REPORT NO. 2014-179
MARCH 2014

FLORIDA ATLANTIC UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2013

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Dr. Mary Jane Saunders, President to 5-14-13
Dennis Crudele, Acting President from 5-15-13

Notes: (1) Student body president.
(2) Position remained vacant from May 4, 2013, through June 30, 2013.
(3) Faculty senate president.
(4) Position remained vacant from March 27, 2013, through June 30, 2013.

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 Stefanie Johnson, CPA, and the audit was supervised by Ida Marie Westbrook, 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) 412-2869.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FLORIDA ATLANTIC 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 Atlantic 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, 2013. 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. 2014-045.

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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DAVID W. MARTIN, CPA
AUDITOR GENERAL

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FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units, as described in note 1 to the financial statements. The financial statements for the blended component unit represents 0.16 percent, 0.20 percent, and 0.14 percent, respectively, of the assets, net position, and revenues, reported for Florida Atlantic University. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units' columns. The financial statements of the blended and aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and aggregate discretely presented component units, is based solely on the reports 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Atlantic University and of its aggregate discretely presented component units as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, 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 of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Florida Atlantic 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* in considering Florida Atlantic University's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2013, 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. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2013, and June 30, 2012.

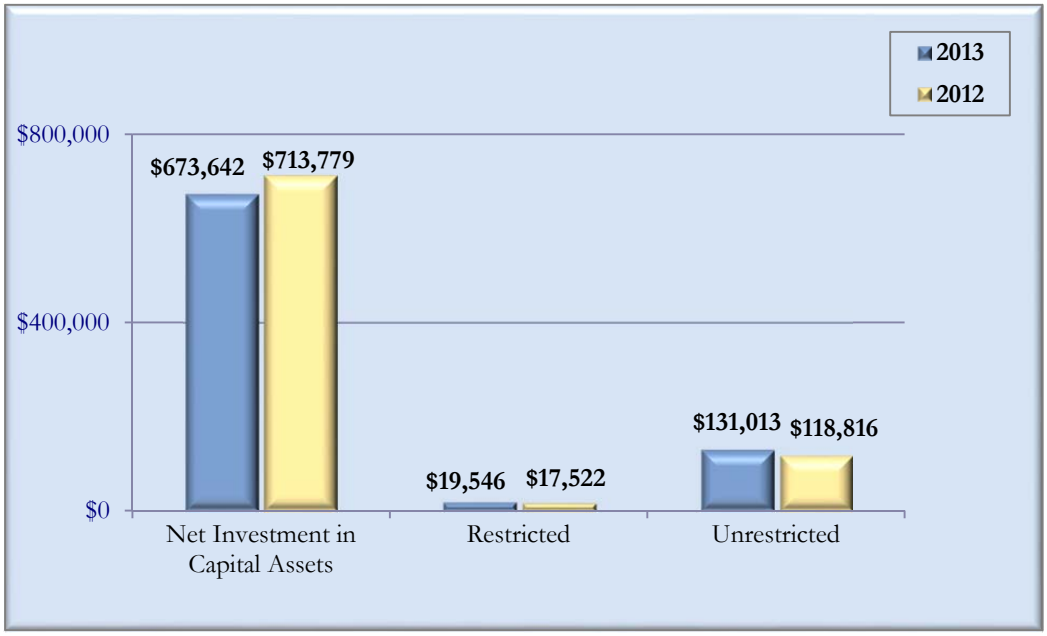
FINANCIAL HIGHLIGHTS

The University's assets totaled $1 billion at June 30, 2013. This balance reflects a $4.7 million, or 0.5 percent, decrease as compared to the 2011-12 fiscal year. While assets decreased, liabilities increased by $21.3 million, or 11.9 percent, totaling $200.7 million at June 30, 2013, as compared to $179.4 million at June 30, 2012. As a result, the University's net position decreased by $25.9 million, resulting in a year-end balance of $824.2 million.

The University's operating revenues totaled $230.2 million for the 2012-13 fiscal year, representing a 7.8 percent increase over the 2011-12 fiscal year due mainly to a $20 million increase in gross student tuition and fees generated by increased enrollment and tuition and fee rates, offset by a $4 million increase in scholarship allowances. Operating expenses totaled $443.1 million for the 2012-13 fiscal year, representing a decrease of 0.09 percent as compared to the 2011-12 fiscal year.

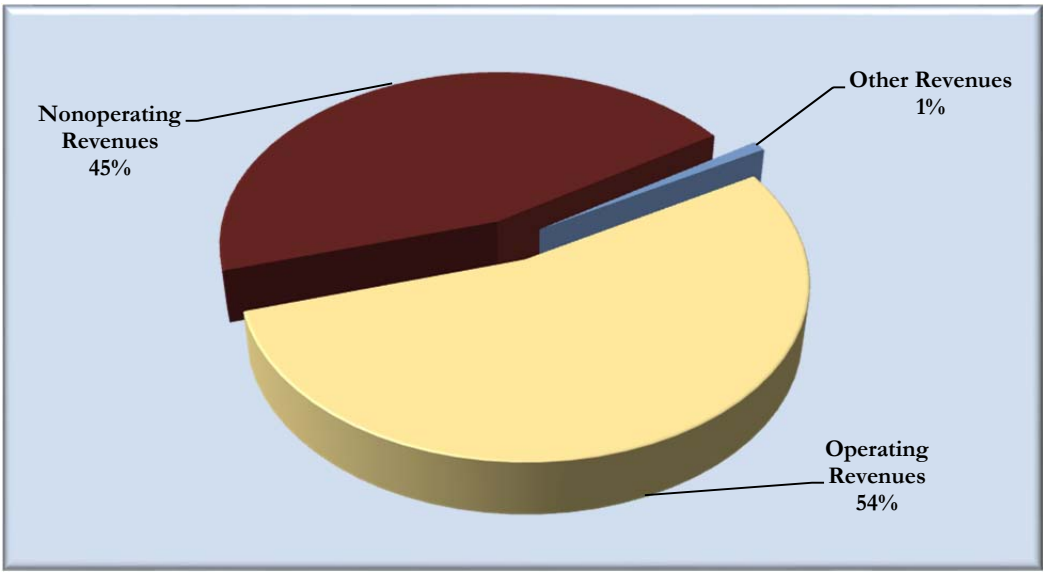
Net position represents the residual interest in the University's assets after deducting liabilities. The University's comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2012-13 fiscal year:

Total Revenues



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- Blended Component Unit:
  - Florida Atlantic University College of Medicine Self-Insurance Program
- Discretely Presented Component Units:
  - Florida Atlantic University Foundation, Inc.
  - Florida Atlantic University Research Corporation, Inc.
  - Harbor Branch Oceanographic Institution Foundation, Inc.
  - Florida Atlantic University Finance Corporation
  - Florida Atlantic University Clinical Practice Organization, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports. The Florida Atlantic University Foundation, Inc., and the Harbor Branch Oceanographic Institution Foundation, Inc., report under Financial Accounting Standards Board (FASB) standards and, as such, do not include an MD&A in their audit reports.

