FLORIDA GULF COAST UNIVERSITY FINANCING CORPORATION

BASIC FINANCIAL STATEMENTS TOGETHER WITH REPORTS OF INDEPENDENT AUDITOR

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Florida Gulf Coast University Financing Corporation
10501 FGCU Boulevard South
Fort Myers, Florida 33965-6565

Report on the Financial Statements

We have audited the accompanying basic financial statements of Florida Gulf Coast University Financing Corporation (the "Financing Corporation") (a Florida not-for-profit corporation), a direct support organization and component unit of Florida Gulf Coast University, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Financing Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors Responsibility

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 of America. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Financing Corporation's preparation and fair presentation of the financial statements 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 Financing Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Gulf Coast University Financing Corporation as of June 30, 2020, and the changes in its net position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the required supplementary information - Management's Discussion and Analysis on pages 4-11 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 required supplementary information – Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Financing Corporation's basic financial statements. The Exhibit – Management's Response to the Independent Auditor's Report to Management is not a required part of the basic financial statements but is required by Government Auditing Standards. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated August 6, 2020 on our consideration of the Financing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 Florida Gulf Coast University's Financing Corporation's internal control over financial reporting and compliance.

TUSCAN & COMPANY, PA
Fort Myers, Florida
August 6, 2020

FLORIDA GULF COAST UNIVERSITY FINANCING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2020

Overview of the Financial Statements and Financial Analysis

This section of the Florida Gulf Coast University Financing Corporation (Financing Corporation) annual financial report presents a discussion and analysis of the financial performance of the Financing Corporation during the fiscal year ended June 30, 2020, with 2018-19 fiscal year data presented for comparative purposes. The emphasis of discussions about these statements will be on current year activities, resulting change and currently known facts. This discussion should be read in conjunction with the financial statements and related notes. Responsibility for the completeness and fairness of this information rests with the Financing Corporation's management.

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," as amended by GASB Statements No. 37 and 38. The Financing Corporation is considered a Business Type Activity (BTA) under the provision and reporting model of GASB Statements No. 34 and No. 35.

Financial Highlights

On December 5, 2019 the Financing Corporation issued the Capital Improvement Refunding Revenue Bonds, Series 2019A (Housing Project).

The Series 2019A Bonds were issued in the amount of $32,575,000 plus original issue premium of $5,125,443. The proceeds from the sale of the Series 2019A Bonds were used to refund the Capital Improvement Revenue Bonds, Series 2010A, in the outstanding amount of $26,590,000 and to refund the Capital Improvement Revenue Bonds, Series 2010B, in the outstanding amount of $14,100,000. The present value savings resulting from refunded debt service costs is $8.7 million.

The Financing Corporation has no immediate plans to issue additional Capital Improvement Revenue Bonds to construct additional student residence facilities, parking garages or other facilities.

During the year ended June 30, 2020 the Financing Corporation replaced the Direct Pay Letter of Credit on its variable rate bonds, Series 2008A (Housing) and Series 2009A (Parking). The new letter of credit expires August 1, 2024 and provides annual debt service savings of approximately $65,000.

The Student and Community Counseling Center Project, which is an approximately 27,000 square foot facility that provides low cost mental and behavioral healthcare to students and the community, was substantially completed during the year ended June 30, 2020. As of June 30, 2020, the Financing Corporation had invested $8 million in the Student and Community Counseling Center Project and transferred it to the University to operate The University repaid the Financing Corporation for its investment in the Counseling Center during the year ended June 30, 2020.

The Housing System

The Housing system is managed and operated by the University's Office of Housing and Residence Life. The North Lake Village Student Residence facilities (Phase I-VII) are comprised of apartment style buildings (two or four bedrooms, single or double occupancy). Each unit contains full kitchen facilities including dishwasher, microwave oven, regular oven, full size refrigerator, and living room, lavatory and bath facilities. The South Village Student Residence (Phase VIII-X and XII) are facilities located in the southern portion of the University's student housing area. These facilities are comprised of suite style units, each containing lavatories, bath facilities, entry, and bedroom areas. The overall buildings contain kitchen and laundry facilities. The West Lake Village Student Residence (Phase XI) facilities located approximately one-mile northwest of Florida Gulf Coast University include development of multiple future phases of student housing. These facilities are comprised of six three story apartment style buildings (three or four bedrooms single occupancy), a single story combination administrative office and clubhouse building with a swimming pool. Each unit contains full kitchen facilities including dishwasher, microwave oven, regular oven, full size refrigerator and living room, private lavatory and bath facilities.

The Housing system consists of the following facilities:

- A 256-bed apartment style student residential facility (Phase I – opened 1998)
- A 288-bed apartment style student residential facility (Phase II – opened 2000)
- A 288-bed apartment style student residential facility (Phase III – opened 2001)
- A 288-bed apartment style student residential facility (Phase IV – opened 2002)
- A 288-bed apartment style student residential facility (Phase V – opened 2003)
- A 288-bed apartment style student residential facility (Phase VI – opened 2004)
- A 288-bed apartment style student residential facility (Phase VII – opened 2005)
- A 407-bed suite style student residential facility (Phase VIII – opened Fall 2008)
- A 407-bed suite style student residential facility (Phase IX – opened Fall 2009)
- A 417-bed suite style student residential facility (Phase X – opened Fall 2011)
- A 504-bed apartment style student residential facility (Phase XI – opened Fall 2010)
- A 534-bed suite style student residential facility (Phase XII – opened Fall 2012)
- A 535-bed suite style student residential facility (Phase XIII – opened Fall 2014)

In addition to the internal apartment arrangements, the overall Housing system has a volleyball court, three swimming pools and access to canoeing, kayaking, sailing, fishing, and water skiing on the adjacent 60 acre lake. In the spring of 2020, the University opened a Recreation and Wellness Center located near the South Village Student Residence that is available for use by students, faculty, and staff.

<u>The Parking System</u>
The Parking facilities are managed and operated by the University's Office of Parking Services. The Parking system consists of parking facilities comprising of parking lots 1-3 and 5-7 in the University's core campus, five multi-level, covered parking garages, athletic complex parking, and student residence parking. The Parking system currently provides facilities that will accommodate approximately 9,345 vehicles. Included in the total number of parking spaces are student residence parking with 2,271 spaces, the athletic complex parking with 423 parking spaces and five parking garages (I – IV and South Village) with a total of 4,370 spaces. Currently, the parking facilities are comprised entirely of surface parking with the exception of the five covered parking garages. University staff must purchase a regular annual parking decal or optionally purchase a reserved annual parking space decal before the beginning of the fall term in August of each year. These decals can be purchased for cash or payroll deduction over either one, five, or ten bi-weekly pay periods. Students are charged a parking fee and a transportation fee based upon number of enrolled credit hours each term.

The Parking system consists of the following facilities:

	Year Opened	Capacity*	Total Parking Spaces
Parking Lot 1 (main campus)	1997	170	170
Parking Lot 2 (main campus)	1997	79	249
Parking Lot 3 (main campus)	1997	150	399
Parking Lot 5 (main campus)	1997	203	602
Student Residence Phase I	1998	262	864
Student Residence Phase II	2000	244	1,108
Parking Lot 7 (main campus)	2001	247	1,355
Student Residence Phase III	2001	222	1,577
Student Residence Phase IV	2002	204	1,781
Athletic Complex Parking	2002	423	2,204
Student Residence Phase V	2003	217	2,421
Parking Lot 6 (main campus)	2003	37	2,458
Student Residence Phase VI	2004	83	2,541
Welcome Center	2004	114	2,655
Student Residence Phase VII	2005	293	2,948
Parking Garage Phase I	2007	672	3,620
Student Residence Phase VIII	2008	280	3,900
Parking Garage Phase II	2008	987	4,887
Parking Garage Phase III	2009	782	5,669
Student Residence Phase IX	2009	6	5,675
Student Residence Phase XI	2010	454	6,129
Parking Garage B - South Village	2011	1,195	7,324
Student Residence Phase X	2011	6	7,330
Parking Garage Phase IV	2012	734	8,064
Community Counseling Center	2019	51	8,115
University Wellness Center	2020	95	8,210
Auxiliary Lots	Multiple	786	8,996
Reserved/Specific Use	Multiple	275	9,271
SoVi Modulars	Multiple	74	9,345

** Updated 2020*

Overview of Financial Statements

Pursuant to GASB Statement No. 35, the Financing 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.

