AUDIT AND FINANCE COMMITTEE
Tuesday, April 16, 2013

SUBJECT: ROLL CALL AND APPROVAL OF THE DRAFT MINUTES FOR THE FEBRUARY 19, 2013 AUDIT AND FINANCE COMMITTEE MEETING.

PROPOSED COMMITTEE ACTION

Initiate roll call to document member participation to ensure appropriate quorum numbers are achieved and to approve the minutes of the February 19, 2013 Audit and Finance Committee meeting.

COMMITTEE MEMBERS

Mr. Thomas Workman, Jr., Chair
Mr. David Feder, Vice Chair
Mr. Anthony Barbar (ex-officio)
Dr. William McDaniel
Mr. Abdol Moabery
Mr. Robert Rubin
Mr. Robert Stilley

BOT MEMBERS

Mrs. Elizabeth Fago
Dr. Jeffrey Feingold
Dr. Angela Graham-West
Mr. Robert Huffman
Mr. Paul Tanner
Dr. Julius Teske
AF: A-M. Roll Call and Approval of the Draft Minutes for the December 13, 2012 BOT Audit and Finance Committee meeting.

Mr. Thomas Workman, Chair of the Board of Trustees (BOT) Audit and Finance Committee (AFC), convened this meeting at 11:00 a.m. Roll call commenced with the following Committee members, in addition to Mr. Workman, participating: Mr. David Feder, Vice Chair; Mr. Anthony Barbar (ex-officio), Dr. William McDaniel, Mr. Abdol Moabery, Mr. Robert Rubin, and Mr. Robert Stilley.

Other Trustees attending the meeting included: Dr. Jeffrey Feingold, Mr. Robert Huffman, Mr. Paul Tanner and Dr. Julius Teske.

The following University officials participated: Dr. Mary Jane Saunders, President; Mr. Dennis Crudele, Senior Vice President for Financial Affairs; Mr. Morley Barnett, Inspector General; and, Mr. David Kian, General Counsel.

Upon call, a motion was made and seconded to approve the minutes of the December 13, 2012 AFC meeting without change or correction. The motion passed unanimously.

AF: A-2. Request for Approval of the BOT Audit and Finance Committee Charter.

Mr. Workman presented for consideration the approval of the BOT Audit and Finance Committee (AFC) Charter. He noted that the charter is reviewed biannually and asked Mr. Crudele to expand on the topic. Mr. Crudele noted that the charter had been forwarded to Committee members in February with a request for any comments or suggested changes; none were received.

Dr. McDaniel questioned a line contained within the Composition section requiring members to be free from any financial relationship with the University; a requirement at odds with the faculty and student government appointments to the Committee. Mr. Kian advised that this issue was considered during the creation of Boards of Trustees and is clarified by statute which requires that the faculty/student government appointee, and any other Trustee, with a direct financial interest in an action item brought before the Committee or the BOT to disclose this interest and to recues themselves from participation in actions taken upon the item in question.
The faculty/student appointees are allowed to participate in other general considerations related to the University.

With no further discussion issues put forth, a motion was made and seconded to recommend BOT approval of BOT AFC Charter as presented. **The motion passed unanimously.**

Mr. Workman adjourned the AFC meeting for a special meeting of the Board of Trustees at 11:15 a.m.

Mr. Workman reconvened the AFC meeting at 12:50 p.m.

**AF: A-1 Request for Approval of Materials and Supplies/Equipment Fees (Fees for New or Existing Courses).**

Mr. Crudele provided a review of the new fees ranging from $15 to $50 being requested for the Schmidt College of Arts and Letters. Members were informed that these are lab fees provided in Art and Graphic courses and will only be applicable to students enrolling in these specific courses.

It was noted that Florida Statute provides the BOT the authority to set fees on materials and supplies and recently was changed to include fees associated with equipment purchases to offset the costs of items used by students in the course of instruction.

