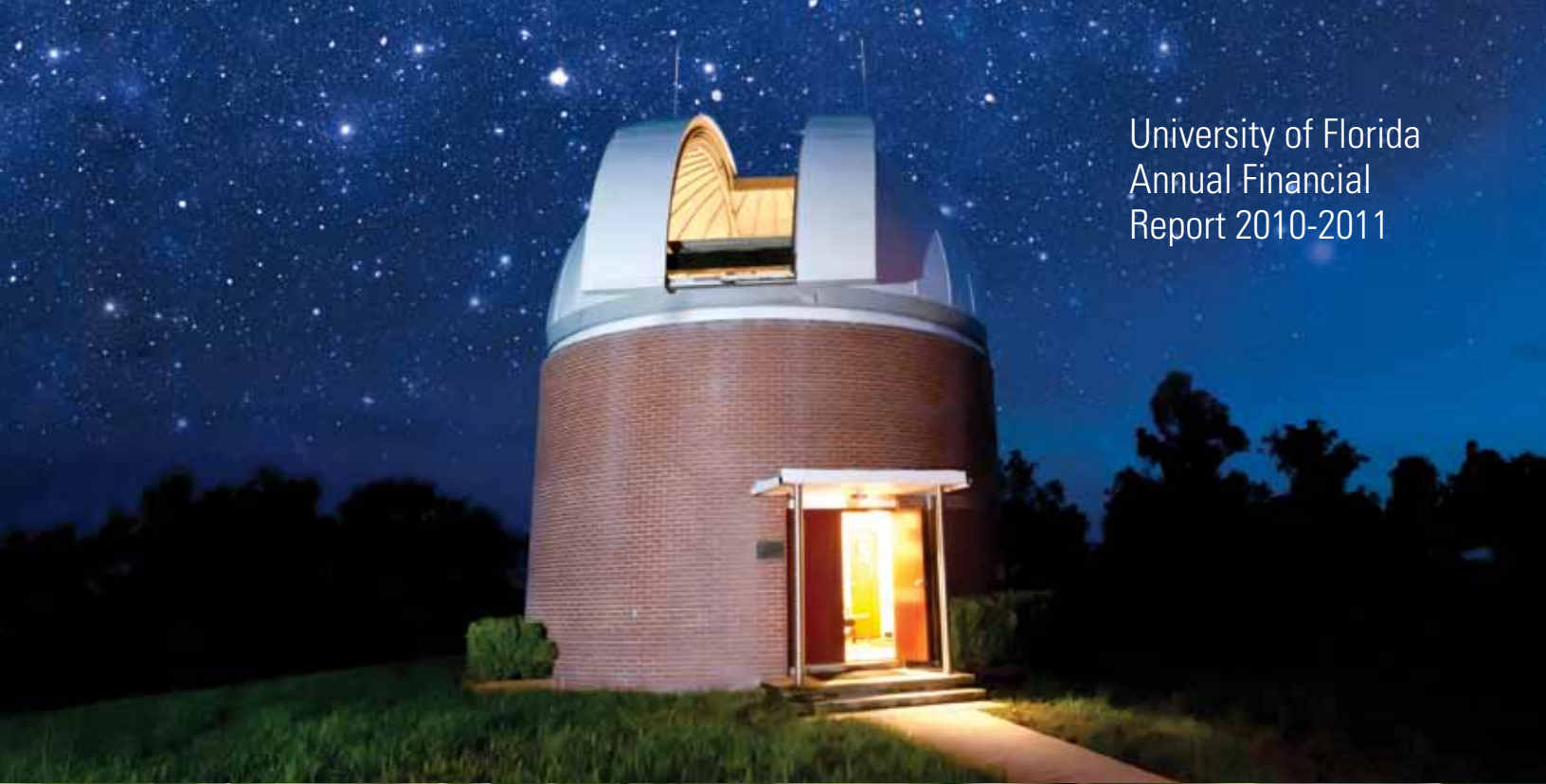


University of Florida  
Annual Financial  
Report 2010-2011



FOCUSED ON THE FUTURE  
ROOTED IN THE PAST

*Changing the Way  
People Experience  
Their Lives*

**UF** UNIVERSITY of  
**FLORIDA**  
*The Foundation for The Gator Nation*



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# *An act with enduring impact.*



One year, four months and 17 days before Abraham Lincoln addressed a war-weary crowd at the dedication of a cemetery in Gettysburg, the President signed legislation that made an immediate and everlasting impact on the way people experience their lives. The Morrill Act established the land-grant university system and essentially initiated what could be defined as “The Age of Education” that thrives to this day.