Statement of Net Position

The Statement of Net Position reflects the assets (current and noncurrent) and liabilities (current and noncurrent) of the Financing Corporation, using the accrual basis of accounting, and presents the financial position of the Financing Corporation at a specified time. The difference between total assets and total liabilities, or net position, is one indicator of the Financing Corporation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Financing Corporation's financial condition.

Condensed Summary of Net Position
As of June 30, 2020
(in thousands of dollars)

	2020	2019	Increase (Decrease)	Change
Assets:				
Current Assets	$ 29,611	$ 22,638	$ 6,973	30.8%
Noncurrent Assets	181,127	198,017	(16,890)	-8.5%
Total Assets	210,738	220,655	(9,917)	-4.5%
Liabilities:				
Current Liabilities	9,405	11,446	(2,041)	-17.8%
Noncurrent Liabilities	170,480	180,321	(9,841)	-5.5%
Total Liabilities	179,885	191,767	(11,882)	-6.2%
Deferred Inflows	603	429	174	40.6%
Net Position:				
Restricted	6,963	12,194	(5,231)	-42.9%
Unrestricted	23,287	16,265	7,022	43.2%
Total Net Position	$ 30,250	$ 28,459	$ 1,791	6.3%

The decrease in total assets of the Financing Corporation is $9.9 million, or 4.5%. The decrease is mainly the result of the amortization of Investment in Direct Financing Lease from the University in the amount of $6.6 million , a decrease in investment in debt reserves of $3.2 million utilized in the refunding of bonds during the 2019-20 fiscal year, a decrease in investments of $3.0 million due to completion costs for Student and Community Counseling Center project and a decrease in Construction in Progress of $5.1 million from the completion and transfer of the Counseling Center project. These amounts were offset with an increase in investments of $8.0 million from payments received from the University for the Student and Community Counseling Center project.

The decrease in total liabilities of $11.9 million, or 6.2%, is primarily the result of scheduled principal bond and loan payments and amortization of bond premiums and discounts in the amount of $6.9 million, a decrease of $3.0 million from the utilization of debt service reserves in the refunding of bonds during the 2019-20 fiscal year, a decrease in construction and retainage payables of $2.0 million from the completion of the Counseling Center Project, a decrease in interest expense payables of $0.3 million, and an increase in housing improvement project payables of $0.3 million.

Deferred inflows of $0.6 million is the net gain on the bond refunding during the 2017-18 fiscal year and the net gain on the bond refunding during the 2019-20 fiscal year. Deferred inflows are amortized on a straight-line basis over the term of the related debt. The increase in deferred inflows is the FY20 gain on refunding, net the FY20 amortized amounts.

The Financing Corporation's financial position, as a whole, increased during the fiscal year ended June 30, 2020 in the amount of $1.8 million, or 6.3%, percent, over the net position balance at June 30, 2019. The Financing Corporation continues to experience sound financial condition and health.

Restricted net position includes $5.0 million in the required debt service reserve accounts for Capital Improvement Revenue Bonds, Series 2011A, 2013A, and Loan Agreements 2005A and 2005B, and $2.0 million restricted by the covenants of the Series 2008A and 2009A bond reimbursement agreements. The decrease in restricted net position during the 2019-20 fiscal year is the result of the utilization of the debt reserves in the amount of $3.2 million during the bond refunding and the replacement of letter of credit provider which released $2.0 million in debt reserves.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the Statement is to show the operating and non-operating revenues received by the Financing Corporation, the operating and non-operating expenses paid by the Financing Corporation and any other revenues, expenses, gains and losses received or spent by the Financing Corporation. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

Operating revenues represent rental income received from the University, and operating expenses primarily represent expenses paid for debt service on outstanding bonds payable. In contrast, non-operating revenues and expenditures are for goods and services not provided by the Financing Corporation. An example of non-operating revenues would be investment income and transfers in/from the University.

Condensed Summary of Revenues, Expenses, and Change in Net Position
Year Ended June 30, 2020
(in thousands of dollars)

	2020	2019	Increase (Decrease)	Change
Operating Revenues	$ 18,356	$ 19,102	$ (746)	-3.9%
Less: Operating Expenses	14,120	14,518	(398)	-2.7%
Less: Net Non-Operating Expenses	2,445	1,542	903	58.6%
Change in Net Position	1,791	3,042	(1,251)	-41.1%
Net Position, Beginning of Year	28,459	25,417	3,042	12.0%
Net Position, End of Year	$ 30,250	$ 28,459	$ 1,791	6.3%

Total operating revenues for the 2019-20 fiscal year decreased $0.7 million over the 2018-19 fiscal year. This decrease was primarily from a slight decrease in Housing residence occupancy, in addition to lost summer revenues not covered by the Coronavirus Aid, Relief, and Economic Security (CARES) Act due to COVID-19.

Total operating expenses for the 2019-20 fiscal year decreased slightly from the 2018-19 fiscal year primarily from reduced debt service due to bond refundings, lower variable interest rates, and lower letter of credit fees from the replacement of the letter of credit and remarketing providers. Operating expenses of $14.1 million were comprised of $7.0 million, or 49.7% percent, for debt service (interest expense) and bond premium and discount amortizations; $6.9 million, or 48.9% percent, for direct financing lease amortization; and $0.2 million or 1.4%, for administrative expenses.

Net Non-Operating Expenses increased $0.9 million from the 2018-19 fiscal year. Of this increase, $0.4 occurred from non-recurring costs of issuing the Capital Improvement Refunding Bonds Series 2019A and replacing the letter of credit on Series 2008A and 2009A Bonds during the 2019-20 fiscal year. An additional increase of $0.5 million occurred in Housing and Parking Capital Improvement expenses due to the change in project costs scheduled between fiscal years.

Statement of Cash Flows

The Statement of Cash Flows provides information about the Financing Corporation's financial results by reporting the major sources and uses of cash and cash equivalents. This Statement will assist in evaluating the Financing Corporation's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing.

Cash flows from operating activities show the net cash provided by the operating activities of the Financing Corporation. The major sources of funds included in operating activities are student residences and parking facilities net rental income received from the University less interest paid on debt.

Cash flows from non-capital financing activities show the net cash provided to and from the University.

The largest outflow of cash in the capital and related financing activities represent annual debt service principal bond payments on the outstanding bonds and loans payable. Cash flows from the capital financing activities include all plant funds and related long-term debt activities.

Cash flows from the investing activities show the net source and use of cash as related to purchasing or selling investments and earning income on those investments.

Debt Administration

Investment in Direct Financing Lease

Investment in the direct financing lease in the amount of $174.2 million recognizes a capital lease between the Financing Corporation and the University for land leased from the University. The University leased back the land from the Financing Corporation to manage and operate Student Residences and Parking Garages. The condition of student residences and parking facilities is good with the oldest residential building placed in service in 1998 and first parking garage placed in service in 2007.

Construction in Progress

During fiscal year 2019-20, the Financing Corporation completed construction on a Student and Community Counseling Center that provides low cost mental and behavioral healthcare to students and the community. As of June 30, 2020, the Counseling Center was completed and transferred to the University to maintain and operate.