THE STATEMENT OF NET POSITION

The statement of net position 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. Assets less liabilities, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

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

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

	2013	2012
Assets		
Current Assets	$ 223,870	$ 222,463
Capital Assets, Net	784,696	802,667
Other Noncurrent Assets	16,297	4,385
Total Assets	1,024,863	1,029,515
Liabilities		
Current Liabilities	40,429	35,607
Noncurrent Liabilities	160,233	143,791
Total Liabilities	200,662	179,398
Net Position		
Net Investment in Capital Assets	673,642	713,779
Restricted	19,546	17,522
Unrestricted	131,013	118,816
Total Net Position	$ 824,201	$ 850,117

The decrease in capital assets is caused by fewer assets being capitalized, specifically, buildings and library resources, in addition to an increase in accumulated depreciation as the depreciable assets are depreciated. The increase in other noncurrent assets is due to funds from the bonds issued for the new parking garage being invested while the construction progresses. Current liabilities increased as a result of outstanding deposits payable in the agency fund. Noncurrent liabilities increased as a result of an increase in the other postemployment benefits payable and capital improvement debt issuance related to the new parking garage.

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

The statement of revenues, expenses, and changes in net position 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 2012-13 and 2011-12 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years
(In Thousands)

	2012-13	2011-12
Operating Revenues	$ 230,240	$ 213,561
Less, Operating Expenses	443,054	443,453
Operating Loss	(212,814)	(229,892)
Net Nonoperating Revenues	183,070	201,617
Loss Before Other Revenues, Expenses, Gains, or Losses	(29,744)	(28,275)
Other Revenues, Expenses, Gains, or Losses	3,828	25,127
Net Decrease In Net Position	(25,916)	(3,148)
Net Position, Beginning of Year	850,117	853,265
Net Position, End of Year	$ 824,201	$ 850,117

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.

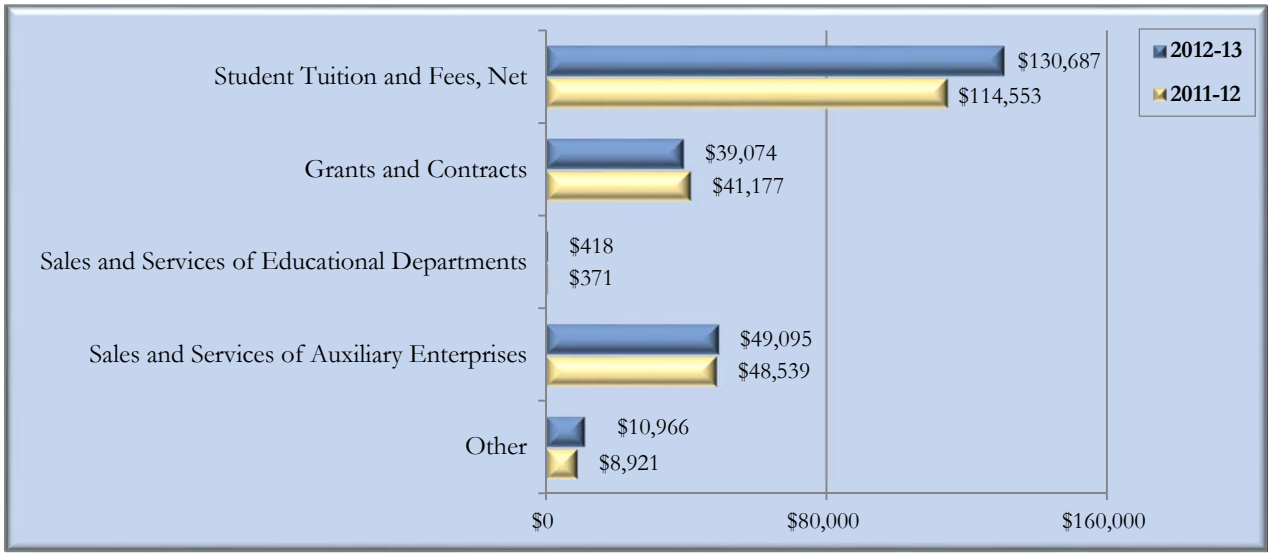
The following summarizes the operating revenues by source that were used to fund operating activities for the 2012-13 and 2011-12 fiscal years:

Operating Revenues
(In Thousands)

	2012-13	2011-12
Student Tuition and Fees, Net	$ 130,687	$ 114,553
Grants and Contracts	39,074	41,177
Sales and Services of Educational Departments	418	371
Sales and Services of Auxiliary Enterprises	49,095	48,539
Other	10,966	8,921
Total Operating Revenues	$ 230,240	$ 213,561

The following chart presents the University's operating revenues for the 2012-13 and 2011-12 fiscal years:

Operating Revenues
(In Thousands)



University operating revenues were impacted by a $16.1 million increase in net student tuition and fees collected due to an increase in enrollment as well as an increase in the nonresident fee from $457.28 to $493.86 per credit hour, an increase in the tuition differential fee from $21.42 to $40.13 per credit hour, and other local fees. The $2.1 million reduction in contracts and grants revenue was attributed to a reduction in sponsored research awarded by the Federal government. Additionally, the University received a large allowable transfer related to a Federal Department of Energy grant in the previous fiscal year that was not received in the current fiscal year. The $2 million increase in other revenues is primarily due to an increase in funds provided by the Florida Atlantic University Foundation, Inc., for University departmental operating accounts.

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 position and has displayed the functional classification in the notes to financial statements.

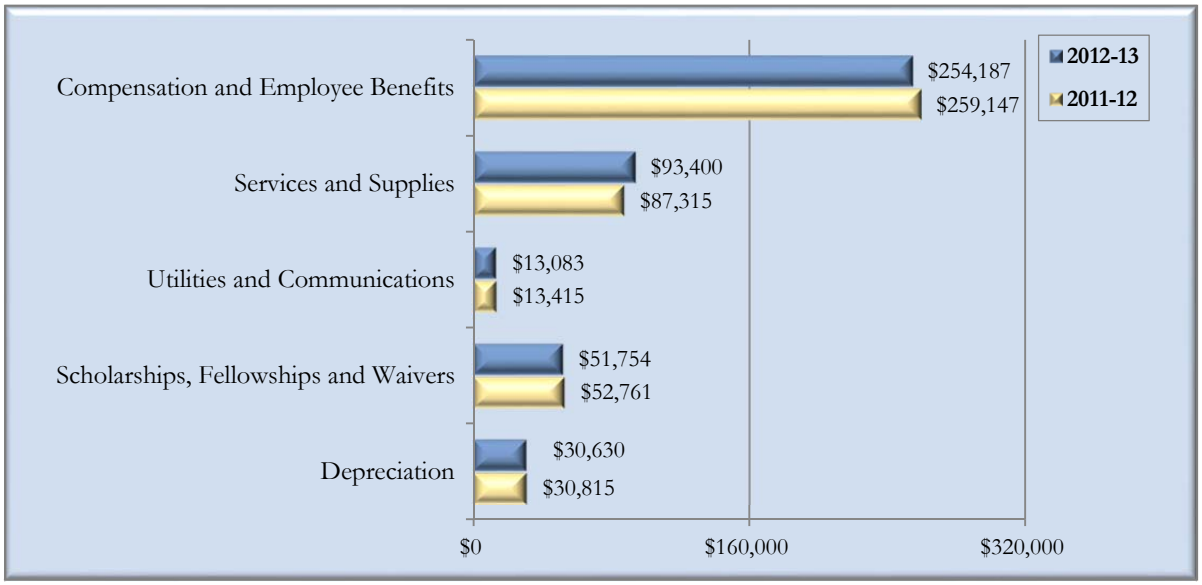
The following summarizes the operating expenses by natural classifications for the 2012-13 and 2011-12 fiscal years:

