REPORT NO. 2011-106
FEBRUARY 2011

FLORIDA GULF COAST UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2010

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Claudia A. Salgado, and the audit was supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FLORIDA GULF COAST UNIVERSITY
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether Florida Gulf Coast University and its officers with administrative and stewardship responsibilities for University operations had:

- **Presented the University's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.**

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2011-011.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

AUDITOR GENERAL
STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the University's basic financial statements as shown on pages 11 through 35. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Gulf Coast University and of its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the University discontinued reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds on the University's statement of net assets during the 2009-10 fiscal year. This change affects the comparability of amounts reported for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida Gulf Coast University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a required 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 principally of inquiries of management regarding the methods of measurement and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA
February 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION AND BACKGROUND

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities,* as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled $500.7 million at June 30, 2010. This balance reflects a $5.9 million, or 1.2 percent, increase from the 2008-09 fiscal year, resulting, in part, from an increase in gross capital assets of $41.7 million primarily from new construction projects offset by resources utilized in the completion of new construction projects of $37.9 million. While assets grew, liabilities decreased by $9.2 million, or 5.5 percent, totaling $157.8 million at June 30, 2010, compared to $167 million at June 30, 2009. The reduction resulted primarily from the elimination of State University System (SUS) Capital Improvement Trust Fund Revenue Bonds in the amount of $6.5 million in recognition that these bonds are a liability of the Board of Governors. Further information on this adjustment is presented in note 2 to the financial statements. As a result, the University's net assets increased by $15.1 million, reaching a year end balance of $342.9 million.

The University's revenues totaled $157.4 million for the 2009-10 fiscal year, representing a 3.5 percent decrease from the 2008-09 fiscal year as increases in student tuition and fees and federal and state student financial aid were offset with decreased capital appropriations. Operating expenses totaled $144.5 million for the 2009-10 fiscal year, representing an increase of 7.6 percent over the 2008-09 fiscal year due mainly to corresponding increases in scholarships, fellowships and waivers; services and supplies; and compensation and employee benefits.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. Based upon the application of the criteria for determining component units, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University reporting entity as a blended component unit, and the Florida Gulf Coast University Foundation, Inc. (Foundation), is included within the University reporting entity as a discretely presented component unit. This MD&A focuses on the University, excluding the discretely presented component unit. MD&A information regarding the Corporation and Foundation component units can be found in their separately issued audit reports. Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements.

THE STATEMENT OF NET ASSETS

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

The following summarizes the University's assets, liabilities, and net assets at June 30:

Condensed Statement of Net Assets at June 30
(In Thousands)

	2010	2009
Assets		
Current Assets	$ 75,785	$ 93,297
Capital Assets, Net	407,497	376,408
Other Noncurrent Assets	17,466	25,126
Total Assets	500,748	494,831
Liabilities		
Current Liabilities	18,995	21,171
Noncurrent Liabilities	138,851	145,838
Total Liabilities	157,846	167,009
Net Assets		
Invested in Capital Assets, Net of Related Debt	280,118	252,206
Restricted:		
Debt Service	1,000	1,000
Loans	519	589
Capital Projects	25,827	51,889
Other	3,976	4,262
Unrestricted	31,462	17,876
Total Net Assets	$ 342,902	$ 327,822

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2010, with an increase of net assets in the amount of $15.1 million, or 4.6 percent, over the 2008-09 fiscal year. This is an indicator of the University's sound overall financial condition and health.

Total assets increased $5.9 million, primarily from an increase in net capital assets of $31.1 million as student residence facility Phase IX and Parking Garage Phase III were completed while construction continued on Sugden Hospitality, Fine Arts, and the Student Union Addition. Construction costs reduced State capital appropriation receivables in the amount of $28 million and unspent bond proceeds in the amount of $9.9 million. Notes receivable increased $6.9 million from a promissory note granted by the Florida Gulf Coast Financing Corporation to the contractor of the solar photovoltaic generation facility (Solar Facility) as part of the construction of the Solar Facility. Investments increased by $5.3 million including an unrealized gain on investments of $1.7 million. Total liabilities decreased $9.2 million, primarily from the $6.5 million reduction of bonds payables from the removal of the SUS Capital Improvement Trust Fund Revenue Bonds, bond principal payments in the amount of $2.5 million and a decrease of $4 million from the timing of construction contract payables. The decreases were offset $2 million as the liability for other postemployment benefits increased as well as an increase in other payables of $1.8 million. The increase in the University's net assets is determined by subtracting the increase in total liabilities from the increase in total assets.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The statement of revenues, expenses, and changes in net assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2009-10 and 2008-09 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(In Thousands)

	2009-10	2008-09
Operating Revenues	$ 72,411	$ 64,764
Operating Expenses	144,543	134,319
Operating Loss	(72,132)	(69,555)
Net Nonoperating Revenues	70,304	65,180
Loss Before Other Revenues, Expenses, Gains, or Losses	(1,828)	(4,375)
Other Revenues, Expenses, Gains, or Losses	10,459	29,731
Net Increase in Net Assets	8,631	25,356
Net Assets, Beginning of Year	327,822	302,466
Adjustment to Beginning Net Assets (1)	6,449	
Net Assets, Beginning of Year, as Restated	334,271	302,466
Net Assets, End of Year	$ 342,902	$ 327,822

Note: (1) Due to a change in reporting State University System Capital Improvement Trust Fund Revenue Bonds. See note 2 to the financial statements.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value. Operating revenues generally consist of student tuition and fees, grants and contracts, and auxiliary service revenues from students and others to provide them with instruction and other goods and services.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2009-10 and 2008-09 fiscal years:

Operating Revenues
(In Thousands)