Factors Impacting Future Periods

The Financing Corporation's financial outlook for the future continues to be positive. The level of variable rate (13.0%) versus fixed rate (87.0%) debt is one of the key factors influencing the Financing Corporation activities. Fixed and variable interest rates have been historically low and are expected to remain relatively stable in the short term. Given current market conditions, the Financing Corporation is contemplating a current refunding of Housing Capital Improvement Revenue Bonds, Series 2011A. The refunding has a tentative expected execution date of late fall 2020 to early spring 2021, contingent upon market conditions and projected debt savings.

Another significant factor affecting the Financing Corporation's economic position relates to its ability to recruit and retain high quality students to live in the student residence facilities. Outlined below are the student residence facilities fall occupancy statistics.

Enrolled Fiscal Year	Enrolled Students	Housing Capacity	Living in Housing*	Occupancy
2010-11	12,038	2,798	2,827	101.04%
2011-12	12,655	3,719	3,720	100.03%
2012-13	13,442	4,253	4,245	99.81%
2013-14	14,074	4,253	4,282	100.68%
2014-15	14,463	4,788	4,798	100.21%
2015-16	14,824	4,788	4,818	100.63%
2016-17	14,821	4,788	4,734	98.87%
2017-18	14,943	4,788	4,672	97.58%
2018-19	15,046	4,788	4,794	100.13%
2019-20	14,998	4,788	4,748	99.16%

* Includes Staff and Other

As a result of the current COVID-19 pandemic environment, fall 2020 began with a lower than usual student housing occupancy rate of 82%. Decreases in housing occupancy and revenues are being addressed through cost-cutting measures and naturally occurring expense reductions to avoid significant effects on the financial position of operations during the year ending June 30, 2021.

The following table lists the residences available to students and the related historical and projected average rental rates on a per student, per semester, basis for each academic year. Rental rates are set each academic year in accordance with guidelines established by the Financing Corporation Board of Directors and the University Board of Trustees.

	FY15	FY16	FY17	FY18	FY19	FY20
North Lake Village	$ 2,890	$ 2,890	$ 2,890	$ 2,890	$ 2,890	$ 2,890
South Lake Village	3,169	3,169	3,169	3,169	3,169	3,169
West Lake Village	2,741	2,741	2,741	2,741	2,741	2,741
West Lake Village - 12 month agreement	7,200	7,200	7,200	7,200	7,200	7,200

Another significant factor in the Financing Corporation's economic position relates to its ability to provide adequate parking facilities. Limited future surface parking will be available as the University's core campus matures. Outlined below is the parking decal statistics for the Parking Facilities.

Fiscal Year	Enrolled Students	Faculty & Staff	Parking Capacity	Decals Sold
2010-11	12,038	1,028	6,449	1,080
2011-12	12,655	1,089	8,849	1,335
2012-13	13,442	1,144	8,849	1,299
2013-14	14,074	1,180	8,849	1,438
2014-15	14,463	1,256	8,849	1,495
2015-16	14,824	1,294	8,849	1,490
2016-17	14,821	1,334	8,849	1,535
2017-18	14,943	1,372	8,849	1,564
2018-19	15,046	1,403	8,849	1,644
2019-20*	14,998	1,474	9,345	1,647

** Updated*

The following table lists the types of parking charges for parking facilities available to students and staff and the related historical rates on a per student/staff, per term/year, basis for each fiscal year.

Fall Term	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Annual Decal Fee	$ 115	$ 115	$ 118	$ 118	$ 118	$ 118	$ 118	$ 118	$ 118	$ 118
Term Decal Fee	$ 58	$ 58	$ 60	$ 60	$ 60	$ 60	$ 60	$ 60	$ 60	$ 60
Reserved Annual Decal Fee	$ 525	$ 525	$ 535	$ 535	$ 535	$ 535	$ 535	$ 535	$ 535	$ 535
Parking Decal Hourly Fee*	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 2.75
Transportation Hourly Fee**	$ 5.75	$ 5.75	$ 5.95	$ 5.95	$ 5.95	$ 5.95	$ 5.95	$ 5.95	$ 5.95	$ 5.95

* Parking Decal Hourly Fee paid by students on a per credit hour basis and includes sales tax.

** Transportation Decal Hourly Fee paid by students on a per credit hour basis.

Florida Gulf Coast University Financing Corporation

Statement of Net Position
For the Fiscal Year Ended June 30, 2020

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 57,055
Investment with State Treasury	29,494,818
Interest Receivable (includes $8,322 restricted)	59,113
Total Current Assets:	29,610,986
Noncurrent Assets:	
Cash and Cash Equivalents - Debt Reserve	386,139
Investment in Direct Financing Lease	174,172,733
Investment with State Treasury - Debt Reserve	2,000,000
Investment with State Treasury - Debt Reserve	4,568,434
Total Noncurrent Assets:	181,127,306
Total Assets	210,738,292
LIABILITIES	
Current Liabilities	
Interest Payable	2,771,329
Due to University	443,538
Loans Payable - Current Portion	500,000
Bonds Payable - Current Portion	5,690,000
Total Current Liabilities:	9,404,867
Noncurrent Liabilities:	
Loans Payable	8,700,000
Bonds Payable, Net	161,780,058
Total Noncurrent Liabilities:	170,480,058
Total Liabilities	179,884,925
DEFERRED INFLOWS OF RESOURCES	
Deferred Gain on Debt Refunding, Net	603,676
NET POSITION	
Restricted	6,962,895
Unrestricted	23,286,796
Total Net Position	$ 30,249,691

Florida Gulf Coast University Financing Corporation
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

REVENUES	
Operating Revenues:	
Net Rental Income Received from University	$ 18,356,300
Total Operating Revenues	18,356,300
EXPENSES	
Operating Expenses:	
Debt Service	7,568,578
Financing Lease Amortization	6,864,684
Bond Premium Amortization, Net	(506,858)
Contractual Expenses	22,350
Insurance	166,905
Other Expenses	4,148
Total Operating Expenses	14,119,807
Operating Income	4,236,493
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	1,059,853
Other Nonoperating Expenses	(137,000)
Bond Refunding Cost of Issuance/LOC Replacement	(397,338)
Transfer Out to University	(2,971,031)
Total Net Non-Operating Expenses	(2,445,516)
Increase in Net Position	1,790,977
Net Position, June 30, 2019	28,458,714
Net Position, June 30, 2020	$ 30,249,691

Florida Gulf Coast University Financing Corporation
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Rental Income - Received from University	$ 18,356,300
Interest Paid on Debt	(7,911,512)
Payments to Suppliers of Goods and Services	(193,403)
Net Cash Provided by Operating Activities	10,251,385
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfer out to University	(2,679,627)
Net Cash Used in Non-Capital Financing Activities	(2,679,627)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Bond Refunding	37,700,443
Bond/Loan Principal Payments	(47,065,000)
Bond Refunding Cost of Issuance/LOC Replacement	(397,338)
Loan Payment from University	7,980,597
Capital Expenditures	(5,095,069)
Net Cash Used in Capital and Related Financing Activities	(6,876,367)
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash from Investments, Net	(1,772,907)
Interest Earned	1,084,837
Net Cash Used by Investing Activities	(688,070)
Net Increase in Cash and Cash Equivalents	7,321
Cash and Cash Equivalents, Beginning of Year	435,873
Cash and Cash Equivalents, End of Year	$ 443,194

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	$ 4,236,493
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization of Bond Premium/Discount, Net	(506,858)
Amortization of Direct Financing Lease	6,864,684
Amortization of Bond Gain on Refunding	(11,940)
Change in Interest Payable	(330,994)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 10,251,385

FLORIDA GULF COAST UNIVERSITY FINANCING CORPORATION
A COMPONENT UNIT OF FLORIDA GULF COAST UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION

On April 10, 2003, the Florida Gulf Coast University Board of Trustees approved the creation of the Florida Gulf Coast University Financing Corporation (Financing Corporation) as a direct support organization (Auditor General Rule 10.700) and component unit of the Florida Gulf Coast University (University). The Financing Corporation was incorporated on April 11, 2003, as a Florida not-for-profit corporation under the provisions of Chapter 617, as a direct support organization of the University as defined by Florida Statutes Chapter 1004.28. Operations of the Financing Corporation began July 1, 2003. The Financing Corporation was established to receive, hold, invest, and administer property and to make expenditures to or for the exclusive benefit of (i) the University or (ii) a research and development park or research and development authority affiliated with the University and organized under Part V of Chapter 159 of Florida Statutes. Operating revenues and expenses generally include only fiscal transactions directly related to these activities. Included in non-operating revenues is investment income. The Financing Corporation also has the authority to issue bonds and other forms of indebtedness upon the approval of the University's Board of Trustees, as well as to enter into agreements to finance, design, construct, lease, purchase, and/or operate facilities necessary and desirable to serve the needs of the University.