With no questions or comments, a motion was made and seconded to recommend BOT approval of Materials and Supplies/Equipment Fees (Fees for New or Existing Courses) as presented. **The motion passed unanimously.**

**Parking Garage Funding Update:** Mr. Crudele reminded members that last year the request for parking garage funding had been delayed by the Governor’s office. The additional paperwork was submitted and approved by the Governor and Cabinet on January 23, 2013. The FAU Parking 2013A Bonds were sold on February 15, 2013 at $21.5 million for the refunding of two garages and to finance the construction of a third garage. The bonds sold with an all in interest rate of 2.609 percent over twenty years for the new garage but the maturity dates were not extended on the current garages. This results in net savings of $1.1 million.

**AF: A-3. Request for Approval of Amendments to the Florida Atlantic University Foundation, Inc. Bylaws.**

Mr. Kian advised that the Florida Atlantic University Foundation, Inc. (FAUF) Board recently approved three amendments to the FAUF Bylaws relating to internal operations. He provided a review of the three amendments which provide clarifying actions to be taken upon constructive resignation(s) of directors of the FAUF Board; clarifies the electoral and appointment terms of officers and directors of the FAUF Board; and, articulates signature authorities provided to the Executive Director of the FAUF.
With no questions following the presentation, a motion was made and seconded to recommend BOT approval of the Amendments to the FAUF Bylaws as presented. The motion passed unanimously.

**AF: I-1. Review of Summary of Follow-Up on Audit Recommendations Scheduled to be Implemented during the Period of October 1 through December 31, 2012.**

Mr. Barnett reviewed this report which provides a summary of three recommendations found to be fully implemented, one that was partially implemented and one being delayed for evaluation as part of a current internal audit. He noted no concerns with any of the issues still in implementation processes.

No questions or comments were put forth from Committee members.


Mr. Barnett advised members that this is the first comprehensive audit performed on Student Union operations. The Student Union serves as a student centered organization and facility for social, business and educational activities and earns revenue from multiple internal and external sources for facility/equipment rental and events on the Boca Raton campus.

He noted that operations were not being performed consistently with applicable rules and regulations and six recommendations were made to enhance operational and internal controls. Management is working to initiate compliance with these recommendations.

No questions or comments were put forth from Committee members.


Mr. Crudele reviewed the highlights of this audit noting that the University’s assets totaled $1.03 billion at June 30, 2012 which reflects a $4.3 million, or 0.4 percent decrease from the 2010-11 fiscal year; mostly due to the recalculation associated with the new capital outlay definition.

The University’s operating revenues totaled $213.6 million for the 2011-12 fiscal year, representing a two percent decrease from the 2010-11 fiscal year due mainly to the cessation of the stimulus funding.

Mr. Crudele advised that all applicable standards per Government Auditing Standards were met the auditor issued an unqualified opinion and the University’s financial position remains strong.
No questions or comments were put forth from Committee members.


Mr. Crudele advised members that the auditors provided an unqualified opinion. A review of highlights of the financial position of the Florida Atlantic University Foundation, Inc. (FAUF) followed including:

- Real property and improvements increased by $1.3 million, as a reflection of the 156 acres inherited in Indiantown.
- Liabilities remained flat, with the most noted change being the debt payoff of Oxley and Baldwin House loan.
- Assets for were down slightly less than one percent.
- The FAUF had a .02 percent gain in its investment portfolio for 2012; slightly higher than most other State University System (SUS) Foundations experienced in 2012.
- Expenses increased by $2 million from the previous year, up in nearly all categories. Especially of note, was the $2.4 million paid in support of the FAU stadium.
- Overall fund balance was $207.5 million.

No questions or comments were put forth from Committee members.


Mr. Crudele noted this as an unqualified audit and provided a review of noteworthy issues including the increase in investment income by 87 percent or $20,080; total operating revenues were down slightly from $221,660 to $217,134; expenses were also down by approximately one percent from $206,468 to $204,695. The overall fund balance was up nine percent.

No questions or comments were put forth from Committee members.


Mr. Crudele reviewed this unqualified opinion advising there were no findings or questions on internal controls or compliance. He noted that $3.8 million was spent on ocean research, a $1.3 million increase over 2011. Also noteworthy was the 50 percent decrease in administrative and supporting expenses due mainly to selling Oceans Reefs and Aquariums last year. Additionally, specialty license plate income was $2.8 million.