	2009-10	2008-09
Net Tuition and Fees	$ 35,107	$ 29,398
Federal Grants and Contracts	5,891	6,421
State and Local Grants and Contracts	2,551	2,934
Nongovernmental Grants and Contracts	4,228	4,839
Sales and Services of Auxiliary Enterprises	23,434	20,075
Other	1,200	1,097
Total Operating Revenues	$ 72,411	$ 64,764

Total operating revenues for the 2009-10 fiscal year were $72.4 million, of which $35.1 million was from net student tuition and fees. A tuition allowance, which represents the difference between the stated charges for goods and services provided by the University and the amount that is actually paid by a student or third party making payment

on behalf of a student, totaled $17.5 million. Its reduction of gross fees of $52.6 million resulted in net student tuition and fees of $35.1 million, which represents an increase of $5.7 million, or 19.4 percent, over the 2008-09 fiscal year. Increased student enrollment and higher tuition and fee rates are the cause of the revenue increase.

Federal grants and contracts decreased slightly by $530 thousand and non-Federal grants and contracts decreased by $994 thousand because of the timing of the number and size of grants received through the Office of Research and Sponsored Programs. Sales and services from auxiliary enterprises reflect a 16.7 percent increase over the 2008-09 fiscal year due primarily to the growth of student population utilizing the new student housing and parking facilities.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2009-10 and 2008-09 fiscal years:

Operating Expenses
(In Thousands)

	2009-10	2008-09
Compensation and Employee Benefits	$ 86,227	$ 83,171
Services and Supplies	28,020	24,839
Utilities and Communications	4,461	4,536
Scholarships, Fellowships, and Waivers	14,099	11,282
Depreciation	11,736	10,491
Total Operating Expenses	$ 144,543	$ 134,319

Operating expenses increased $10.2 million, or 7.6 percent, primarily due to an increase in the amount of $3.2 million for services and supplies, along with increases for scholarships, fellowships, and waivers of $2.8 million. Compensation and employee benefits increased $3.1 million primarily from a 7 percent increase in faculty positions. While depreciation expense increased $1.2 million from the addition of new buildings during the fiscal year, a decrease of $75 thousand was realized in utility expense due to the utilization of energy produced by the new solar facility.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2009-10 and 2008-09 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2009-10	2008-09
State Appropriations	$ 46,320	$ 51,852
State Appropriated American Recovery and Reinvestment Act Funds	3,573	
Federal and State Student Financial Aid	21,536	16,227
Investment Income	3,097	615
Interest on Capital Asset-Related Debt	(3,994)	(3,276)
Other Nonoperating Expenses	(228)	(238)
Net Nonoperating Revenues	$ 70,304	$ 65,180

As a result of the continued deterioration in national economic conditions during the 2009-10 fiscal year, the University received a lower level of State appropriations for strategic initiatives, such as, to provide funding for enrollment growth, and additional funding for plant operations and maintenance, and was partially offset with $3.6 million of State appropriated American Recovery and Reinvestment Act (ARRA) Funds. No legislative appropriations were provided for salary increases for State university employees. Federal and State student financial aid increases of $5.3 million resulted from additional funding received from Federal Pell grants, which is a direct result of not only student enrollment growth of 7.9 percent for the 2009-10 fiscal year but also from expanded eligibility requirements by the Federal Pell grant program. Investment income increased $2.5 million due primarily to an unrealized gain in the State Treasury Special Purpose Investment Account (SPIA) investment pool.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

Other Revenues, Expenses, Gains, or Losses
(In Thousands)

	2009-10	2008-09
Capital Appropriations	$ 8,441	$ 28,308
Capital Grants, Contracts, Donations, and Fees	2,018	1,423
Total	$ 10,459	$ 29,731

Capital appropriations experienced reduced funding from the 2008-09 fiscal year. The decrease of $19.9 million was the result of the timing in Public Education Capital Outlay moneys. State contributions (appropriations) for capital projects, depending upon the various stages of planning and completion, will fluctuate from year to year; however, the level of appropriations was also impacted in the 2009-10 fiscal year by the sustained decline in economic conditions. Capital grants, contracts, donations, and fees experienced an increase from the 2008-09 fiscal year from increased donations.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University'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 used by the operating activities of the University. Cash flows from the capital and related financing activities include all plant funds and related long-term debt activities.

Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from the noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2009-10 and 2008-09 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	$ (64,038)	$ (55,511)
Noncapital Financing Activities	71,708	66,942
Capital and Related Financing Activities	(15,312)	(34,410)
Investing Activities	(2,279)	4,784
Net Decrease in Cash and Cash Equivalents	(9,921)	(18,195)
Cash and Cash Equivalents, Beginning of Year	15,212	33,407
Cash and Cash Equivalents, End of Year	$ 5,291	$ 15,212

Major sources of funds included in operating activities are net student tuition and fees of $35.1 million; Federal and State and local grants and contracts of $12.9 million; and sales and services of auxiliary enterprises of $16.6 million. Major uses of funds were payments made to and on behalf of employees totaling $83.7 million; payments to suppliers totaling $31.3 million; and payments to and on behalf of students for scholarships totaling $14.1 million. The increase in cash used from operating activities was due primarily to an increase in tuition and fee revenue collections offset by increased payments to students for scholarships, fellowships and waivers, as well as increased payments to suppliers for services and supplies, and payments to employees for salaries and benefits.

The largest source of inflow of cash for noncapital financing activities was State appropriations in the amount of $46.5 million. Also included in noncapital financing revenues was Federal and State student financial aid of $21.5 million. The overall increase of $4.8 million in cash provided by noncapital financing activities was primarily due to an increase in Federal and State student financial aid of $5.3 million, the receipt of $3.6 million in State appropriated ARRA funds, offset with a decrease in State appropriations of $5.4 million.