Specifically, the operations of the Financing Corporation consist of contracting for the design and construction of student residential housing, parking facilities, and certain other projects as well as the issuance of bonded debt to finance construction when appropriate. As such, the Financing Corporation supervises and accounts for the respective construction. Once the construction is completed, the Financing Corporation transfers the completed building and/or facility to the University to operate in return for a direct financing lease (Master Operating Lease). Accordingly, the University operates and leases the respective facility from the Financing Corporation in an amount equal to the net rental proceeds (net operating revenues of the defined facilities). The net operating revenues paid to the Financing Corporation shall be not less than the annual debt service and related costs as defined by the Master Operating Lease. These net rental proceeds are then used to fund the outstanding debt.

The governing body of the Financing Corporation is its Board of Directors (Board). The Board is composed of at least five (5) voting Directors. The Financing Corporation is managed, supervised and controlled by its Board, subject to applicable law and the powers and duties reserved to the Florida Gulf Coast University Board of Trustees and the President of Florida Gulf Coast University.

REPORTING ENTITY

Based on the application of the criteria described in the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 and 2600 for determining component units, the Financing Corporation is included within the financial statements of the University as a blended component unit entity for the fiscal year ended June 30, 2020. Through the application of these standards, no entities were required to be or are reported as component units of the Financing Corporation. After an annual audit of the Financing Corporation's financial statements is conducted by an independent certified public accountant and accepted by the Board, the annual report is submitted to the State of Florida Auditor General and the Florida Gulf Coast University Board of Trustees for review.

BASIS OF PRESENTATION

The Financing Corporation's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board ("GASB"). Accordingly, the Financing Corporation adheres to GASB Statement No. 34, "Basic Financial Statements – and

Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities," GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statement No. 21 and No. 34," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures."

GASB Statements No. 34 and No. 35 established standards for external financial reporting which includes a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows using the direct method. GASB Statements No. 34 and 35 also include a requirement that management provide a discussion and analysis of the basic financial statements and it requires the classification of net position into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets. At June 30, 2020 the Financing Corporation had no net investments in capital assets.

- Restricted – consists of assets that have constraints placed upon their uses through external constraints imposed by donors, creditors (such as through debt covenants), or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets. As of June 30, 2020, restricted net position is comprised of cash reserves that are required by applicable debt covenants.

- Unrestricted – consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

The Financing Corporation also adheres to the recommendations of the National Association of College and University Business Officers (NACUBO). NACUBO's recommendations are prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board (FASB) and the GASB. The Financing Corporation reporting model under GASB Statement No. 35 is considered a special-purpose government entity engaged only in business-type activities (BTA).

GASB Statements No. 34 and 35 provide that a special-purpose government entity engaged only in business-type activities is to present entity-wide reporting including the following:

- Management's Discussion and Analysis (MD&A)
- Proprietary (enterprise) fund financial statements:
    1) Statement of Net Position
    2) Statement of Revenues, Expenses and Changes in Net Position
    3) Statement of Cash Flows
- Notes to the financial statements

No budget versus actual statement is presented, as the Financing Corporation is not required to adopt a legal budget.

BASIS OF ACCOUNTING

Basis of accounting refers to when the effect of transactions or events should be recognized for financial reporting purposes. It relates to the timing of the measurements made, regardless of the measurement focus applied. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position of the Financing Corporation are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Statement of Net Position is presented in a classified format to distinguish between current and long-term assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position is presented by major sources. The Statement of Cash Flows is presented using the direct method and complies with GASB Statement No. 9 "Reporting Cash Flow for Proprietary and Non-expendable Trust Funds." The Financing Corporation follows GASB Statement No. 62, which incorporates FASB Statements and interpretations, unless those pronouncements conflict with GASB pronouncements.

RESTRICTED ASSETS

Restricted assets are cash reserves required by the applicable debt covenants, and unspent bond proceeds. When both restricted and unrestricted resources are available for use, it is the Financing Corporation's policy to apply first to the restricted resources followed by the use of the unrestricted resources.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Financing Corporation invests its cash, cash equivalents, and investments in qualified public deposits and/or the Special Purpose Investment Account (SPIA) per Florida Statute 215.47. Cash and cash equivalents include operating cash account balances as well as unspent bond proceeds. Investments are reported at book value, which is fair value. Realized and unrealized gains and losses are reflected in the Statement of Revenue, Expenses and Changes in Net Position. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

DIRECT FINANCING LEASE

Direct Financing Lease (Master Operating Lease) is recorded by the Financing Corporation at the capitalized amount of the previously completed Student Residences and Parking Facilities, which approximates the net present value of the Master Operating Lease.

CAPITAL ASSETS

Capital assets are capitalized at cost or at fair market value at the time of contribution. The Financing Corporation has a capitalization threshold of $5,000 for all movable equipment items and a $100,000 threshold for building renovations and improvements. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets ranging from five (5) to fifty (50) years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of those assets. All capital assets are intended to be transferred to the University when placed in service and therefore, not depreciated.

BOND PREMIUMS AND DISCOUNTS

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

DEFERRED INFLOWS OF RESOURCES

The unrestricted net position balance includes the effect of recognizing a deferred inflow of resources resulting from the gain on refunding of debt. The balance is recognized as an expense beginning in the year the debt was extinguished and will further increase unrestricted net position over a 20-year repayment period of the new debt.

CASH FLOWS

The Financing Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, as well as its operating cash account balances and unspent bond proceeds. The Statement of Cash Flows is presented using the direct method and is in compliance with GASB Statement No. 9, *Reporting Cash Flow for Proprietary and Non-expendable Trust Funds.*

INCOME TAXES

The Financing Corporation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is organized exclusively for scientific, educational, and charitable purposes. The Financing Corporation is not classified as a private foundation within the meaning of Section 509(a) of the Code but is a Corporation described under Section 509(a)(3).

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Financing Corporation reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. The informational returns (Form 990) for the prior three (3) fiscal years are open and subject to possible examination.

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and the Financing Corporation has adopted this guidance. The Financing Corporation has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

CONCENTRATION OF CREDIT

Throughout the year, the Financing Corporation has cash balances on deposit with financial institutions in excess of FDIC insurance limits of $250,000. Such amounts in excess of FDIC limits are not insured. Investments are fully collateralized but not insured. Management does not believe the Financing Corporation is exposed to undue credit risk. The Financing Corporation has incurred no losses due to exposure to credit risk.

USE OF 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, 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.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 6, 2020, which is the date the financial statements were available to be issued.