Operating Expenses
For the Fiscal Years
(In Thousands)

	2012-13	2011-12
Compensation and Employee Benefits	$ 254,187	$ 259,147
Services and Supplies	93,400	87,315
Utilities and Communications	13,083	13,415
Scholarships, Fellowships, and Waivers	51,754	52,761
Depreciation	30,630	30,815
Total Operating Expenses	$ 443,054	$ 443,453

The following chart presents the University's operating expenses for the 2012-13 and 2011-12 fiscal years:

Operating Expenses
(In Thousands)



The decrease in compensation and employee benefits is primarily caused by the reduction in staffing due to the closure of the Treasure Coast campus. The increase in service and supplies resulted from large repair and maintenance projects of University facilities.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and certain gifts and grants, 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 2012-13 and 2011-12 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2012-13	2011-12
State Noncapital Appropriations	$ 117,189	$ 145,092
Federal and State Student Financial Aid	59,683	62,274
Investment Income (Loss)	(509)	4,552
Other Nonoperating Revenues	14,154	13,171
Loss on Disposal of Capital Assets	(896)	(16,469)
Interest on Capital Asset-Related Debt	(3,964)	(4,180)
Other Nonoperating Expenses	(2,587)	(2,823)
Net Nonoperating Revenues	$ 183,070	$ 201,617

The $27.9 million decrease in State noncapital appropriations impacted the funding available for the operations of the University. An increase in University funded scholarships resulted in a $2.6 million reduction in the amount of Federal and State student financial aid. Loss on disposal of capital assets decreased primarily because there were no changes in the capitalization thresholds as recorded in the prior fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
State Capital Appropriations	$ 1,211	$ 1,563
Capital Grants, Contracts, Donations, and Fees	2,250	23,564
Other Revenues	367	
Total	$ 3,828	$ 25,127

The significant decrease in capital grants, contracts, donations, and fees resulted from the receipt of a one-time capital donation of $22.2 million during the 2011-12 fiscal year to construct the stadium.

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 capital 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 noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2012-13 and 2011-12 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2012-13	2011-12
Cash Provided (Used) by:		
Operating Activities	$ (167,340)	$ (194,350)
Noncapital Financing Activities	193,057	218,460
Capital and Related Financing Activities	(6,214)	(30,850)
Investing Activities	(14,287)	10,019
Net Increase in Cash and Cash Equivalents	5,216	3,279
Cash and Cash Equivalents, Beginning of Year	9,858	6,579
Cash and Cash Equivalents, End of Year	$ 15,074	$ 9,858

Major sources of funds came from net student tuition and fees of $130.7 million, Federal direct loan program receipts of $122.9 million, State noncapital appropriations of $117.2 million, Federal and State student financial aid of $59.1 million, grants and contracts of $45 million, other operating receipts of $36.5 million, and sales and services of auxiliary enterprises of $24.1 million. Major uses of funds were for payments made to and on behalf of employees totaling $245.6 million, Federal direct loan program disbursements of $122.4 million, payments to suppliers totaling

$106.3 million, and payments to and on behalf of students for scholarships totaling $51.8 million. Changes in cash and cash equivalents from the prior fiscal year were the result of the following factors:

- The decrease in cash used from operating activities was due primarily to an increase in net student tuition and fees and grants and contracts and a decrease in payments to employees.
- The decrease in cash provided by noncapital financing activities was primarily due to the decrease in State noncapital appropriations.
- The decrease in cash used by capital and related financing activities was primarily due to the decrease in the purchase or construction of capital assets.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the University had $1.1 billion in capital assets, less accumulated depreciation of $340.6 million, for net capital assets of $784.7 million. Depreciation charges for the current fiscal year totaled $30.6 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)

	2013	2012
Land	$ 11,204	$ 11,204
Construction in Progress	2,250	1,738
Buildings	618,225	630,927
Infrastructure and Other Improvements	59,821	60,818
Furniture and Equipment	40,845	41,949
Library Resources	12,529	14,782
Property Under Capital Leases and Leasehold Improvements	38,096	39,419
Works of Art and Historical Treasures	1,056	973
Computer Software	670	857
Capital Assets, Net	$ 784,696	$ 802,667

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2013, were incurred on a 1,000 car parking garage at the Boca Raton Campus. The University's major construction commitments at June 30, 2013, are as follows:

	Amount (In Thousands)
Total Committed	$ 13,597
Completed to Date	(2,250)
Balance Committed	$ 11,347

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

DEBT ADMINISTRATION

As of June 30, 2013, the University had $98.6 million in outstanding capital improvement debt payable and capital leases payable, representing a net increase of $9.1 million, or 10.2 percent, from the prior fiscal year. The net increase resulted primarily from the issuance of $23.1 million (including premium/ deferred on refunding of $1.6 million) capital improvement debt for a new parking garage, less $9 million to refund other bonds and $3.5 million in current year payments. Also, in exchange for the use of buildings owned by the Foundation, the University pays the amounts due for the Foundation's Certificate of Participations (COP). During the fiscal year, the Foundation issued a COP for $9.5 million to refund two other COPs totaling $10.2 million. Current year payments totaled $0.6 million. 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)

	2013	2012
Capital Improvement Debt	$ 89,070	$ 78,651
Capital Leases	9,540	10,813
Total	$ 98,610	$ 89,464

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

For the first time in several years, the University experienced an increase in revenue received from State funding as well as experiencing a modest increase in student tuition and fees that are generated from student enrollment. Since the University's economic condition is closely tied to that of the State of Florida, due to an upturn in the overall budget for the State of Florida, the Florida Legislature adopted an 18.1 percent increase in the Educational and General Budget allocation for State universities for 2013-14. Florida Atlantic University's share of that increase translated to an increase of $24.8 million in Educational and General funds; an amount equal to the previous base reduction that occurred in 2012-13. Funding policies for higher education continued to focus on efforts to maintain a stable funding environment including a salary program, recognition of specific programmatic initiatives, and enrollment increase support.

The Board of Trustees modestly increased the undergraduate matriculation tuition rate by 1.75 percent, an amount that was mandated statutorily to match the Consumer Price Index. The University's current financial and capital plans were bolstered by the overall commitment of the State of Florida as well as the provision of a recurring salary increase of $1,000 for the majority of employees, the first of such allocations in several years. The University expects a slight increase in revenue from student tuition and fees because of increased enrollment, coupled with the modest increase in student tuition and fee rates. Base funding initiatives to strengthen graduation rates, enhance recruitment/retention efforts, and growing academic program offerings continue as the priorities of the University into the 2013-14 fiscal year and the commitment by the State has helped to achieve those goals.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2013