Cash used by capital and related financing activities was $15.3 million, a decrease of $19.1 million. Net cash used was primarily due from the purchase or construction of capital assets in the amount of $45 million and principal and interest paid on debt and leases in the amount of $6.7 million offset with capital appropriations in the amount of $36.4 million.

Cash used by investing activities was $2.3 million, an increase of $7.1 million from the net purchases of investments.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the University had $479.9 million in capital assets, less accumulated depreciation of $72.4 million, for net capital assets of $407.5 million. Depreciation charges for the current fiscal year totaled $11.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2010	2009
Land	$ 32,681	$ 32,605
Buildings	314,566	261,108
Construction in Progress	18,450	47,659
Infrastructure and Other Improvements	19,266	16,533
Furniture and Equipment	19,137	16,392
Library Resources	1,136	1,055
Property Under Capital Leases	366	658
Works of Art and Historical Treasures	1,767	273
Other Capital Assets	128	125
Total Capital Assets, Net	$ 407,497	$ 376,408

Additional information about the University's capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

The University's major capital commitments at June 30, 2010, are as follows:

	Amount (In Thousands)
Total Committed	$ 51,899
Completed to Date	(18,450)
Balance Committed	$ 33,449

Additional information about the University's capital commitments is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2010, the University had $131.4 million in outstanding bonds payable, loan payable, and capital leases payable, representing a decrease of $9.2 million, or 6.5 percent, from the prior fiscal year. Apart from debt service payments of $2.7 million, a prior period adjustment occurred from a change in the accounting for State University System Capital Improvement Trust Fund Revenue Bonds. It has been determined these bonds are not the debt of the University since repayment is the responsibility of the Florida Board of Governors. The change is reflected in a $6.5 million decrease in the University's bonds payable and an increase in the University's beginning net assets. Additional information about the change in reporting capital debt is included in note 2 to the financial statements. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30
(In Thousands)

	2010	2009
Bonds Payable	$ 125,783	$ 134,729
Loan Payable	5,000	5,000
Capital Leases Payable	663	897
Total	$ 131,446	$ 140,626

Additional information about the University's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on its financial position or operations during the 2010-11 fiscal year. The University's financial outlook for the future continues to be positive. The level of State support, compensation and benefit increases, and student tuition and fee increases impact the University's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. State appropriations, as a percentage of operating revenues and nonoperating revenues, represent approximately 31.5 percent of the total of these combined revenues. The level of State support is, therefore, one of the key factors influencing the University's activities. Financial and political support from State government is expected to remain at lower levels in the short term until economic conditions improve and will be managed through tuition increases, targeted expenditure reductions, and efficiencies.

The budget that the Florida Legislature adopted for the 2010-11 fiscal year provided a 1.3 percent decrease for the University's State appropriations and is partially offset with $3.4 million of State appropriated ARRA funds. Regarding the University's legislative priorities, the Legislature did not provide a salary increase for State university employees; however, the University will fund a two percent salary increase starting January 1, 2011, and a $1,000 one-time lump sum bonus for employees. The Legislature did not provide additional funding for enrollment growth at State universities.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. The Fall 2010 enrollment of 12,103 students increased 7.9 percent over the Fall 2009 enrollment of 11,219 students. First time-in-college freshman admission of 2,250 students represents a 12.3 percent increase over the 2009-10 fiscal year. Efforts to improve retention such as an aggressive marketing plan to recruit qualified students and enhanced intervention to assist academic success will help assure total enrollment continues a positive trend. In the 2010-11 fiscal year, the University expects an increase in revenue from student tuition and fees due to a combination of increased enrollment and increased student tuition and fees. The State has approved and appropriated funds to the University's capital budget for the 2010-11 fiscal year in the amount of $15.9 million. Public Education Capital Outlay appropriations for the 2010-11 fiscal year were for the Academic VIII building in the amount of $12.5 million, Infrastructure in the amount of $3 million, and Repairs and Maintenance in the amount of $410 thousand.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplemental information, or requests for additional financial information should be addressed to Dr. Joseph Shepard, Vice President of Administration and Finance, Florida Gulf Coast University, 10501 FGCU Boulevard South, Fort Myers, Florida 33965.

BASIC FINANCIAL STATEMENTS

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2010

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 13,281	$ 9,071,279
Investments	48,274,273	
Accounts Receivable, Net	2,622,029	89,410
Loans Receivable	58,543	
Due from State	24,516,773	
Other Current Assets	300,000	
Total Current Assets	75,784,899	9,160,689
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,277,402	
Investments		611,356
Restricted Investments	5,331,306	44,615,132
Accounts and Pledges Receivable, Net		1,832,566
Note Receivable	6,857,192	5,000,000
Real Estate Held for Investment		4,551,500
Depreciable Capital Assets, Net	354,603,085	4,021
Nondepreciable Capital Assets	52,894,407	
Other Noncurrent Assets		52,512
Total Noncurrent Assets	424,963,392	56,667,087
TOTAL ASSETS	$ 500,748,291	$ 65,827,776
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 5,295,811	$ 55,433
Interest Payable		48,751
Construction Contracts Payable	2,852,862	
Salaries and Wages Payable	3,658,524	
Deposits Payable	2,644,670	
Deferred Revenue	1,151,488	24,000
Long-Term Liabilities - Current Portion:		
Bonds Payable	2,705,000	
Capital Leases Payable	246,196	
Compensated Absences Payable	440,595	
Gifts Annuities Payable		14,360
Total Current Liabilities	18,995,146	142,544