2. CASH and CASH EQUIVALENTS

The amounts reported as cash and cash equivalents consist of unrestricted and restricted cash in demand accounts. Cash in demand accounts is held in banks qualified in accordance with the provisions of Chapter 280, Florida Statutes as a public depository. Deposits are fully collateralized by a mutual collateral pool as provided by Florida Statutes Chapter 280 but are not insured in excess of the $250,000 FDIC limits. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2020 the Financing Corporation reported restricted cash equivalents totaling $386,139. Of this balance $385,765 is held by the lender and owner of the 2005B Loan as a debt service reserve requirement. According to the First Amendment to the Loan Agreement dated as of March 1, 2015 and the Amended and Restated Trust Indenture dated as of July 1, 2013, the Financing Corporation deposited a contribution equal to the 2005B maximum debt service requirement in the amount of $370,470. Subsequently, as a result of the corporate tax rate change effective January 1, 2018, the minimum reserve requirement for the 2005B Bonds increased. Therefore, during the year ending June 30, 2019, the Financing Corporation made a required deposit to bring the account up to the new minimum required balance of $385,648. The required debt service reserve amount, including interest, is required to be disclosed as Restricted Cash and Net Position.

At June 30, 2020, the total carrying amount of the Financing Corporation's deposits were $443,194 and the bank balances totaled $450,398. Of the bank balances, $307,200 was insured by Federal Depository Insurance with the remainder of $143,198 collateralized under the Florida Public Deposits Program.

3. INVESTMENTS

As of June 30, 2020, the Financing Corporation had the following external investment pools:

Investment	Book Value
State Treasury Pool Investments	$36,063,252

The Financing Corporation reported investments at book value, which is fair value, totaling $36,063,252 at June 30, 2020, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. These investment pools operate under investment guidelines established in Section 215.47, Florida Statutes. The State Treasury has taken the position that participants in the pool should disclose information related to interest risk, credit risk and fair value factor. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 0.43 years at June 30, 2020. SPIA is not exposed to foreign currency risk. The Pool's unaudited fair value factor is 1.0291. The Financing Corporation relies on policies developed by the State Treasury for managing interest rate or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report. In accordance with GASB Statement No. 40, the investments held by the Financing Corporation are not risk categorized as the investments are managed through the State Treasury in accordance with the provisions of Section 17.61, Florida Statutes, and are not evidenced by specific, identifiable investment securities.

Of the reported investment amount, $2,000,000 is restricted by the covenants of the Series 2008A and 2009A bond reimbursement agreements (as well as the parity bond issues) as a cash liquidity requirement, as well as the Master Capital Lease Operating Agreement. Also included in the reported investment amount are the following restricted debt reserve account balances:

Bond Series/Loan	June 30, 2020 Balance
2005A	$ 522,956
2010A	11
2010B	6
2011A	2,095,797
2013A	1,949,664
Total Debt Service Reserve Accounts	$ 4,568,434

$29,494,818 of the reported total investment amount is unrestricted. On March 11, 2020 the Financing Corporation's Board of Director's internally designated $1.5 million of unrestricted funds to be held as a reserve for future housing repair and maintenance. Internally designated funds are invested with the State Treasury and included in Unrestricted Net Position

As of June 30, 2020, the Financing Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

4. INVESTMENT IN DIRECT FINANCING LEASE

As a condition of the financing arrangement, the Financing Corporation entered into a Master Ground Lease Agreement with the University. The University leases the respective project land on its campus to the Financing Corporation with a rental fee of $1.00 per year. The property covered by the Master Ground Lease together with improvements (re: student residences and parking facilities) thereon is leased back by the University to manage and operate through the Master Operating Lease (Direct Financing Lease). The payments on the Master Operating Lease are equal to net operating revenues, as defined, but not less than the annual debt service requirements of the related bond and loan debt. The Master Operating Lease shall terminate on the date on which all bonds, loans, and obligations under any related financing documents are paid in full. The Financing Corporation records these lease agreements as a receivable. The Financing Corporation amortizes the direct financing lease by the amount of respective bonded debt, including associated premiums and discounts, and loan principal paid over the term of the debt. For the year ended June 30, 2020, the investment in direct financing lease was amortized in the amounts of $5,792,084 for student residences, and $760,795 for parking facilities.

At June 30, 2020, the Financing Corporation's Investment in Direct Financing Lease was $174,172,733 and consists of the following completed student residences and parking facilities:

Student Residence	Fiscal Year of Completion	Amount
Phase I	1998	$ 6,904,962
Phase II	2000	7,000,000
Phase III	2001	8,095,037
Phase IV	2002	7,591,506
Phase V	2003	6,973,593
Phase VI	2004	10,675,796
Phase VII	2005	8,399,116
Phase VIII	2008	25,604,702
Phase IX	2010	22,000,000
Phase X	2012	29,755,368
Phase XI	2011	15,867,531
Phase XII	2013	27,357,283
South Village Pool	2014	1,824,433
Phase XIII	2015	27,798,729
		205,848,056
Less: Direct Financing Lease Amortization		(50,248,113)
Total Student Residences		$ 155,599,943

Parking Facilities	Fiscal Year of Completion	Amount
Phase I	2007	$ 7,008,293
Phase II	2008	10,186,821
Phase III	2010	8,000,000
		25,195,114
Less: Direct Financing Lease Amortization		(6,622,324)
Total Parking Facilities		$ 18,572,790
Total Investment in Direct Financing Lease, Net		$ 174,172,733

5. CONSTRUCTION IN PROGRESS

During the year-ended June 30, 2018, the Financing Corporation committed to a loan to the University in an amount up to $8 million to construct a Student and Community Counseling Center. During the year-ended June 30, 2020 the Counseling Center was completed and transferred to the University to maintain and operate in the amount of $7,980,597. The following is a summary of the Financing Corporation's construction in progress activity for the year-ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Construction in Progress:				
Counseling Center	$ 5,119,642	$ 2,997,955	$ (8,117,597)	$ -
Total	$ 5,119,642	$ 2,997,955	$ (8,117,597)	$ -

6. LONG TERM LIABILITIES

Bonds and Loans payable activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds Payable:					
Series 2008A	$ 16,575,000	$ -	$ (1,110,000)	$ 15,465,000	$ (615,000)
Series 2009A	6,245,000	-	(275,000)	5,970,000	(205,000)
Series 2010A	26,590,000	-	(26,590,000)	-	-
Series 2010B	14,100,000	-	(14,100,000)	-	-
Series 2011A	26,295,000	-	(695,000)	25,600,000	(725,000)
Series 2013A	27,200,000	-	(750,000)	26,450,000	(770,000)
Series 2017A	45,625,000	-	(1,960,000)	43,665,000	(2,055,000)
Series 2017B	7,240,000	-	(265,000)	6,975,000	(285,000)
Series 2019A	-	32,575,000	(920,000)	31,655,000	(1,035,000)
Loan Payable:					
2005A Loan	5,500,000	-	(200,000)	5,300,000	(300,000)
2005B Loan	4,100,000	-	(200,000)	3,900,000	(200,000)
Total	179,470,000	32,575,000	(47,065,000)	164,980,000	(6,190,000)
Add:					
Bond Discounts and Premium	6,945,918	5,125,443	(381,303)	11,690,058	-
Total	$ 186,415,918	$ 37,700,443	$ (47,446,303)	$ 176,670,058	$ (6,190,000)

Loans Payable

On July 1, 2013, the Financing Corporation entered into a Loan Agreement dated July 1, 2013 (2005A) in the amount of $6,800,000 and a Loan Agreement dated July 1, 2013 (2005B) in the amount of $5,100,000, collectively hereafter referred to as the Loan, authorizing the purchase and refunding of Capital Revenue Bonds 2005A (Housing Phase VII) and Capital Revenue Bonds

2005B (Parking Phase I) which resulted in defeasance of the variable rate capital revenue bond debt and the securing of a fixed rate Loan as described in the Loan agreement and the Amended and Restated Trust Indenture dated as of July 1, 2013. The Loan proceeds were delivered to the Trustee and applied to reimburse the credit facility (Letter of Credit) previously securing the 2005 Bonds on the mandatory delivery date representing the par principal amounts.