*President Abraham Lincoln, who signed the Land-Grant College Act into law, and Representative Justin Smith Morrill of Vermont, its sponsor.*

While it may not be a key subject in American History classes, the Morrill Act of 1862 is a significant piece of our country’s history. The act awarded states 30,000 acres of land per member of Congress to provide support for colleges of agricultural and mechanical arts. As the original document states, a key purpose of establishing land-grant colleges was “to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life.”

Yet the very act that served as a major catalyst for higher education in the United States has somehow been conspicuously undervalued in the classroom itself. That’s ironic at best. On the 150th anniversary of its creation, the land-grant

system is long overdue for recognition of all that it has made possible.

Among the beneficiaries of the Morrill Act is the University of Florida, the State’s flagship land-grant institution, whose past accomplishments and promise of future endeavors are deeply rooted in the Morrill Act and still faithful to its original intent. UF’s mission to teach, research and provide service is also a tribute to Representative Justin Morrill and President Lincoln, who shared the foresight and vision — despite being mired in a civil war — to recognize the importance of higher education and the role it would play in the development of our country as a world leader.

## President's Message



The year 2012 marks the 150th anniversary of the Morrill Land-Grant Act, the Federal legislation that created the nation's land-grant universities, including UF. The Act sought universities that were open to students from all walks of life; schools that taught agriculture, engineering and liberal arts and sciences; and that helped to build and grow their states.

UF has achieved all of those goals through its three-legged mission of research, teaching and service. But as State support for universities continues to lag, this historic mission is under threat as never before — not only in Florida, but also in many other states.

The anniversary of the Morrill Act thus raises important questions about the future of land-grant universities and their roles and responsibilities within their states. These questions are sure to be discussed next year as UF joins its peer universities across the country in celebrating the Morrill Act anniversary.

**A MOVE TOWARD INDEPENDENCE IN 2010-11** | With another round of State budget cuts, the University of Florida in 2010-11 strengthened its commitment to becoming more innovative, more enterprising and ultimately, more financially independent.

UF lost approximately \$46 million in State Appropriations for the 2011-12 fiscal year, the fifth such decline in the past six years. While tuition has gone up over the same period, the increase has not made up for the loss of State Appropriations. With Florida facing a projected \$2 billion shortfall in 2012, this slide shows no signs of slowing.

Over the years, declining State support has prompted cost-cutting measures that have made it more difficult for UF to reach its full potential as Florida's only top-20 public research university. But the restrictive budget climate has also made UF more aggressive and creative in pioneering its own revenue-generating initiatives.

With UF depending on State and tuition dollars for 24 percent of its total revenue, our goal is to create a larger diversity of income-generating opportunities.

**A NEW SPRING-SUMMER UNDERGRADUATE PROGRAM** | UF in Fall 2011 began accepting applications for the Innovation Academy, a new program focused on technology innovation and entrepreneurship that will operate on a unique Spring – Summer schedule.

The program seeks to address a number of challenges:

- **ACCESS.** With more than 29,000 applicants for about 6,400 spots in our entering class, UF cannot currently admit all the qualified, tuition-paying students who wish to attend.

- **EFFICIENCY.** Our facilities are not being used to their full capacity during the summer months when fewer students are on campus.

- **CURRICULUM.** While the University encourages technology commercialization at the faculty and graduate school level, more support is needed among the undergraduate population.





The first class in the Innovation Academy will arrive in the Spring of 2013. Phased in over four years, we anticipate the program will eventually add 2,000 UF undergraduates.

other support-service firms, and UF's Office of Technology Licensing.