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010

	University	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	$ 123,078,115	$
Loan Payable	5,000,000	7,000,000
Capital Leases Payable	416,612	
Compensated Absences Payable	6,584,836	
Other Postemployment Benefits Payable	3,772,000	
Gift Annuities Payable		136,141
Deferred Revenue		24,000
Other Noncurrent Liabilities		52,512
Total Noncurrent Liabilities	138,851,563	7,212,653
TOTAL LIABILITIES	157,846,709	7,355,197
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	280,117,419	4,021
Restricted for Nonexpendable:		
Endowment		42,227,890
Restricted for Expendable:		
Debt Service	1,000,000	
Loans	518,611	
Capital Projects	25,827,262	
Other	3,976,256	11,178,975
Unrestricted	31,462,034	5,061,693
TOTAL NET ASSETS	342,901,582	58,472,579
TOTAL LIABILITIES AND NET ASSETS	$ 500,748,291	$ 65,827,776

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	University	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $ 17,529,969	$ 35,107,487	$
Federal Grants and Contracts	5,890,714	
State and Local Grants and Contracts	2,551,548	
Nongovernmental Grants and Contracts	4,227,919	
Sales and Services of Auxiliary Enterprises	23,433,722	
Gifts and Donations		4,159,350
Rental Income and Other		1,355,147
Other Operating Revenues	1,199,698	
Total Operating Revenues	72,411,088	5,514,497
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	86,226,933	
Services and Supplies	28,020,181	
Utilities and Communications	4,461,580	
Scholarships, Fellowships, and Waivers	14,098,661	1,331,816
Depreciation	11,735,957	6,828
General and Administrative		1,044,289
University Support		1,182,154
Program Services		3,745,520
Other Operating Expenses		500,000
Total Operating Expenses	144,543,312	7,810,607
Operating Loss	(72,132,224)	(2,296,110)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	46,319,727	
State Appropriated American Recovery and Reinvestment Act Funds	3,573,134	
Federal and State Student Financial Aid	21,536,585	
Investment Income	3,096,656	4,316,567
Interest on Capital Asset-Related Debt	(3,994,341)	(186,242)
Other Nonoperating Expenses	(228,106)	
Net Nonoperating Revenues	70,303,655	4,130,325
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,828,569)	1,834,215
Capital Appropriations	8,441,266	
Capital Grants, Contracts, Donations, and Fees	2,017,565	2,898,862
Increase in Net Assets	8,630,262	4,733,077
Net Assets, Beginning of Year	327,821,929	53,739,502
Adjustment to Beginning Net Assets	6,449,391	
Net Assets, Beginning of Year, as Restated	334,271,320	53,739,502
Net Assets, End of Year	$ 342,901,582	$ 58,472,579

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 35,120,367
Grants and Contracts	12,941,379
Sales and Services of Auxiliary Enterprises	16,576,530
Other Operating Receipts	489,808
Payments to Employees	(83,718,921)
Payments to Suppliers for Goods and Services	(31,334,755)
Payments to Students for Scholarships and Fellowships	(14,098,661)
Net Loans Issued to Students	(14,208)
Net Cash Used by Operating Activities	(64,038,461)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	46,484,520
State Appropriated American Recovery and Reinvestment Act Funds	3,573,134
Federal and State Student Financial Aid	21,536,585
Net Change in Funds Held for Others	113,829
Net Cash Provided by Noncapital Financing Activities	71,708,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	36,394,250
Purchase or Construction of Capital Assets	(45,013,188)
Principal Paid on Capital Debt and Leases	(2,684,431)
Interest Paid on Capital Debt and Leases	(4,008,926)
Net Cash Used by Capital and Related Financing Activities	(15,312,295)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	(3,681,434)
Investment Income	1,402,438
Net Cash Used by Investing Activities	(2,278,996)
Net Decrease in Cash and Cash Equivalents	(9,921,684)
Cash and Cash Equivalents, Beginning of Year	15,212,367
Cash and Cash Equivalents, End of Year	$ 5,290,683

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (72,132,224)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	11,735,957
Change in Assets and Liabilities:	
Receivables, Net	(7,214,646)
Other Current Assets	(300,000)
Accounts Payable	1,442,563
Salaries and Wages Payable	311,724
Deposits Payable	(97,538)
Compensated Absences Payable	228,287
Deferred Revenue	19,416
Other Postemployment Benefits Payable	1,968,000
NET CASH USED BY OPERATING ACTIVITIES	$ (64,038,461)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized gains were recognized as increases in investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$ 1,665,000

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University reporting entity as a blended component unit. The Corporation was incorporated on April 11, 2003, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is a direct-support organization of the University. The Corporation was established to receive, hold, invest, and administer property and to make expenditures for the exclusive benefit of the University. Due to the substantial economic relationship between the Corporation and the University, the financial activities of the Corporation are included in the University's financial statements. An annual audit of the Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Corporation, including copies of audit reports, is available by contacting the University Controller's Office.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Foundation, Inc. (Foundation), as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011, is included within the University reporting entity as a discretely presented component unit. The Foundation was incorporated on April 19, 1993, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is a direct-support organization of the University. Its purpose is to encourage, solicit, collect, receive,

and administer gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University and its objectives. An annual audit of the Foundation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Foundation, including copies of audit reports, is available by contacting the University Controller's Office.

Basis of Presentation. The University'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). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's blended and discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* has elected to apply only those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

Cash and Cash Equivalents - University. Cash and cash equivalents consist of cash on hand, cash in demand accounts, and amounts held by a trustee for the Florida Gulf Coast University Financing Corporation (Corporation). University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. 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.

The amount reported as restricted cash and cash equivalents for the University at June 30, 2010, includes at fair value $4,779,662 of Corporation moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. The Corporation relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment

pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Cash and Cash Equivalent – Component Unit. Cash and cash equivalents of the Foundation (discretely presented component unit) consist of bank deposits of which $490,659 is insured by the Federal deposit insurance with the remainder of $3,540,505 collateralized under the Florida Public Deposits Program.