The original proceeds derived from the sale of the Series 2005A Revenue Bonds were used to finance the construction and equipping of a new 288 bed apartment style student residence facility (North Lake Village Student Residence Complex - Phase VII) and the proceeds derived from the sale of the Series 2005B Revenue Bonds were used to finance the construction and equipping of a 500 space parking garage (Parking Facilities Phase I).

The proceeds from the fixed tax-exempt Loans were used to refund the outstanding principal debt of Capital Revenue Bonds 2005A (Housing Phase VII) in the par amount of $6,800,000 and Capital Revenue Bonds 2005B (Parking Phase I) in the par amount of $5,100,000 secured under the Amended and Restated Trust Indenture, dated as of July 1, 2013, between the Financing Corporation and the Trustee on a parity basis with all outstanding Financing Corporation Housing and Parking Systems Capital Improvement Revenue Bonds. The Loan payments are secured by a pledge of Net Housing and Parking Systems revenues, all pursuant to the Ninth Amended and Restated Master Capital Projects Operating Lease between the Financing Corporation and the University, dated July 1, 2013. The maturity of the Loan Agreement will not exceed the maturity of the original issue Capital Revenue Bonds 2005A (Housing Phase VII) and Capital Revenue Bonds 2005B (Parking Phase I).

According to the Loan agreement and the Amended and Restated Trust Indenture dated as of July 1, 2013, the Financing Corporation deposited with the Trustee an amount equal to the maximum annual debt service for the 2005A Series Bonds in the amount of $515,861 to be held by the Trustee in the 2005A Debt Service Reserve Account within the sinking capital fund. The maturity dates or payment principal schedules were not modified and there was no economic gain or loss of the transaction. The Trustee invests the funds held in the Debt Reserve Sinking Account and applies any accrued investment earnings against the payment of principal and interest. These funds, including interest, are held by the Trustee and included in Restricted Net Position.

On March 1, 2015, the Financing Corporation entered into the First Amendment to the Loan agreement requiring a 2005B debt service reserve requirement in the amount of $370,470 to be held by the Lender as long as they are the owner of the bonds. As a result of the corporate tax rate change effective January 1, 2018, the minimum reserve requirement for the 2005B Bonds increased. Therefore, during the year ending June 30, 2019, the Financing Corporation made a deposit to bring the account up to the new minimum required balance of $385,648. The 2005B debt service reserve requirement, plus interest earned, are held by the Lender and are available exclusively for payment of the Loan. These funds, including interest, are included in Restricted Net Position.

Notwithstanding the original maturity date February 1, 2035, of the Capital Improvement Revenue Bonds Series 2005A and Capital Improvement Bonds Series 2005B, the bank has the right to exercise put dates initially in fifteen years, July 1, 2028, and in its sole discretion extend the term through the original maturity date of February 1, 2035. The Financing Corporation may prepay the Loan in whole or part anytime, however, it would be required to pay the bank an additional prepayment fee or premium as determined in the Amended and Restated Trust Indenture dated as of July 1, 2013. The intent of the Financing Corporation is to retire the Loan at the end of the fifteen year period without additional prepayment or premium fees.

Interest payable is based upon a fixed rate of 3.17% paid semi-annually with principal payable in varying amounts annually on February 1, 2014 through 2035. On February 1, 2020, a combined principal loan payment in the amount of $400,000 was paid leaving the outstanding Capital Improvement Revenue Loan Series 2005A in the amount of $5,300,000 and Capital Improvement Revenue Loan Series 2005B in the amount of $3,900,000 at June 30, 2020. The Loans are collateralized by the net rental revenues of the student residences system and parking system.

Bonds Payable

(1) Capital Improvement Revenue Bonds, Series 2008A

On May 1, 2008, the Financing Corporation issued Capital Improvement Revenue Bonds, Series 2008A in the par amount of $22,000,000. The proceeds derived from the sale of the Series 2008A Revenue Bonds were used to finance the construction and equipping of a new 407 bed high rise suite style student residence facility and related improvements as an addition to the Housing System located on the University's main campus (South Village Student Residence Complex – Phase IX). Interest on the 2008A bonds accrues at a weekly adjustable rate, as determined by the remarketing agent and is payable monthly. As of June 30, 2020, the variable interest rate was 0.13%. Principal is payable in varying amounts and is due annually on February 1, 2010 through 2038. The Financing Corporation has purchased, as additional collateral on the revenue bonds, a letter of credit that expires at various dates but is intended to remain in effect until either the revenue bonds are retired or all the interest rates are converted from variable to fixed. The 2008A bonds are collateralized by the net rental revenues of the student residences system.

At June 30, 2020, net position included $1,000,000 that is required to be held (restricted) as a condition of the Reimbursement Agreement dated August 22, 2019. The required reserve funds are invested with the State Treasury and included in Restricted Net Position.

On October 1, 2019 the Financing Corporation made an optional principal payment on the Series 2008A bonds in the amount of $500,000. On February 1, 2020, a required principal bond payment in the amount of $610,000 was paid leaving the outstanding Capital Improvement Revenue Bonds, Series 2008A in the amount of $15,465,000 at June 30, 2020.

(2) Capital Improvement Revenue Bonds, Series 2009A

On May 7, 2009, the Financing Corporation issued Capital Improvement Revenue Bonds, Series 2009A in the par amount of $8,000,000. The proceeds derived from the sale of the Series 2009A Revenue Bonds were used to finance the construction and equipping of an approximately 785 space parking garage and related improvements (Parking Facilities Phase III) as an addition to the Parking System located on the University's main campus. Interest on the 2009A bonds accrues at a weekly adjustable rate, as determined by the remarketing agent and is payable monthly. As of June 30, 2020, the variable interest rate was 0.13%. Principal is payable in varying amounts and are due annually on February 1, 2011 through 2039. The Financing Corporation has purchased, as additional collateral on the revenue bonds, a letter of credit that expires at various dates but is intended to remain in effect until either the revenue bonds are retired or all the interest rates are converted from variable to fixed. The 2009A bonds are collateralized by the net rental revenues of the parking system.

At June 30, 2020, net position includes $1,000,000 that is required to be held (restricted) as a condition of the Reimbursement Agreement dated August 22, 2019, and the Master Capital Lease Operating Agreement. The required reserve funds are invested with the State Treasury and included in Restricted Net Position.

On October 1, 2019 the Financing Corporation made an optional principal payment on the Series 2009A bonds in the amount of $50,000. On February 1, 2020, a required principal bond payment in the amount of $225,000 was paid leaving the outstanding Capital Improvement Revenue Bond Series 2009A in the amount of $5,970,000 at June 30, 2020.

(3) Capital Improvement Revenue Bonds, Series 2010A and 2010B

On July 28, 2010, the Financing Corporation issued Capital Improvement Revenue Bonds, Series 2010A in the amount of $32,000,000 representing the par amount less the original issue discount in the amount of $138,451. The proceeds derived from the sale of the Series 2010A Revenue Bonds were used to finance the construction and equipping of a new five story, 417 bed suite style private bedroom student residence facility and associated parking garage with approximately 1,200 parking spaces and related site improvements (South Village Student Residence Complex - Phase X). Interest is payable based upon fixed rates ranging from 3.00% to 5.50% paid semi-annually with principal payable in varying amounts annually on February 1, 2012 through 2040. The Bonds are collateralized by the net rental revenues of the student residences system.

On October 14, 2010, the Financing Corporation issued Capital Improvement Revenue Bonds, Series 2010B in the amount of $17,000,000 representing the par amount, less the original issue discount in the amount of $45,669. The proceeds derived from the sale on the Series 2010B Revenue Bonds were used to acquire an existing apartment complex (West Lake Student Residence Complex - Phase XI), including approximately sixteen acres of land, seven existing buildings and all fixtures, furnishing, equipment, and other personal property owned and used in connection with the operation of the property. The new West Lake Village Student Residence Complex is located approximately one mile northeast of the University's main campus adding 504 beds to the current Housing System. Interest is payable based upon fixed rates ranging from 2.00% to 5.00% paid semi-annually with principal payable in varying amounts annually on February 1, 2012 through 2040. The Bonds are collateralized by the net rental revenues of the student residences system.

