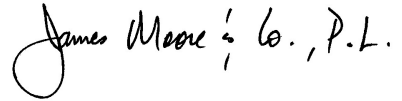
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida
November 1, 2022