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 15,069,684	$ 22,149,017
Cash with Fiscal Agent		25,085,450
Investments	183,812,221	64,409,024
Accounts Receivable, Net	17,623,748	2,183,938
Loans and Notes Receivable, Net	2,340,081	
Due from State	69,919	
Due from Component Units/University	4,272,831	2,284,710
Inventories	61,194	10,000
Net Investments in Direct Financing-Type Leases		474,000
Other Current Assets	620,834	206,714
Total Current Assets	223,870,512	116,802,853
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,055	28,111,271
Restricted Investments	13,855,175	190,664,061
Net Investments in Direct Financing-Type Leases		7,802,630
Accounts Receivable, Net		2,881,298
Loans and Notes Receivable, Net	1,749,173	
Depreciable Capital Assets, Net	770,983,039	130,553,049
Nondepreciable Capital Assets	13,713,386	11,555,415
Other Noncurrent Assets	686,795	12,589,837
Total Noncurrent Assets	800,992,623	384,157,561
Total Assets	1,024,863,135	500,960,414
LIABILITIES		
Current Liabilities:		
Accounts Payable	8,989,469	8,161,785
Construction Contracts Payable	112,876	
Salaries and Wages Payable	2,497,764	
Deposits Payable	7,946,286	
Due to Component Units/University	2,284,710	4,272,831
Unearned Revenue	11,770,504	2,072,266
Other Current Liabilities		178,201
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	4,096,666	
Certificates of Participation Payable		474,000
Bonds Payable		2,645,000
Capital Leases Payable	688,313	
Unearned Lease Revenue	400,000	
Compensated Absences Payable	1,642,618	
Total Current Liabilities	40,429,206	17,804,083

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	$ 84,973,699	$
Bonds Payable		212,430,000
Certificates of Participation Payable		8,675,000
Capital Leases Payable	8,851,952	
Unearned Lease Revenue	10,266,667	
Federal Advance Payable	1,833,748	
Compensated Absences Payable	24,820,388	
Other Postemployment Benefits Payable	29,486,000	
Other Noncurrent Liabilities		1,330,711
Total Noncurrent Liabilities	160,232,454	222,435,711
Total Liabilities	200,661,660	240,239,794
NET POSITION		
Net Investment in Capital Assets	673,641,628	(20,707,246)
Restricted for Nonexpendable:		
Endowment		144,975,621
Restricted for Expendable:		
Loans	3,494,887	
Other	16,051,611	136,314,317
Unrestricted	131,013,349	137,928
TOTAL NET POSITION	$ 824,201,475	$ 260,720,620

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $50,781,188	$ 130,687,011	$
Federal Grants and Contracts	24,881,664	
State and Local Grants and Contracts	7,803,106	2,926,718
Nongovernmental Grants and Contracts	6,389,125	48,624
Sales and Services of Educational Departments	418,071	
Sales and Services of Auxiliary Enterprises ($8,000,713 Pledged for Housing Facility Revenue Bonds and $7,312,000 Pledged for the Parking System Revenue Bonds)	49,095,060	21,471,255
Gifts and Donations		9,327,325
Interest on Loans and Notes Receivable	88,272	
Other Operating Revenues	10,877,379	3,162,973
Total Operating Revenues	230,239,688	36,936,895
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	254,187,391	5,434,920
Services and Supplies	93,399,740	5,375,810
Utilities and Communications	13,082,533	
Scholarships, Fellowships, and Waivers	51,753,971	3,833,917
Depreciation	30,629,967	3,037,207
Other Operating Expenses		19,081,477
Total Operating Expenses	443,053,602	36,763,331
Operating Income (Loss)	(212,813,914)	173,564
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	117,188,870	
Federal and State Student Financial Aid	59,683,066	
Investment Income	2,916,229	14,828,148
Net Realized and Unrealized Gain (Loss) on Investments	(3,425,040)	18,701,323
Other Nonoperating Revenues	14,153,608	4,172,807
Loss on Disposal of Capital Assets	(895,452)	
Interest on Capital Asset-Related Debt	(3,964,341)	(12,649,039)
Other Nonoperating Expenses	(2,587,137)	(635,243)
Net Nonoperating Revenues (Expenses)	183,069,803	24,417,996
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(29,744,111)	24,591,560
State Capital Appropriations	1,210,553	
Capital Grants, Contracts, Donations, and Fees	2,250,414	1,942,833
Other Revenues (Expenses)	367,797	(2,431,660)
Increase (Decrease) in Net Position	(25,915,347)	24,102,733
Net Position, Beginning of Year	850,116,822	236,617,887
Net Position, End of Year	$ 824,201,475	$ 260,720,620

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 130,687,111
Grants and Contracts	45,047,391
Sales and Services of Educational Departments	418,071
Sales and Services of Auxiliary Enterprises	24,081,051
Interest on Loans and Notes Receivable	88,272
Compensation and Employee Benefits	(245,619,592)
Payments to Suppliers for Services and Supplies	(106,340,436)
Payments to Students for Scholarships and Fellowships	(51,753,971)
Loans Issued to Students	(2,244,025)
Collection on Loans to Students	1,792,705
Other Operating Receipts	36,503,595
Net Cash Used by Operating Activities	(167,339,828)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	117,188,870
Federal and State Student Financial Aid	59,141,634
Operating Subsidies and Transfers	367,797
Federal Direct Loan Program Receipts	122,866,885
Federal Direct Loan Program Disbursements	(122,398,003)
Other Nonoperating Expenses	(2,103,169)
Net Change in Funds Held for Others	4,239,224
Other Nonoperating Receipts	13,753,608
Net Cash Provided by Noncapital Financing Activities	193,056,846
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	13,716,043
State Capital Appropriations	810,553
Capital Grants, Contracts, Donations, and Fees	2,736,764
Fees and Other Receipts from Capital Projects	1,571,708
Capital Subsidies and Transfers	(1,563,174)
Purchase or Construction of Capital Assets	(15,488,955)
Principal Paid on Capital Debt and Leases	(4,124,553)
Interest Paid on Capital Debt and Leases	(3,872,393)
Net Cash Used by Capital and Related Financing Activities	(6,214,007)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	277,339,794
Purchase of Investments	(294,542,964)
Investment Income	2,916,229
Net Cash Used by Investing Activities	(14,286,941)
Net Increase in Cash and Cash Equivalents	5,216,070
Cash and Cash Equivalents, Beginning of Year	9,858,669
Cash and Cash Equivalents, End of Year	$ 15,074,739

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2013

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (212,813,914)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	30,629,967
Change in Assets and Liabilities:	
Accounts Receivables, Net	6,821,010
Inventories	50,962
Loans and Notes Receivable	(451,320)
Deferred Charges and Other Assets	(184,652)
Accounts Payable	(765,538)
Deposits Payable	(833,631)
Compensated Absences Payable	690,799
Unearned Revenue	1,639,489
Other Postemployment Benefits Payable	7,877,000
NET CASH USED BY OPERATING ACTIVITIES	$ (167,339,828)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (3,425,040)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (895,452)
The Florida Board of Governors issued $23,052,817 of Capital Improvement, Parking Facility Revenue Bonds, to refund $8,975,580 outstanding Capital Improvement, Parking Facility Revenue Bonds, series 2001 and 2002. The new debt and defeasance of the old debt were recorded as an increase and a decrease, respectively, to bonds payable on the statement of net position; however, because a portion of the proceeds of the new debt were immediately placed into an irrevocable trust for the defeasance of the $8,975,850 debt, the transaction are not cash transactions for the statement of cash flows.	$ 8,975,580