Two other facilities are currently planned for Innovation Square, both by Trimark Properties, a private enterprise. The Infusion Technology Center will serve technology companies that outgrow the Hub. And a new residence hall is likely to house students in the Innovation Academy.

**EXPANDED OFFERINGS IN DISTANCE LEARNING** | In 2010-11, UF also continued an aggressive expansion of its distance-learning enterprise. Now available via distance learning: 6 bachelor's degree programs, 57 master's degree programs, 9 doctoral degree programs, 6 undergraduate certificates and 38 graduate certificates.

Our distance-learning revenue tops \$63 million, and we have nearly 5,000 students enrolled in e-learning education or in other programs located off our main campus.

**AN ENHANCED CLIMATE FOR INNOVATION** | UF in October 2011 completed the Florida Innovation Hub, UF's second technology incubator — and the first major facility to open in the planned Innovation Square, which will join campus and downtown Gainesville.

University and Gainesville officials envision the 25-acre Innovation Square as an urban research, residential and retail community centered on commercialization of UF research. The \$13.2 million, 48,000-square-foot Hub is a first step: The Hub houses University technology spinoffs, venture capital and

In related activity, the Warrington College of Business Administration dedicated a newly remodeled Center for Entrepreneurship and Innovation. The College of Engineering created the Engineering Innovation Institute. And UF's patenting and licensing activity continued at a rapid pace despite the lackluster economy. In 2010-11, UF filed 298 inventions disclosures, had 108 patents issued and negotiated 78 licenses and options.

**RECOMMITTING TO OUR MISSION** | Even as UF seeks to become more entrepreneurial, we remain faithful to our roots as a public, land-grant institution created as a result of the Morrill Act of 1862. Our challenge in coming years is to balance increased fiscal independence with a continued commitment to serving all the people of Florida and to helping the State grow and prosper.

J. Bernard Machen  
President

# A history and future of changing lives.

“No other name so glorious.” Indeed. The University of Florida has a tremendously proud past and a proven track record of contributing not only to the State of Florida, but impacting the way people around the world experience their lives.

Streamlining irrigation techniques for water conservation. Producing virus-resistant tomatoes and other plants. Developing urban forests as a potential solution for carbon emissions. These are just a few of the ways UF researchers are leading the way in breakthroughs that improve the quality of life in a meaningful way.

UF has pioneered agricultural and engineering progress for 150 years, literally changing the landscape of the State while helping to fuel its economy. We have adapted to changes and faced challenges, created an educated workforce, and produced more than our fair share of leaders in the process. As for the next 150 years, a world of opportunity awaits. A world whose demand for food, water and other necessities will grow exponentially.

Despite such overwhelming numbers, UF is committed to using the knowledge we’ve gained in the past, the technology we currently possess, and the inevitable breakthroughs of the future to continue improving the way people experience their lives into the 22nd century and beyond.

*Opposite: The United States is a world leader in orange production, with the State of Florida setting the pace.*

*Below: The University of Florida’s commitment to pioneering research has yielded tremendous results and changed lives for more than 150 years.*





### *Food for Thought*

Between 1924 and 1999, the earth's population tripled from 2 billion to 6 billion people. In 2011, we reached the 7 billion mark.

Why are these numbers relevant? According to a 2009 estimate by the Food and Agriculture Organization of the United Nations, food production will have to increase 70% by 2050 to feed an additional 2.3 billion people.





## ***UF & the Land-Grant. A Common Path.***

- 1853:** East Florida Seminary in Ocala created in response to public funds being used to support higher education.
- 1862:** President Lincoln signs the Morrill Act into law.
- 1884:** The Florida Agricultural College at Lake City is established under the Morrill Act.
- 1905:** The Buckman Act consolidates the colleges of the State.
- 1906:** The University of Florida in Gainesville opens its doors.
- 2003:** UF celebrates its 150th birthday and is ranked the fourth largest university in the country.
- 2012:** The Morrill Act marks its own sesquicentennial anniversary.