A Debt Service Reserve Account within the Sinking Fund was established for Series 2010A in the required amount of $2,106,181 and for Series 2010B in the required amount of $1,086,800 to provide additional security for the bonds and lower the overall interest rates. The Trustee invests the funds held in the Debt Reserve Sinking Account and applies any accrued investment earnings against the payment of principal and interest. The required reserve funds are invested with the State Treasury and included in Restricted Net Position

On December 5, 2019 the Financing Corporation issued the Capital Improvement Refunding Revenue Bonds, Series 2019A (Housing Project) (the "Series 2019A Bonds") through a current refunding. On February 1, 2020 the Financing Corporation used a portion of the proceeds from the Series 2019A Bonds to refund the Capital Improvement Revenue Bonds, Series 2010A, in the outstanding amount of $26,590,000 and to refund the Capital Improvement Revenue Bonds, Series 2010B, in the outstanding amount of $14,100,000.

At June 30, 2020 the Financing Corporation had no outstanding bonds payable related to the Capital Improvement Revenue Bonds, Series 2010A and 2010B.

(4) Capital Improvement Revenue Bonds, Series 2011A
On June 28, 2011, the Financing Corporation issued Capital Improvement Revenue Bonds, Series 2011A in the amount of $30,000,000 representing the par amount less the original issue discount in the amount of $35,974. The proceeds derived from the sale of the Series 2011A Revenue Bonds were used to finance the construction and equipping of a new five story 534 bed suite style private bedroom student residence facility (South Village Student Residence Complex - Phase XII). Interest is payable based upon fixed rates ranging from 4.00% to 5.50% paid semi-annually with principal payable in varying amounts on February 1, 2014 through 2041. The Bonds are collateralized by the net rental revenues of the student residences system.

A Debt Service Reserve Account within the Sinking Fund was established for Series 2011A in the required amount of $2,067,363 to provide additional security for the bonds and lower the overall interest rates. The Trustee invests the funds held in the Debt Reserve Sinking Account and applies any accrued investment earnings against the payment of principal and interest. The required reserve funds are invested with the State Treasury and included in Restricted Net Position.

On February 1, 2020, a required principal bond payment in the amount of $695,000 was paid. Therefore, at June 30, 2020 there remained outstanding Capital Improvement Revenue Bonds, Series 2011A in the amount of $25,574,970 net of unamortized discount of $25,030.

(5) Capital Improvement Revenue Bonds, Series 2013A
On June 11, 2013, the Financing Corporation issued Capital Improvement Revenue bonds, Series 2013A in the amount of $30,000,000 representing the par amount plus the original issue premium in the amount of $1,036,701. The proceeds derived from the sale of the Series 2013A Revenue Bonds were used to finance the construction and equipping of a new six story 535 bed suite style

private bedroom student residence facility (South Village Student Residence Complex – Phase XIII). Interest is payable based upon fixed rates ranging from 2.25% to 5.00% paid semi-annually with principal payable in varying amounts on February 1, 2016 through 2043. The Bonds are collateralized by the net rental revenues of the student residences system.

A Debt Service Reserve Account within the Sinking Fund was established for Series 2013A in the required amount of $1,920,888 to provide additional security for the bonds and lower the overall interest rates. The Trustee invests the funds held in the Debt Reserve Sinking Account and applies any accrued investment earnings against the payment of principal and interest. The required reserve funds are invested with the State Treasury and included in Restricted Net Position.

On February 1, 2020, a required principal bond payment in the amount of $750,000 was paid. Therefore, at June 30, 2020 there remained outstanding Capital Improvement Revenue Bonds, Series 2013A in the amount of $27,241,400 net of unamortized premium of $791,400.

(6) Capital Improvement Refunding Revenue Bonds, Series 2017A and 2017B
On November 29, 2017 the Financing Corporation issued the Capital Improvement Refunding Revenue Bonds, Series 2017A (Housing Project) (the "Series 2017A Bonds") and the Capital Improvement Refunding Revenue Bonds, Series 2017B (Parking Project) (the "Series 2017B Bonds").

The Series 2017A Bonds were issued in the amount of $47,500,000 plus original issue premium of $6,456,991. The proceeds from the sale of the Series 2017A Bonds were used to (i) refund the outstanding Capital Improvement Revenue Bonds, Series 2003 (Housing Project), and the Capital Improvement Revenue Bonds, Series 2007A (Housing Project), and (ii) pay costs relating to the issuance of the Series 2017A Bonds. Interest is payable based upon fixed rates ranging from 3.38% to 5.00% paid semi-annually with principal payable in varying amounts on August 1, 2018 through 2036.

The Series 2017B Bonds were issued in the amount of $7,850,000 plus original issue premium of $398,563. The proceeds from the sale of the Series 2017B Bonds were used to (i) refund the outstanding Capital Improvement Revenue Bonds, Series 2007C (Parking Project), and (ii) pay costs relating to the issuance of the Series 2017B Bonds. Interest is payable based upon fixed rates ranging from 3.00% to 5.00% paid semi-annually with principal payable in varying amounts on February 1, 2018 through 2037.

On July 1, 2014, the Financing Corporation Board of Director's internally designated cash to be held as a reserve in an amount equivalent to the maximum annual debt service of the refunded bonds, Series 2003, Series 2007A and Series 2007C. The internally designated funds for Series 2003 and Series 2007A are now associated with the refunding bonds Series 2017A and the internally designated funds for Series 2007C are now associated with the refunding bonds Series 2017B. At June 30, 2019 the internally designated funds held as a reserve to provide additional security and cash liquidity were $4,084,688 for Series 2017A Bonds and $565,600 for the Series 2017B Bonds. Internally designated funds are invested with the State Treasury and included in Unrestricted Net Position

On August 1, 2019 a required principal bond payment in the amount of $1,960,000 was paid on the Capital Improvement Refunding Revenue Bonds, Series 2017A. Therefore, at June 30, 2020 there remained outstanding Capital Improvement Refunding Revenue Bonds, Series 2017A in the amount of $49,228,389 net of unamortized premium of $5,563,389.

On February 1, 2020, a required principal bond payment in the amount of $265,000 was paid on Capital Improvement Refunding Revenue Bonds, Series 2017B. Therefore, at June 30, 2020 there remained outstanding Capital Improvement Refunding Revenue Bonds, Series 2017B in the amount of $7,319,844 net of unamortized premium of $344,844.

(7) Capital Improvement Refunding Revenue Bonds, Series 2019A
On December 5, 2019 the Financing Corporation issued the Capital Improvement Refunding Revenue Bonds, Series 2019A (Housing Project) (the “Series 2019A Bonds”).

The Series 2019A Bonds were issued in the amount of $32,575,000 plus original issue premium of $5,125,443. The proceeds from the sale of the Series 2019A Bonds were used to refund the outstanding Capital Improvement Revenue Bonds, Series 2010A and Capital Improvement Revenue Bonds, Series 2010B. Interest is payable based upon fixed rates ranging from 3.00% to 5.00% paid semi-annually with principal payable in varying amounts on February 1, 2020 through 2039.

On July 1, 2014, the Financing Corporation Board of Director’s internally designated cash to be held as a reserve in an amount equivalent to the maximum annual debt service for bonds where a Debt Service Reserve Account is not required. At June 30, 2020 the internally designated funds held as a reserve to provide additional security and cash liquidity were $2,533,800 for Series 2019A Bonds. Internally designated funds are invested with the State Treasury and included in Unrestricted Net Position

On February 1, 2020, a required principal bond payment in the amount of $920,000 was paid on Capital Improvement Refunding Revenue Bonds, Series 2019A. Therefore, at June 30, 2020 there remained outstanding Capital Improvement Refunding Revenue Bonds, Series 2019A in the amount of $36,670,455 net of unamortized premium of $5,015,455.