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 thirteen 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 (GASB) *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. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities 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 Atlantic University College of Medicine Self-Insurance Program (Program), is included within the University reporting entity as a blended component unit. The Program was created on June 23, 2011, by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes, and its sole purpose is to assist in providing comprehensive general liability (malpractice) coverage for the University and its affiliated individuals and entities, and is therefore reported as if it is part of the University. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, certain affiliated organizations are included within the University's reporting entity as discretely presented component units. The University further categorizes its component units as Direct-Support Organizations and Health Science Center Affiliates. An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the Office of University Relations. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Direct Support Organizations. The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011 are considered component units of Florida

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Atlantic University and, therefore, the latest audited financial statements of these organizations are included in the University's financial statements by discrete presentation. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida Atlantic University Foundation, Inc. (Foundation), is a separate corporation operating independently from the University and, as such, receives and administers most private support for the University. Any person or organization contributing money, stock, or any other item to be used in support of the general or specific support of the University usually does so through the offices of the Foundation.
- Florida Atlantic University Research Corporation, Inc. (Corporation), was established by Florida Atlantic University in 1990. It has been organized to promote and encourage, and to provide assistance to, the research activities of the University's faculty, staff, and students. The Corporation has been granted rights and responsibilities for the development, protection, and commercial application of defined and selected intellectual property. In consideration of its efforts, the Corporation is entitled to a portion of the royalties, license fees, or other revenue for the benefit of the University. The Corporation also accepts and administers contracts and grants from private industry, foundations, and other agencies whenever it is required by the granting agency, or when it is in the best interest of the University.
- Harbor Branch Oceanographic Institution Foundation, Inc., is a separate corporation operating independently from the University that became a provider of funding and support for the research and education in marine sciences and ocean engineering to the Harbor Branch Oceanographic Institute, a research institute within the University. The Foundation receives and administers most private support to the Institute as it increases the understanding of oceans and coastal areas through exploration and scientific investigation.
- Florida Atlantic University Finance Corporation is a separate corporation operating independently from the University. It has been organized and operated to assist the activities and educational purposes of the University by providing finance and investment-related assistance in connection with the acquisition or construction of capital or other University projects, including but not limited to, the structuring of debt relating thereto.

Health Science Center Affiliates. The Florida Atlantic University Clinical Practice Organization, Inc., is closely affiliated with the University's Charles Schmidt College of Medicine, the Christine E. Lynn College of Nursing, and other participating colleges or units within the University. The Florida Atlantic University Clinical Practice Organization, Inc., was incorporated on May 3, 2011, as a not-for-profit organization under Chapter 617, Florida Statutes. It was established to promote and support medical education, research, and distribution of funds exclusively for support of the mission and objectives of the University in accordance with the University's College of Medicine Faculty Practice Plan and other faculty practice plans, adopted by the University, pursuant to Board of Governors Regulation 9.017.

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 GASB. The National Association of College and University Business Officers (NACUBO) also provides the University

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - 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 follows GASB standards of accounting and financial reporting.

The University's blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Florida Atlantic University Research Corporation, Inc., the Florida Atlantic University Finance Corporation, and the Florida Atlantic University Clinical Practice Organization, Inc., follow GASB standards of accounting and financial reporting. The Florida Atlantic University Foundation, Inc., and the Harbor Branch Oceanographic Institution Foundation, Inc., follow FASB standards of accounting and financial reporting for not-for-profit organizations.

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 noncapital appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The statement of net position 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 position 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. Cash and cash equivalents consist of cash on hand and cash in demand accounts. 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.

Two of the University's component units, Florida Atlantic University Research Corporation, Inc., and Florida Atlantic University Finance Corporation reported cash, cash equivalents, and cash with fiscal agent at fair value of $52,741,467 at June 30, 2013, invested 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 A+f by Standard & Poor's and had an effective duration of 2.65 years and a fair value factor of .9975 at June 30, 2013. The component units rely on policies developed by the State Treasury for managing interest 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; library resources; property under capital leases and leasehold improvements; computer software; and works of art and historical treasures. 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 $5,000 for tangible personal property, new buildings, and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

- Buildings – 10 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 7 to 10 years
- Property under Capital Leases – 7 to 18 years or the term of the lease, whichever is greater
- Leasehold Improvements – 36 to 50 years
- Works of Art and Historical Treasures – 15 to 50 years
- Computer Software – 3 to 15 years

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, unearned lease revenue, capital leases payable, Federal advances payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the debt using the straight-line method.

2. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), 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 adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; 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; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. 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 $197,667,396 at June 30, 2013, 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 A+f by Standard & Poor's and had an effective duration of 2.65 years and a fair value factor of 0.9975 at June 30, 2013. The University relies on policies

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 Units Investments. Investments reported by the University's component units at June 30, 2013, are those held by Florida Atlantic University Foundation, Inc., and the Harbor Branch Oceanographic Institution Foundation, Inc., and are reported at fair market value as follows:

Investment Type	Amount
United States Stocks and Bonds	$ 46,790,545
International Stocks and Bonds	35,322,260
Fixed Income Securities	43,233,100
Hedge Funds	52,672,820
Other Investments	73,970,240
Subtotal	251,988,965
Funds Held in Trust by Others	3,084,120
Total Investments	$ 255,073,085

3. 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, 2013, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 288,333
Student Tuition and Fees	16,889,491
Other	445,924
Total Accounts Receivable	$ 17,623,748

Loans and Notes Receivable. Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes 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, and loans and notes receivable, are reported net of allowances of $9,149,736 and $497,054, respectively, at June 30, 2013.

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

4. DUE FROM STATE

This amount consists of $69,919 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

5. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The $2,284,710 reported as due to component units consists of amounts owed by the University to the Florida Atlantic University Foundation, Inc. (Foundation), pursuant to an agreement to support the Foundation's operations and Florida Atlantic University Finance Corporation (Finance Corporation) pursuant to a management agreement for student housing operations. The amount due of $4,272,831 from component units consists of amounts owed to the University by the Foundation for scholarships and student aid; by the Finance Corporation for construction related costs; and by the Florida Atlantic University Research Corporation, Inc. (Research Corporation), for University research projects performed on behalf of the Research Corporation and costs incurred by the University related to patenting technologies.

6. INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net position.
- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net position, and are valued at cost using either the moving average method or the first-in, first-out method.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 11,203,803	$	$	$	$ 11,203,803
Works of Art and Historical Treasures	259,195				259,195
Construction in Progress	1,738,232		2,250,388	1,738,232	2,250,388
Total Nondepreciable Capital Assets	$ 13,201,230	$	$ 2,250,388	$ 1,738,232	$ 13,713,386
Depreciable Capital Assets:					
Buildings	$ 807,461,238	$ 93,718	$ 6,019,226	$	$ 813,574,182
Infrastructure and Other Improvements	87,246,653	54,742	1,448,917		88,750,312
Furniture and Equipment	87,087,157	(89,052)	4,725,086	4,891,165	86,832,026
Library Resources	75,709,293		550,875	1,326,514	74,933,654
Property Under Capital Leases and Leasehold Improvements	44,927,010		943,164	1,049,231	44,820,943
Works of Art and Historical Treasures	826,687		103,631		930,318
Computer Software	3,959,557	18,980	224,783	2,442,336	1,760,984
Total Depreciable Capital Assets	1,107,217,595	78,388	14,015,682	9,709,246	1,111,602,419
Less, Accumulated Depreciation:					
Buildings	176,534,710		18,814,729		195,349,439
Infrastructure and Other Improvements	26,428,920	58,893	2,501,271	59,453	28,929,631
Furniture and Equipment	45,138,370	11,208	5,096,011	4,259,170	45,986,419
Library Resources	60,926,943		2,763,582	1,286,293	62,404,232
Property Under Capital Leases and Leasehold Improvements	5,507,892		1,216,717		6,724,609
Works of Art and Historical Treasures	112,729	91	20,933		133,753
Computer Software	3,102,252		216,724	2,227,679	1,091,297
Total Accumulated Depreciation	317,751,816	70,192	30,629,967	7,832,595	340,619,380
Total Depreciable Capital Assets, Net	$ 789,465,779	$ 8,196	$ (16,614,285)	$ 1,876,651	$ 770,983,039

Note: (1) Adjustments are to equate the general ledger to the property master.