The amount reported as unrestricted cash and cash equivalents for the Foundation at June 30, 2010, includes at fair value $5,040,115 of Foundation moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. The Foundation relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, property under capital leases, library resources, works of art and historical treasures, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $1,000 for tangible personal property and $100,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 35 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years
- Property Under Capital Lease – 8 to 10 years
- Furniture and Equipment:
  - Equipment (Other than Moveable) – 10 to 25 years
  - Computer Equipment – 3 to 6 years
  - Moveable Equipment – 5 to 20 years
- Library Resources – 10 years
- Works of Art and Historical Treasures – 20 years
- Other Capital Assets – 4 to 10 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, loan payable, capital leases payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized

premium or discount. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method.

2. PRIOR PERIOD ADJUSTMENT

The University's beginning net assets was increased by $6,449,391 as a result of a change in the reporting of bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds. In prior fiscal years the liability for these bonds was reported on the University's statement of net assets. It has subsequently been determined that these bonds are not debt of the University. Although proceeds from the bonds were provided to the University for capital projects, the University is not responsible for the repayment of the bonds. Repayment of the bonds is the responsibility of the Florida Board of Governors to be paid from capital improvement fees collected by all universities and remitted in total to the Florida Department of Education.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Of the reported investments, $1 million is restricted by the covenants of the bond reimbursement agreement for the Capital Improvement Revenue Bonds, Series 2008A. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

External Investment Pools

The University reported investments at fair value totaling $53,605,579 at June 30, 2010, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard and Poor's and had an effective duration of 1.81 years at June 30, 2010. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the University's discretely presented component unit (Foundation) at June 30, 2010, are reported at fair value, as follows:

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Investment Type	Amount
U.S. Government and Federal Agency Obligations	$ 4,236,387
Bonds, Notes and Other Debt Securities	4,601,059
Stocks and Other Equity Securities	5,207,845
Mutual Funds	28,834,330
Other Investments	2,346,867
Total Component Unit Investments	$ 45,226,488

The Foundation's investment policy allows for investments in equity securities traded on the three principal United States Stock Exchanges (NYSE, AMEX, and NASDAQ), and the Foundation only purchases securities of companies with at least a market capitalization of $1 billion. For fixed income instruments, the Foundation's policy allows investments in bonds issued by the United States Government and an agency of the United States Government, public traded corporations or their affiliates, taxable municipal bonds, preferred stocks, and real estate investment trusts.

Interest Rate Risk: The Foundation's investment policy does not limit debt obligation maturities. The Foundation's investments in debt securities at June 30, 2010, are reported at fair value as follows:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1 Year	1 - 5 Years	5 - 10 Years	Over 10 Years
U.S. Government and Federal Agency Obligations	$ 4,236,387	$ 53,213	$ 1,548,538	$ 1,641,932	$ 992,704
Bonds, Notes, and Other Debt Securities	4,601,059	233,180	2,036,517	1,471,360	860,002
Total	$ 8,837,446	$ 286,393	$ 3,585,055	$ 3,113,292	$ 1,852,706

Credit Risk: As required by the Foundation's investment policy, all corporate bond issues are rated BAA or BBB or better by Moody's or Standard & Poor's rating services, respectively. The Foundation's mutual funds are not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk: The Foundation utilizes the services of eight investment managers. All investments, except for certificates of deposit and debt securities, are held by the investment managers and are uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Foundation's name. The Foundation has $8,837,446 in debt securities, of which $3,130,567 is held by the investment managers and is uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Foundation's name. The Foundation's mutual fund investments totaling $28,834,330 at June 30, 2010, are not exposed to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form. There were no losses during the period due to default by counter-parties to investment transactions.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Concentration of Credit Risk: The Foundation's investment policy limits investment in a single corporation's stock to 10 percent of the market value of each of its equity manager's portfolio, and also limits investments in debt securities of a single corporate issue to 10 percent of the market value of each of its fixed income manager's portfolio.

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2010, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 1,080,021
Student Tuition and Fees	1,414,307
Other	127,701
Total Accounts Receivable, Net	$ 2,622,029

Loans Receivable. Loans receivable consist of short-term loans made to students pending the receipt of student financial aid. University management considers these loans to be fully collectible.

Note Receivable. On July 1, 2009, the Florida Gulf Coast University Financing Corporation entered into a loan in the form of a Promissory Note (Note) in the amount of $7,000,000 with the contractor of the solar photovoltaic generation facility (Solar Facility) as part of the construction of the Solar Facility. Interest accrues under this Note at a rate of 4.36 percent per annum, compounded annually, from the date the principal is disbursed to the contractor but not due and payable until July 1, 2029, the maturity date of the Note. The personal property of the Solar Facilities serves as collateral, securing the contractor's obligations under the Note. At June 30, 2010, the amount of the Note disbursed to the contractor was $6,668,950 leaving an undisbursed balance under the Note of $331,050, which may be disbursed if additional work is required. Interest earned under this Note to the Financing Corporation during the fiscal year ended June 30, 2010, was $188,242.