No questions or comments were put forth from Committee members.

Mr. Crudele’s review of this unqualified audit informed members of the completion of the first full year operations of the FAU Housing/Boca Raton campus operations under the FAU Finance Corporation (FAUFC) umbrella.

The FAUFC’s assets totaled $145.8 million; investment income was $946,840 which remained in-line with performa expectations; operating revenues were $20,990,198; and operating expenses were at $9,287,344 with depreciation of $3,261,478. It was noted that the overall change in net assets was due to stadium completion during the audit period and the transfer of the construction cost to the University.

No questions or comments were put forth from Committee members.


Mr. Crudele reviewed the first year of operations of the FAU Clinical Practice Organization (FAU CPO) advising that the only activity in fiscal year 2012 was of the Schmidt College of Medicine; the Lynn College of Nursing was added in July 2012. A good deal more activity is expected in the coming year.

The FAU CPO total net revenues of $97,500 represent earnings on two clinical contracts minus auditing and other minor expenses leaving the FAU CPO an ending balance of $89,200.

No questions or comments were put forth from Committee members.


Mr. Crudele explained this report as an annual evaluation to ensure FAU compliance with requirements of the National Collegiate Athletic Association (NCAA). This fiscal year, two anomalies were noted in the revenue category. The first being that ticket sales had reported differences which was due to multi-year sales; the second, that the total number of student credit hours differed by less that .021 percent; this due to tuition waiver.

No exceptions were found associated with game guarantees, contributions from affiliated or outside organization, direct institutional support, indirect facilities and administrative support, NCAA/Conference distributions, program sales/concessions/novelty and parking, royalties/licensing/advertising and sponsorships and endowment/investment income and other revenue. Additionally no exceptions were found in the expense categories. All significant standards were met.
No questions or comments were put forth from Committee members.

Mr. Workman clarified for members that all of these audits received the highest, or unqualified, levels of evaluation. Additionally, for each the auditors review the internal operations of the DSOs to ensure no weaknesses are present.

**AF: I-5. Review of the Mid-Year Status Report of Florida Atlantic University’s 2012-13 Operating Budget, July 1, 2012 to December 31, 2012.**

Mr. Crudele provided a review of the financial status at mid-year for each of the seven funding categories which was summed up as follows:

### REVENUE

<table>
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<tr>
<th>Fund Type</th>
<th>Actual</th>
<th>Adj. Budget</th>
<th>Remainder</th>
<th>% of Actual to Budget</th>
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<tr>
<td>Educational &amp; General</td>
<td>$168,632,000</td>
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<td>Student Activities</td>
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<td>TOTAL REVENUE</td>
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### EXPENDITURES

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<tr>
<td>Educational &amp; General</td>
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<td>Student Activities</td>
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<td>Concessions</td>
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<td>TOTAL EXPENDITURES</td>
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Other budgetary issues of note included:

- Within the SUS, FIU and FAU had the lowest financial aid repayment default rates.
- A future loan to Athletics associated with expenses of changing conference affiliation.
- Future enhanced funding for Athletics associated with Conference USA television, bowl series and other revenues.
Upon query, members were informed that the funding associated with increased conference revenues will go directly to the Athletics program and once revenues start flowing specific accountability reporting will be initiated.

Upon request Mr. Crudele provided information on the facilities and upgrades being provided some auxiliary functions. He advised that upon being awarded the food services contract at FAU in 2006-07, Chartwells Food Services was required to make capital investment in the University. This has benefited FAU by the complete 2008 renovation Breezeway Café and the current $5.6 million project to almost double the capacity of the Center MarketPlace to better serve the increased numbers of students in university housing requiring these services. Recognizing the value and need, Chartwells agreed to the fund this latest project without requiring a contract extension.

Mr. Crudele finalized this Mid-year Status Report with a review of student credit hour production as the associated funding received from these hours plays a significant a role in FAU’s operating budget.

With no further questions or comments put forth from Committee members, a motion to was made and seconded to adjourn the meeting. The meeting was adjourned at 1:34p.m.