8. UNEARNED REVENUE

Unearned revenue consists mainly of student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2013, the University reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	$ 10,048,418
Contracts and Grants	777,896
Athletic	726,055
Housing	218,135
Total Unearned Revenue	$ 11,770,504

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9. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2013, include capital improvement debt payable, capital leases payable, unearned lease revenue, Federal advance payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 78,651,045	$ 23,052,817	$ 12,633,497	$ 89,070,365	$ 4,096,666
Capital Leases Payable	10,813,261	9,540,000	10,812,996	9,540,265	688,313
Unearned Lease Revenue	11,066,667		400,000	10,666,667	400,000
Federal Advance Payable	1,833,748			1,833,748	
Compensated Absences Payable	25,772,207	2,497,395	1,806,596	26,463,006	1,642,618
Other Postemployment Benefits Payable	21,609,000	9,554,000	1,677,000	29,486,000	
Total Long-Term Liabilities	$ 149,745,928	$ 44,644,212	$ 27,330,089	$ 167,060,051	$ 6,827,597

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2013:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2003 Student Housing	$ 35,285,000	$ 23,924,207	3.875 - 4.875	2033
2006A Student Housing	27,640,000	23,865,837	4.0 - 4.625	2036
2006B Student Housing	21,775,000	18,227,504	3.625 - 4.375	2030
Total Student Housing Debt	84,700,000	66,017,548		
Parking Garage Debt:				
2013A Parking Facility	21,490,000	23,052,817	2.0 - 5.0	2032
Total Capital Improvement Debt	$ 106,190,000	$ 89,070,365		

Note: (1) Amount outstanding includes unamortized discounts and premiums, and deferred losses on refunding issues.

The University has pledged a portion of future housing rental revenues, traffic and parking fees, and various student fee assessments to repay $89,070,365 in capital improvement (housing and parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and student housing facilities. The bonds are payable solely from housing rental income, traffic and parking fees, and special student fee assessments and are payable through 2036. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, and special student fee assessments, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $130,175,985, and principal and interest paid for the current year totaled $7,260,614. During the 2012-13 fiscal year, housing rental income, traffic and parking fees, special

student fee assessments, and other fines and fees totaled $8,000,713, $2,951,331, $2,694,308, and $1,666,361 respectively.

The University extinguished long-term capital improvement debt obligations by the issuance of new long-term capital improvement debt instruments as follows:

- On March 7, 2013, the Florida Board of Governors issued $21,490,000 of Capital Improvement, Parking Facility Revenue Refunding Bonds, Series 2013A. The University's portion of the refunding bonds ($8,975,580) was used to defease outstanding Capital Improvement, Parking Facility Revenue Bonds, Series 2001 and 2002. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net position. As a result of the refunding, the University reduced its capital improvement debt service requirement by $1,231,206 over the next 10 years and obtained an economic gain of $1,115,025. At June 30, 2013, the outstanding balance of the defeased debt was $8,975,580.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	$ 4,095,000	$ 3,749,597	$ 7,844,597
2015	4,225,000	3,614,779	7,839,779
2016	4,385,000	3,459,029	7,844,029
2017	4,555,000	3,295,441	7,850,441
2018	4,740,000	3,108,491	7,848,491
2019-2023	23,555,000	12,295,313	35,850,313
2024-2028	20,040,000	7,778,766	27,818,766
2029-2033	18,760,000	3,367,419	22,127,419
2034-2036	4,710,000	442,150	5,152,150
Subtotal	89,065,000	41,110,985	130,175,985
Net Discounts and Premiums	5,365		5,365
Total	$ 89,070,365	$ 41,110,985	$ 130,181,350

Bonds Payable – Component Unit. The Florida Atlantic University Finance Corporation had the following bonds payable outstanding at June 30, 2013:

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Bonds Payable	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Series 2010A, Tax Exempt	$ 8,475,000	$ 9,145,047	2.18 - 3.44	2016
Series 2010A, Taxable BAB Bonds	112,455,000	112,455,000	5.48 - 6.45	2021
Series 2010, Taxable Bonds	44,500,000	44,500,000	5.78	2040
2012B, Capital Improvement Revenue Bond	3,440,000	3,440,000	2.17	2025
2012A, Taxable Capital Improvement Revenue Bonds	46,205,000	46,865,664	3 - 5	2042
Total Bonds Payable	$ 215,075,000	$ 216,405,711		

Note: (1) Amount outstanding includes unamortized premiums.

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Annual requirements to amortize the outstanding bonds as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	$ 2,645,000	$ 13,182,491	$ 15,827,491
2015	4,005,000	13,025,905	17,030,905
2016	4,530,000	12,819,771	17,349,771
2017	4,795,000	12,596,182	17,391,182
2018	5,000,000	12,346,110	17,346,110
2019-2023	27,960,000	57,420,055	85,380,055
2024-2028	33,560,000	48,314,671	81,874,671
2029-2033	40,495,000	36,718,066	77,213,066
2034-2038	50,530,000	21,921,630	72,451,630
2039-2043	41,555,000	4,673,129	46,228,129
Subtotal	215,075,000	233,018,010	448,093,010
Add: Unamortized Premium	1,330,711		1,330,711
Total	$ 216,405,711	$ 233,018,010	$ 449,423,721

Capital Leases Payable. During the 2011-12 fiscal year, the University entered into capital lease agreements for energy equipment totaling $1,082,030 with a stated interest rate of 3.28 percent and computer equipment totaling $453,176 with a stated interest rate of 1.96 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Amount
2014	$ 248,895
2015	248,896
2016	248,895
2017	177,711
2018	153,982
2019-2020	295,131
Total Minimum Payments	1,373,510
Less, Amount Representing Interest	(123,803)
Present Value of Minimum Payments	$ 1,249,707

The University entered into a capital lease agreement in connection with Certificates of Participation issued by Florida Atlantic University Foundation, Inc., to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The University, in exchange for use of the buildings, makes lease payments sufficient to cover all amounts due under the Certificates of Participation. At June 30, 2013, the amount reported by the University as capital leases payable included $8,290,558, representing the total future minimum payments remaining under the Certificates of Participation.

Certificates of Participation – Component Unit. The Florida Atlantic University Foundation, Inc., refunded its 1999 and 2000 Certificates of Participation through the issuance of Series 2012 Certificate of Participation for $9,540,000. These funds were used to build dormitory buildings on the John D. MacArthur Campus in Jupiter,

Florida. The stated interest rate on the 2012 certificates is 2.41 percent. At June 30, 2013, Certificates of Participation payable are as follows:

COP Series	Amount of Issues	Total Retired	Outstanding Principal	Outstanding Interest	Interest Rates	Maturity Date
2012	$ 9,540,000	$ 1,249,442	$ 8,290,558	$ 1,999,649	2.41	2030

The Foundation entered into agreements with the University, whereby the University was allowed use of the buildings in exchange for the University paying all amounts due under the Certificate.