Description	Beginning Balance	Additions	Reductions	Ending Balance
Promissory Note	$	$ 6,668,950	$	$ 6,668,950
Interest Receivable		188,242		188,242
Note Receivable	$	$ 6,857,192	$	$ 6,857,192

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts receivable are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of $564,789 at June 30, 2010.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

5. DUE FROM STATE

This amount primarily consists of Public Education Capital Outlay (PECO) and Educational Enhancement (Lottery). PECO amounts due from the State to the University are for construction of University facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 32,604,734	$ 76,332	$	$ 32,681,066
Works of Art and Historical Treasures	268,956	1,494,202		1,763,158
Construction in Progress	47,658,624	39,033,530	68,241,971	18,450,183
Total Nondepreciable Capital Assets	$ 80,532,314	$ 40,604,064	$ 68,241,971	$ 52,894,407
Depreciable Capital Assets:				
Buildings	$ 288,727,175	$ 60,213,647	$	$ 348,940,822
Infrastructure and Other Improvements	21,364,706	3,544,870		24,909,576
Furniture and Equipment	36,070,896	6,417,928	1,342,883	41,145,941
Library Resources	8,781,146	427,858	17,977	9,191,027
Property Under Capital Leases	1,671,342			1,671,342
Works of Art and Historical Treasures	5,488			5,488
Other Capital Assets	1,039,560	66,773	4,055	1,102,278
Total Depreciable Capital Assets	357,660,313	70,671,076	1,364,915	426,966,474
Less, Accumulated Depreciation:				
Buildings	27,619,378	6,756,020		34,375,398
Infrastructure and Other Improvements	4,831,935	811,590		5,643,525
Furniture and Equipment	19,679,057	3,464,821	1,135,208	22,008,670
Library Resources	7,725,970	346,621	17,977	8,054,614
Property Under Capital Leases	1,012,909	292,541		1,305,450
Works of Art and Historical Treasures	1,278	275		1,553
Other Capital Assets	914,145	64,089	4,055	974,179
Total Accumulated Depreciation	61,784,672	11,735,957	1,157,240	72,363,389
Total Depreciable Capital Assets, Net	$ 295,875,641	$ 58,935,119	$ 207,675	$ 354,603,085

7. DEFERRED REVENUE

Deferred revenue consists of grants and contracts received prior to fiscal year-end related to subsequent accounting periods.

8. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2010, include bonds payable, loan payable, capital leases payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable (1)	$ 134,729,417	$	$ 8,946,302	$ 125,783,115	$ 2,705,000
Loan Payable	5,000,000			5,000,000	
Capital Leases Payable	897,239		234,431	662,808	246,196
Compensated Absences Payable	6,797,144	607,488	379,201	7,025,431	440,595
Other Postemployment Benefits Payable	1,804,000	1,968,000		3,772,000	
Total Long-Term Liabilities	$ 149,227,800	$ 2,575,488	$ 9,559,934	$ 142,243,354	$ 3,391,791

Note: (1) The University recorded an adjustment to beginning net assets to recognize a change in the reporting of Bonds Payable for State University System Capital Improvement Trust Fund Revenue Bonds totaling $6,449,391 which was net of deferred charges of $32,326. See Note 2.

Revenue Bonds Payable. Capital Improvement Revenue Bonds were issued to construct University facilities, including parking garages and student housing facilities. Capital Improvement Revenue Bonds outstanding, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees, and an assessed transportation fee based on credit hours.

In prior years, the Florida Gulf Coast University Financing Corporation (Corporation) issued Capital Improvement Revenue Bonds, Series 2003, 2005A, 2007A, and 2008A to construct student housing facilities, Series 2007B to construct and equip an addition to the Student Union Facility, and Series 2005B, 2007C, and 2009A to construct student parking garages.

The University has entered into a Master Ground and Operating Lease Agreement with the Corporation. The University leases land to the Corporation for a rental fee of $1 per year. The land covered by the ground lease together with the improvements thereon is leased back to the University to manage and operate. The master lease will terminate on the date on which the Revenue Bonds and any related obligations are paid in full. Revenue from the student residence facilities and parking facilities is pledged to pay rent to the Corporation or its assignees equal to the debt service on the Revenue Bonds.

The University had the following bonds payable outstanding at June 30, 2010:

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Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Capital Improvement Revenue Bonds:				
2003 Student Residence (Phase VI)	$ 47,500,000	$ 43,420,000	4.00 - 5.00	2034
2005A Student Residence (Phase VII)	8,000,000	7,400,000	.28 (2)	2035
2005B Student Parking (Phase I)	6,000,000	5,500,000	.28 (2)	2035
2007A Student Residence (Phase VIII)	25,000,000	24,616,234	4.00 - 5.00	2037
2007B Student Union Facility	6,000,000	5,800,000	.28 (2)	2037
2007C Student Parking (Phase II)	10,000,000	9,456,881	4.00 - 4.75	2037
2008A Student Residence (Phase IX)	22,000,000	21,590,000	.28 (2)	2038
2009A Student Parking (Phase III)	8,000,000	8,000,000	.29 (2)	2039
Total Auxiliary Revenue Bonds	$ 132,500,000	$ 125,783,115		

Notes: (1) Amount outstanding includes unamortized bond discounts and premiums.
(2) Variable interest rate at June 30, 2010.

Annual requirements to amortize all capital improvement revenue bonds outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2011	$ 2,705,000	$ 3,611,631	$ 6,316,631
2012	2,900,000	3,532,499	6,432,499
2013	2,900,000	3,455,262	6,355,262
2014	3,005,000	3,375,561	6,380,561
2015	3,210,000	3,292,483	6,502,483
2016-2020	18,330,000	14,990,283	33,320,283
2021-2025	22,610,000	11,867,908	34,477,908
2026-2030	28,040,000	8,036,467	36,076,467
2031-2035	31,740,000	3,144,666	34,884,666
2036-2039	9,970,000	245,931	10,215,931
Subtotal	125,410,000	55,552,691	180,962,691
Less: Net Discounts and Premiums	373,115		373,115
Total	$ 125,783,115	$ 55,552,691	$ 181,335,806

Loan Payable. On March 27, 2006, the Florida Gulf Coast University Financing Corporation (Corporation) entered into a Tax Exempt Note, Series 2005, in the amount of $5 million. The Corporation drew the entire $5 million to purchase land for the purpose of establishing a Naples Center which reflects the outstanding balance of the loan at June 30, 2010. Principal payments are equal to all funds collected by the Foundation pursuant to a capital campaign for the Florida Gulf Coast University Naples Center Project. The obligations under the loan are secured solely by the assignment of the capital campaign. As of June 30, 2010, the Foundation had raised $1 million of the $5 million capital campaign toward this project. Interest is assessed on the difference between the $5 million borrowed and the donations collected reduced by the amount of interest income earned during the year on the donations. Interest expense for the year ended June 30, 2010, was $76 thousand. A schedule of future minimum payments remaining under the loan

agreement cannot be amortized due to the unknown timing of capital campaign pledges and receipt of such pledges. The maturity date of the loan and all indebtedness outstanding was amended on April 1, 2010, and become due on or before March 31, 2014.