The following is a schedule of future minimum payments remaining under the outstanding Capital Improvement Revenue Bonds and Loans payable at June 30, 2020:

Years Ending June 30	Principal	Interest*	Total
2021	$ 6,190,000	$ 7,237,957	$ 13,427,957
2022	6,465,000	6,975,948	13,440,948
2023	6,735,000	6,687,247	13,422,247
2024	7,025,000	6,393,346	13,418,346
2025	7,325,000	6,083,830	13,408,830
2026 - 2030	42,360,000	25,032,318	67,392,318
2031 - 2035	49,825,000	14,540,548	64,365,548
2036 - 2040	32,250,000	5,398,392	37,648,392
2041 - 2045	6,805,000	600,125	7,405,125
	164,980,000	78,949,711	243,929,711
Add Bond Discounts and Premium, Net	11,690,058		
Total	$ 176,670,058	78,949,711	$ 243,929,711

*Includes interest accrued at fixed and variable rates at June 30, 2020 of 2.25 - 5.50%

7. DEFERRED INFLOW OF RESOURCES/DEFERRED GAIN ON DEBT REFUNDING

The unrestricted net position balance includes the effect of recognizing a deferred inflow of resources in the total amount of $671,975. Of this amount $468,550 originated from the gain on refunding of the Capital Improvement Revenue Bond Series 2003, Capital Improvement Revenue Bond Series 2007A, and Capital Improvement Revenue Bond Series 2007C by issuing the Series 2017A Bonds resulting in a gain of $216,497 and the Series 2017B Bonds resulting in a gain of $252,053 during the year ended June 30, 2018. The remaining $203,425 originated from the gain on refunding of the Capital Improvement Revenue Bond Series 2010A and Capital Improvement

Revenue Bond Series 2010B by issuing the Series 2019A Bonds during the year ended June 20, 2020.

During the year ended June 30, 2020, the Financing Corporation recognized amortization of the deferred gain in the amount of $29,114. The following is a summary of the Financing Corporation's deferred gain activity for the year-ended June 30, 2020:

	Beginning Balance	Increase	(Decrease)	Ending Balance
Deferred Gain on Debt Refunding, Net	$ 429,365	$ 203,425	$ (29,114)	$ 603,676
	$ 429,365	$ 203,425	$ (29,114)	$ 603,676

8. RELATED PARTY TRANSACTIONS

The University operates and pays all operating costs of the facilities leased from the Financing Corporation from the gross rental income from the respective student residences and parking facilities. The Net Rental Income is then paid to the Financing Corporation by the University in arrears based on collections. Therefore, no receivable is recorded. The University provides office space and related occupancy costs such as utilities and use of other office machines at no cost to the Financing Corporation. At June 30, 2020, no amounts are reflected in the Financial Statements of the Financing Corporation for these items, either as donated revenue or the offsetting expenses, as no reasonable basis has been determined to value these costs.

During the year ended June 30, 2020, the Financing Corporation transferred $2,971,031 to the University. At June 30, 2020, the Financing Corporation reported a Due to University of $443,538.

9. COMMITMENTS AND CONTINGENCIES

The Financing Corporation pledged to a loan of approximately $4 million to the Foundation to be used as a financing component for the planned School of Entrepreneurship, if needed.

During the year-ended June 30, 2018, the Financing Corporation committed to a loan to the University in an amount up to $8 million to construct a Student and Community Counseling Center. During the year-ended June 30, 2020, construction of the Student and Community Counseling Center was completed; the project was transferred to the University to maintain and operate; and the University repaid the Financing Corporation for its investment in the Counseling Center in the amount of $7,980,597.

10. RISK MANAGEMENT

The Financing Corporation is third party insured against risk of loss applicable to the Corporation.

11. FAIR VALUE MEASUREMENTS

The Financing Corporation investments are reported at book value, which is fair value using the cost approach to valuation in the accompanying Statement of Net Position at June 30, 2020 as follows:

Description	Carrying Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets For Identical Assets Level (1)	Quoted Prices in Active Markets For Similar Assets Level (2)	Significant Unobservable Inputs Level (3)
Assets				
Investments - SPIA	$ 36,063,252	$ 36,063,252	$ -	$ -
Total Assets	$ 36,063,252	$ 36,063,252	$ -	$ -

Investments – SPIA are cash investments that are held by the State (of Florida) Treasury Special Purpose Investment Account and are readily available.

Financial Instruments not Measured at Fair Value

Financial instruments not measured at fair value include cash and cash equivalents, receivables, accounts payable, and accrued expenses. The carrying amounts of these items approximates fair value due to the short term nature of the financial instruments.

Fair Value Measurements

FASB ASC 820-10-50-1 through 820-10-50-8 (formerly Financial Accounting Standards Board Statement No. 157, "Fair Value Measurements") established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level (1) inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level (2) inputs consist of observable inputs or unobservable inputs that are corroborated by market data, and Level (3) inputs have the lowest priority. The Financing Corporation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Financing Corporation measures fair value using Level (1) inputs because they generally provide the most reliable evidence of fair value.

Effective for the year ended June 30, 2016, the GASB issued GASB Statement No. 72 "Fair Value Measurement Application". This statement requires new disclosures of (a) transfers in and out of Levels 1 and 2 to include reasons for the transfers as well, and (b) reconciliation for fair value measurements using significant, unobservable inputs. Level 3 should be presented separately on a gross basis, rather than as one net number. This update also provided amendments that clarify existing disclosures such as the level of disaggregation for each class of assets and liabilities as well as disclosures about inputs and valuation techniques. Investments are reported at book value which is fair value; the adoption of this update has no impact on the financial statements.

Level (1) Fair Value Measurements

The fair value of investments in SPIA is based on quoted market prices in an active market for identical assets.

Level (2) Fair Value Measurements

Observable inputs or unobservable inputs that are corroborated by market data.

Level (3) Fair Value Measurements

Unobservable inputs that are not corroborated by market data.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Florida Gulf Coast University Financing Corporation
10501 FGCU Boulevard South
Fort Myers, Florida 33965-6565

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 of America, the accompanying basic financial statements of Florida Gulf Coast University Financing Corporation (Financing Corporation) which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements and have issued our report thereon dated August 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida Gulf Coast University Financing Corporation's internal control over financial reporting (internal control) to determine the 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 Florida Gulf Coast University Financing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Florida Gulf Coast University Financing 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 basic 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 any 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, as defined previously. However, material weaknesses may exist that have not been identified.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether Florida Gulf Coast University Financing Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under <u>Government Auditing Standards</u>.

<u>Purpose of This Report</u>

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 Financing Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> in considering the Financing Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TUSCAN & COMPANY, PA
Fort Myers, Florida
August 6, 2020

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT

Board of Directors
Florida Gulf Coast University Financing Corporation
10501 FGCU Boulevard South
Fort Myers, Florida 33965-6565

In planning and performing our audit of the financial statements of the Florida Gulf Coast University Financing Corporation (the "Financing Corporation"), as of and for the year ended June 30, 2020, we considered the Florida Gulf Coast University Financing Corporation's internal controls over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of the Financing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Financing 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 Financing Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

In connection with our audit, we are submitting the following comments and recommendations in accordance with Government Auditing Standards. These comments and recommendations are submitted for your review and consideration, items noted during the audit and recommendations are designed to help the Financing Corporation make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to the Florida Gulf Coast University Financing Corporation.

PRIOR YEAR COMMENTS THAT CONTINUE TO APPLY:
None – There were no financially significant prior year comments.

CURRENT YEAR COMMENTS:
None – There were no financially significant comments noted.

This report is intended solely for the information and use of the Board of Directors, management, the Auditor General of the State of Florida, and other Federal and State agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
August 6, 2020

EXHIBIT

DRAFT