Unearned Lease Revenue. The University leased land to the Florida Atlantic University Finance Corporation (FAUFC) under a noncancelable agreement dated March 4, 2010, with terms extending through July 2040. The lease was prepaid in March 2010 by the FAUFC to the University for the sum of $12,000,000, which is being amortized over the life of the agreement. The unearned lease revenue amount held by the University totaled $10,666,667 at June 30, 2013, of which $400,000 was reported as current.

Federal Advance Payable. Represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or has excess cash in the loan program. Federal capital contributions held by the University totaled $1,833,748 at June 30, 2013.

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 noncapital 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, 2013, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $26,463,006. The current portion of the compensated absences liability, $1,642,618, 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 fiscal years' total compensated absences liability.

Other Postemployment Benefits Payable. The University follows 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 2012-13 fiscal year, 369 retirees received postemployment healthcare benefits. The University provided required contributions of $1,677,000 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 $2,192,000, which represents 1.35 percent of covered payroll.

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 fiscal 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)	$ 5,506,000
Amortization of Unfunded Actuarial Accrued Liability	3,570,000
Interest on Normal Cost and Amortization	363,000
Annual Required Contribution	9,439,000
Interest on Net OPEB Obligation	864,000
Adjustment to Annual Required Contribution	(749,000)
Annual OPEB Cost (Expense)	9,554,000
Contribution Toward the OPEB Cost	(1,677,000)
Increase in Net OPEB Obligation	7,877,000
Net OPEB Obligation, Beginning of Year	21,609,000
Net OPEB Obligation, End of Year	$ 29,486,000

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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, 2013, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 5,867,000	23.4%	$ 13,583,000
2011-12	9,578,000	16.2%	21,609,000
2012-13	9,554,000	17.6%	29,486,000

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $105,618,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $105,618,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $162,563,465 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 65 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, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the University's 2012-13 fiscal year ARC. 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, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 8.29 percent, 9.16 percent, and 8.13 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 10.43 percent, 4.92 percent, and 8.80 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO

healthcare trend rates are both 6.5 percent in the fourth year grading identically to 5 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, 2013, was 24 years.

10. 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 the 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. The 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), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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, 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 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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

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balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Florida Retirement System, Special Risk	3.00	14.90
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	5.44
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 .03 percent for administrative costs of the Investment Plan.
(B) Contribution rates are dependent upon retirement class in which reemployed.

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 including employee contributions for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled $6,399,485, $4,150,750, and $4,101,356, respectively, which were equal to the required contributions for each fiscal year.

There were 333 University participants in the Investment Plan during the 2012-13 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled $1,032,964, which was equal to the required contribution for the 2012-13 fiscal year.

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 FRS for eight or more years.

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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, 5.64 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 1,451 University participants during the 2012-13 fiscal year. The University's contributions to the Program totaled $5,512,251 and employee contributions totaled $5,650,005 for the 2012-13 fiscal year.

11. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2013, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Parking Garage III-BT698:			
Construction Contract	$ 11,100,848	$ 1,054,642	$ 10,046,206
A/E Contract	947,729	729,178	218,551
Construction Manager	51,750	51,750	
Other Project Expenses	1,249,673	167,121	1,082,552
Subtotal	13,350,000	2,002,691	11,347,309
Other Projects (1)	247,697	247,697	
Total	$ 13,597,697	$ 2,250,388	$ 11,347,309

Note: (1) These costs include an interest payment of $134,821, relating to the Parking Garage III Bond as well as construction accruals totaling $112,876 as of 6/30/2013.

12. OPERATING LEASE COMMITMENTS

The University leased the Biomed Research and Development Park under an operating lease, which expires in 2020. In addition, the University leased various vehicles under operating leases, which expire in 2016. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2014	$ 160,698
2015	164,672
2016	164,693
2017	144,777
2018	149,120
2019-2020	271,362
Total Minimum Payments Required	$ 1,055,322

13. 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 2012-13 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for named windstorm and flood losses. For perils other than named windstorm 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 $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), 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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University Self-Insurance Program

The Florida Atlantic University College of Medicine Self-Insurance Program (Program) was established pursuant to Section 1004.24, Florida Statutes, on June 23, 2011. The Program provides professional and general liability protection for the Florida Atlantic University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff, and resident physicians. Liability protection is afforded to the students at the colleges. The Program provides legislative claims bill protection.

The Program provides the Board of Trustees with protection of $200,000 per claim and $300,000 for all claims arising from a single occurrence; $100,000 per claim and $200,000 for all claims arising for the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and student coverage may be increased subject to a $1 million limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; $250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.29(9), Florida Statutes, is inapplicable as to an employee or agent of the Board of Trustees which such employee or agent functions within the course and scope of his or her employment or agency; and $250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. The following schedule represents the changes in claims liability for the past two fiscal years for the University's self-insured program:

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilites End of Year
June 30, 2012	$	$ 23,618	$	$ 23,618
June 30, 2013	23,618	(13,418)		10,200

14. 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 position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

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Functional Classification	Amount
Instruction	$ 129,966,778
Research	24,155,629
Public Services	3,193,503
Academic Support	49,925,358
Student Services	16,496,167
Institutional Support	47,145,280
Operation and Maintenance of Plant	23,565,235
Scholarships, Fellowships, and Waivers	45,810,415
Depreciation	30,629,967
Auxiliary Enterprises	72,165,270
Total Operating Expenses	$ 443,053,602

15. 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.

During the 2012-13 fiscal year, the operations of the Boca Raton Campus housing segment was administered by an independent organization and the activities in excess of related debt service that occurred during the fiscal year are reported on Florida Atlantic University Finance Corporation's financial statements.

All activity related to the Jupiter Campus Honors housing segment that is under a capital lease from the Florida Atlantic University Foundation, Inc., (see Capital Leases Payable) is included in the Housing segment below.