Capital Leases Payable. The University entered into an energy savings contract in July 2003 and acquired equipment under a capital lease. The stated interest rate is 4.3 percent. The University also entered into a capital lease for the Voice over Internet Protocol (VOIP) system in September 2006. The stated interest rate is 4.08 percent. Principal and interest requirements on the capital leases outstanding as of June 30, 2010, are presented in the following table:

Fiscal Year Ending June 30	Amount
2011	$ 270,185
2012	89,720
2013	91,637
2014	93,573
2015	95,526
2016	93,528
Total Minimum Payments	734,169
Less, Amount Representing Interest	(71,361)
Present Value of Minimum Payments	$ 662,808

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2010, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $7,025,431. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

Other Postemployment Benefits Payable. The University follows Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees

by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 39 retirees received postemployment healthcare benefits. The University provided required contributions of $119,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $257,000.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 1,418,000
Amortization of Unfunded Actuarial Accrued Liability	577,000
Interest on Normal Cost and Amortization	80,000
Annual Required Contribution	2,075,000
Interest on Net OPEB Obligation	72,000
Adjustment to Annual Required Contribution	(60,000)
Annual OPEB Cost (Expense)	2,087,000
Contribution Toward the OPEB Cost	(119,000)
Increase in Net OPEB Obligation	1,968,000
Net OPEB Obligation, Beginning of Year	1,804,000
Net OPEB Obligation, End of Year	$ 3,772,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	$		$
2007-08	1,117,000	16.2%	936,000
2008-09	1,049,000	19.4%	1,804,000
2009-10	2,087,000	5.7%	3,772,000

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $17,315,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $17,315,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $57,220,579 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 30.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the University's 2009-10 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for all retirees participating in the Preferred Provider Organization (PPO) plan were 10.32 percent and 8.84 percent for the first two years, respectively, and 10 percent for the first two years for all retirees participating in the Health Maintenance Organization (HMO) plan. The PPO and HMO healthcare cost trend rates are both 7 percent in the third year grading identically to 5.1 percent over 70 years. The unfunded actuarial accrued liability is being

amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 27 years.

9. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2009-10 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class in which reemployed.

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The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled $1,776,309, $1,963,059, and $2,052,008, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 142 University participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled $581,685.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 479 University participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled $3,239,991 and employee contributions totaled $1,368,987.

10. CONSTRUCTION COMMITMENTS

The University's major construction commitments at June 30, 2010, are as follows:

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Project Description	Total Committed	Completed to Date	Balance Committed
Academic 7	$ 1,260,797	$ 20,924	$ 1,239,873
Academic 8	11,000,016	680,836	10,319,180
Fine Arts Phase II	12,587,104	9,313,777	3,273,327
FY10 Infrastructure	5,396,650	1,684,324	3,712,326
Student Union Addition	12,382,250	1,662,619	10,719,631
Sugden Hospitality	1,759,628	296,369	1,463,259
Subtotal	44,386,445	13,658,849	30,727,596
Project Balances Under $1 Million	7,513,389	4,791,334	2,722,055
Total	$ 51,899,834	$ 18,450,183	$ 33,449,651

11. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2009-10 fiscal year, for property losses, the State retained the first $2 million of losses for each occurrence with an annual aggregate retention of $40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $40 million for named wind and flood through February 14, 2010, and increased to $58.75 million starting February 15, 2010. For perils other than named wind and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $100,000 per person, and $200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 42,823,345
Research	3,620,257
Public Services	3,645,095
Academic Support	12,944,972
Student Services	9,062,094
Institutional Support	18,363,334
Operation and Maintenance of Plant	8,536,825
Scholarships and Fellowships	14,098,661
Depreciation	11,735,957
Auxiliary Enterprises	19,712,772
Total Operating Expenses	$ 144,543,312

13. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Housing, Parking, and Student Services Center facilities represents identifiable activities for which one or more bonds are outstanding:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Condensed Statement of Net Assets

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
Assets			
Current Assets	$ 16,938,065	$ 2,672,607	$ 6,196,871
Capital Assets, Net	93,894,859	24,134,573	2,613,711
Total Assets	110,832,924	26,807,180	8,810,582
Liabilities			
Current Liabilities	4,153,051	676,396	834,568
Noncurrent Liabilities	94,886,234	23,402,503	5,700,000
Total Liabilities	99,039,285	24,078,899	6,534,568
Net Assets			
Invested in Capital Assets, Net of Related Debt	(3,131,375)	2,088,314	682,752
Restricted - Expendable	1,000,000		
Unrestricted	13,925,014	639,967	1,593,262
Total Net Assets	$ 11,793,639	$ 2,728,281	$ 2,276,014