The following financial information for the University's Housing and Traffic and Parking Services facilities represents identifiable activities for which one or more bonds are outstanding:

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Condensed Statement of Net Position

	Housing Services	Traffic and Parking Services
Assets		
Current Assets	$ 11,388,741	$ 25,435,261
Capital Assets, Net	85,454,655	18,078,458
Other Noncurrent Assets	543,735	143,060
Total Assets	97,387,131	43,656,779
Liabilities		
Current Liabilities	395,765	170,579
Noncurrent Liabilities	74,308,106	23,052,817
Total Liabilities	74,703,871	23,223,396
Net Position		
Net Investment in Capital Assets	11,690,284	(4,831,299)
Unrestricted	10,992,976	25,264,682
Total Net Position	$ 22,683,260	$ 20,433,383

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

	Housing Services	Traffic and Parking Services
Operating Revenues	$ 8,000,714	$ 7,312,000
Depreciation Expense	(2,488,607)	(523,549)
Other Operating Expenses	(644,682)	(2,820,752)
Operating Income	4,867,425	3,967,699
Nonoperating Revenues (Expenses):		
Nonoperating Revenue		12,419
Interest Expense	(3,533,409)	(410,383)
Other Nonoperating Expense	(237,432)	(240,644)
Net Nonoperating Expenses	(3,770,841)	(638,608)
Increase in Net Position	1,096,584	3,329,091
Net Position, Beginning of Year	21,586,676	17,104,292
Net Position, End of Year	$ 22,683,260	$ 20,433,383

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Condensed Statement of Cash Flows

	Housing Services	Traffic and Parking Services
Net Cash Provided (Used) by:		
Operating Activities	$ 7,415,941	$ 4,445,655
Noncapital Financing Activities	(106,656)	(240,644)
Capital and Related Financing Activities	(7,046,956)	12,101,083
Investing Activities		(4,952,102)
Net Increase in Cash and Cash Equivalents	262,329	11,353,992
Cash and Cash Equivalents, Beginning of Year	1,886,085	2,272,236
Cash and Cash Equivalents, End of Year	$ 2,148,414	$ 13,626,228

16. BLENDED COMPONENT UNIT

The University has one blended component unit as discussed in note 1. The following financial information is presented for the University's blended component unit:

Condensed Statement of Net Position

	Blended Component Unit Florida Atlantic University College of Medicine Self- Insurance Program	University	Total Primary Government
Assets:			
Other Current Assets	$ 1,630,143	$ 222,240,369	$ 223,870,512
Capital Assets, Net		784,696,425	784,696,425
Other Noncurrent Assets		16,296,198	16,296,198
Total Assets	1,630,143	1,023,232,992	1,024,863,135
Liabilities:			
Other Current Liabilities	10,200	40,419,006	40,429,206
Noncurrent Liabilities		160,232,454	160,232,454
Total Liabilities	10,200	200,651,460	200,661,660
Net Position:			
Net Investment in Capital Assets		673,641,628	673,641,628
Restricted - Expendable		19,546,498	19,546,498
Unrestricted	1,619,943	129,393,406	131,013,349
Total Net Position	$ 1,619,943	$ 822,581,532	$ 824,201,475

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Operating Revenues	$ 110,150	$ 230,129,538	$ 230,239,688
Depreciation Expense		(30,629,967)	(30,629,967)
Other Operating Expenses	(51,040)	(412,372,595)	(412,423,635)
Operating Income (Loss)	59,110	(212,873,024)	(212,813,914)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue		191,025,544	191,025,544
Interest Expense		(3,964,341)	(3,964,341)
Other Nonoperating Expense		(3,991,400)	(3,991,400)
Net Nonoperating Revenues		183,069,803	183,069,803
Other Revenues and Expenses	500,000	3,328,764	3,828,764
Increase (Decrease) in Net Position	559,110	(26,474,457)	(25,915,347)
Net Position, Beginning of Year	1,060,833	849,055,989	850,116,822
Net Position, End of Year	$ 1,619,943	$ 822,581,532	$ 824,201,475

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Net Cash Provided (Used) by:			
Operating Activities	$ (7,173)	$ (167,332,655)	$ (167,339,828)
Noncapital Financing Activities		193,056,846	193,056,846
Capital and Related Financing Activities	500,000	(6,714,007)	(6,214,007)
Investing Activities		(14,286,941)	(14,286,941)
Net Increase in Cash and Cash Equivalents	492,827	4,723,243	5,216,070
Cash and Cash Equivalents, Beginning of Year	1,137,316	8,721,353	9,858,669
Cash and Cash Equivalents, End of Year	$ 1,630,143	$ 13,444,596	$ 15,074,739

17. DISCRETELY PRESENTED COMPONENT UNITS

The University has five discretely presented component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Condensed Statement of Net Position

	Direct-Support Organizations				Health Services Center Affiliates	Total
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institute Foundation, Inc.	Florida Atlantic University Finance Corporation	Florida Atlantic University Clinical Practice Organization, Inc.	
Assets:						
Current Assets	$ 26,895,323	$ 538,692	$ 60,123,603	$ 28,935,986	$ 309,249	$116,802,853
Capital Assets, Net	8,988,672		2,610,425	130,509,367		142,108,464
Other Noncurrent Assets	202,285,420			39,763,677		242,049,097
Total Assets	238,169,415	538,692	62,734,028	199,209,030	309,249	500,960,414
Liabilities:						
Current Liabilities	3,326,072	79,785	273,183	14,114,043	11,000	17,804,083
Noncurrent Liabilities	8,675,000			213,760,711		222,435,711
Total Liabilities	12,001,072	79,785	273,183	227,874,754	11,000	240,239,794
Net Position:						
Net Investment in Capital Assets	8,988,672		2,610,425	(32,306,343)		(20,707,246)
Restricted Nonexpendable	144,975,621					144,975,621
Restricted Expendable	64,167,799		56,773,668	15,372,850		136,314,317
Unrestricted	8,036,251	458,907	3,076,752	(11,732,231)	298,249	137,928
Total Net Position	$ 226,168,343	$ 458,907	$ 62,460,845	$ (28,665,724)	$ 298,249	$260,720,620

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

	Direct-Support Organizations				Health Services Center Affiliates	Total
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institute Foundation, Inc.	Florida Atlantic University Finance Corporation	Florida Atlantic University Clinical Practice Organization, Inc.	
Operating Revenues	$ 11,694,297	$ 254,545	$ 3,002,258	$ 21,471,255	$ 514,540	$ 36,936,895
Depreciation Expense	(4,816)			(3,032,391)		(3,037,207)
Operating Expenses	(14,191,728)	(174,922)	(7,683,018)	(11,370,940)	(305,516)	(33,726,124)
Operating Income (Loss)	(2,502,247)	79,623	(4,680,760)	7,067,924	209,024	173,564
Net Nonoperating Revenues (Expenses)						
Net Nonoperating Revenues (expenses)	22,629,358	(3,858)	7,291,218	7,785,560		37,702,278
Interest Expense	(385,077)			(12,263,962)		(12,649,039)
Other Nonoperating Expenses	(607,163)			(28,080)		(635,243)
Net Nonoperating Revenues (Expenses)	21,637,118	(3,858)	7,291,218	(4,506,482)		24,417,996
Other Revenues, Expenses, Gains, and Losses	(488,827)					(488,827)
Increase in Net Position	18,646,044	75,765	2,610,458	2,561,442	209,024	24,102,733
Net Position, Beginning of Year	207,522,299	383,142	59,850,387	(31,227,166)	89,225	236,617,887
Net Position, End of Year	$ 226,168,343	$ 458,907	$ 62,460,845	$(28,665,724)	$ 298,249	$ 260,720,620

FLORIDA ATLANTIC 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	$	$ 48,429,000	$ 48,429,000	0%	$ 159,400,000	30.4%
7/1/2009		72,617,000	72,617,000	0%	157,000,000	46.3%
7/1/2011		105,618,000	105,618,000	0%	167,000,000	63.2%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

FLORIDA ATLANTIC UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of $105,618,000 was significantly higher than the July 1, 2009, liability of $72,617,000 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 healthcare costs due to the passage of the Patient Protection and Affordable Care Act that are reflected in the State Employees' Group Health Self-Insurance Trust Fund's *Report on the Financial Outlook* presented October 12, 2011.

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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*

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 26, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 audit report No. 2014-045.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 26, 2014