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
Operating Revenues	$ 15,952,637	$ 2,431,420	$ 1,133,763
Depreciation Expense	(1,990,309)	(423,902)	
Other Operating Expenses	(10,724,976)	(1,503,056)	(514,193)
Operating Income	3,237,352	504,462	619,570
Nonoperating Revenues (Expenses):			
Nonoperating Revenues	348,262	31,493	45,790
Nonoperating Expenses	(1,578,903)	(124,036)	(255,908)
Net Nonoperating Expenses	(1,230,641)	(92,543)	(210,118)
Increase in Net Assets	2,006,711	411,919	409,452
Net Assets, Beginning of Year	9,786,928	2,316,362	1,866,562
Net Assets, End of Year	$ 11,793,639	$ 2,728,281	$ 2,276,014

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Condensed Statement of Cash Flows

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
Net Cash Provided (Used) by:			
Operating Activities	$ 6,956,926	$ 1,092,749	$ 748,297
Noncapital Financing Activities	(1,892,556)	(209,770)	(112,898)
Capital and Related Financing Activities	(6,711,087)	(3,703,643)	(2,071,676)
Investing Activities	(3,181,285)	(492,979)	(535,400)
Net Decrease in Cash and Cash Equivalents	(4,828,002)	(3,313,643)	(1,971,677)
Cash and Cash Equivalents, Beginning of Year	4,828,402	4,224,265	5,840,717
Cash and Cash Equivalents, End of Year	$ 400	$ 910,622	$ 3,869,040

14. RELATED PARTY TRANSACTIONS

University and Blended Component Unit. As part of a Master Ground and Operating Lease Agreement (see note 8), the University operates and pays all operating costs of the facilities leased from the Florida Gulf Coast University Financing Corporation (Corporation) from the gross rental income from the respective student residences and parking facilities. The net rental income is then paid to the Corporation by the University in arrears based on collections. The University provides office space and related occupancy costs such as utilities and use of other office machines as well as accounting and record keeping services at no cost to the Corporation.

On June 10, 2010, the Corporation entered into a contract to purchase an existing apartment complex located on Ben Hill Griffin Parkway (property), approximately one mile from the main campus of the University, in the amount of $14,750,000 for the land, existing buildings and all fixtures, furnishings, equipment and other personal property which is owned and used in connection with the operation of the property. The Corporation deposited $300,000 with an Escrow Agent and plans to proceed with the issuance of additional variable rate Capital Improvement Bonds in the amount of $17 million (Student Residence Phase XI) to accommodate the purchase and associated improvement costs. These new housing facilities would be placed into service during the 2010-11 fiscal year adding approximately 504 beds to the current housing system.

Discretely Presented Component Unit. On March 15, 2006, the Florida Gulf Coast University Foundation, Inc. (Foundation), loaned $5 million to the Corporation to purchase a two-acre lot in Naples as the future location of the University's Naples Center (Naples Center). The Naples Center will offer for-credit classes and house a 300-seat auditorium. The land purchase was deemed necessary to aid in the Foundation's fundraising efforts for construction of the Naples Center. The Corporation is responsible for the interest due on the balance not raised by donations.

The Foundation maintains a portion of its investments and had one outstanding line of credit with a financial institution. A Foundation board member was an officer of the financial institution during the fiscal year ending June 30, 2010. The Foundation investments managed by the financial institution at

June 30, 2010, totaled $11,211,215. The Foundation had an outstanding line of credit of $7 million with the financial institution at June 30, 2010, and paid $137,491 in interest during the fiscal year and owed $48,571 in interest as of the fiscal year ended June 30, 2010.

The Foundation maintains a portion of its fixed income investments with an investment firm. A Foundation board member was an officer of the investment firm during the fiscal year ending June 30, 2010. The Foundation investments managed by the investment firm at June 30, 2010, totaled $5,740,985.

On July 5, 2007, the University entered into a lease agreement with the Foundation for the use of waterfront property for the University's Vester Marine Science and Environmental Education Center. The monthly lease payment of $20,000 covers the general operating and maintenance expenses incurred by the Foundation.

15. SUBSEQUENT EVENTS

In July 2010, pursuant to Section 253.034, Florida Statutes, and Rule 18-2.019, Florida Administrative Code, the University received notification from the Florida Department of Environmental Protection that state-owned land, approximately 505 acres located on Buckingham Road in East Fort Myers, was being evaluated for sale, lease, or sublease. The University expressed interest in acquiring the land and incorporating it into the University's existing ground lease with the Florida Department of Environmental Protection. The intended usage of the land would be for educational purposes including, but not limited to, research, education, environmental preservation, recreational usage, and community partnerships consistent with the University's mission. The Board of Trustees of the Internal Improvement Trust Fund of the State of Florida extended the lease of this land to the University, which would continue the ownership of the land to the State of Florida.

On July 28, 2010, the 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 will be used to finance the construction and equipping of a new five story, 400 bed suite style private bedroom student residence facility with associated parking garage with approximately 1,200 parking spaces and related site improvements. Interest payable based upon fixed rates ranging from 3 to 5.5 percent paid semi-annually with principal payable in varying amounts annually on February 1, 2012, through 2040. This Student Residence Phase X would be the third mid-rise building and continue construction of mid-rise buildings in the south portion of the new student residence village on the University campus. These new student residence facilities would be placed in service during the 2011-12 fiscal year.

FLORIDA GULF COAST UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	$	$ 10,557,000	$ 10,557,000	0%	$ 55,932,003	18.9%
7/1/2009	$	$ 17,315,000	$ 17,315,000	0%	$ 57,220,579	30.3%

Note: (1) The actuarial cost method used by the institution is the entry-age actuarial cost method.

FLORIDA GULF COAST UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE BENEFITS

The July 1, 2009, unfunded actuarial liability of $17,315,000 was significantly higher than the July 1, 2007, liability of $10,557,000 primarily as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and changes in the rates of decrement and mortality and the amortization factor.

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the basic financial statements of Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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 University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting

that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to University management in our operational report No. 2011-011.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 17, 2011