# *The roots of UF's impact on lives.*

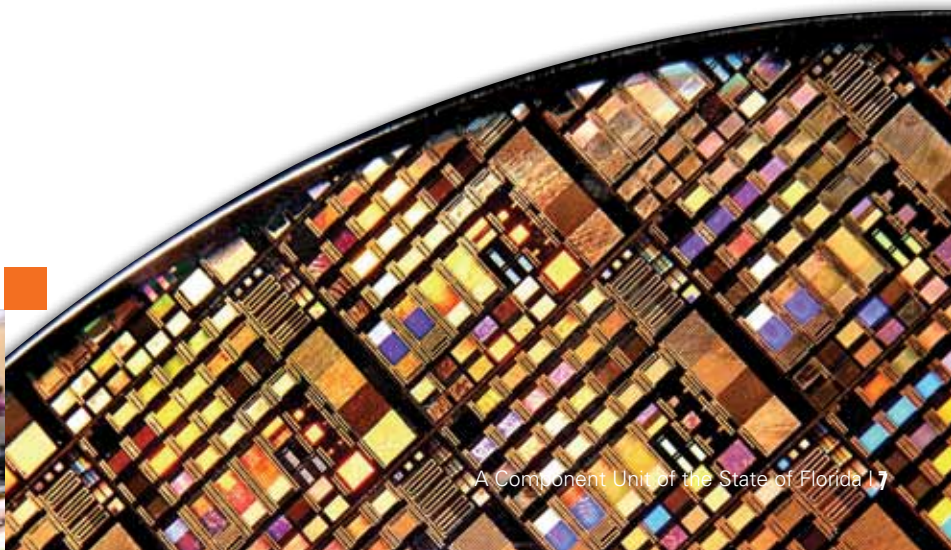
To sum up what the University of Florida has contributed to the State in just a few pages would be impossible. How do you measure the impact of the more than 300,000 degrees that have been awarded? And there is the vast amount of research whose technological advancements have been transferred to the marketplace, as well as discoveries in medicine, engineering and agriculture whose value is simply incalculable.

more than ever, the University of Florida benefits from this focus on achievement and, in turn, creates better lives for people throughout the State and beyond. In a very real sense, UF's campus not only spans the entire State of Florida, but in fact, the world.

The citrus farmer who enjoys more productive crops. The hospital whose medical devices are shielded from bacteria. The astronomer who can chart a galaxy as it is forming ten billion light years away. All share a common thread that ties them directly to achievements at UF. And all are deeply rooted in UF's designation as a land-grant university.

The same can be said about the impact of the land-grant university system. This legislation not only provided support for colleges of agriculture and engineering, but also fostered and funded interdisciplinary studies that transcend all of UF's colleges and areas of studies. Today,

*UF is among the nation's leading universities in transferring technology to the marketplace and impacting lives across the globe.*



# Agricultural and Engineering Progress

As part of its mission to offer broad-based and inclusive public education, leading-edge research and service to the residents of Florida and the nation, the University of Florida created the Institute of Food and Agricultural Sciences (UF/IFAS). A Federal-State-County partnership, UF/IFAS is dedicated to developing knowledge in agriculture, human and natural resources, and life sciences, and enhancing and sustaining the quality of human life by making that information accessible.

In a State that produces nearly 300 commodities on 47,500 commercial farms covering 9.25 million acres, the possibilities and challenges are endless. That's why you'll find a UF/IFAS extension office in every one of the State's 67 counties, as well as 13 research and education centers. Additionally, the College of Agricultural and Life Sciences has laboratories and classrooms spread throughout the UF campus. UF/IFAS has developed an international reputation for its accomplishments in teaching, research and extension.

State land-grant universities and the Cooperative Extension Service of the USDA were instrumental in the development of 4-H, whose original role

was to extend agricultural education to rural youth by organizing boys' and girls' clubs and through "learning by doing." Today, 4-H has an expansive reach, serving youth in rural, urban, and suburban communities in all 50 states. Through the efforts of UF/IFAS, young people in Florida tackle the nation's toughest issues, from global food security, climate change and sustainable energy to childhood obesity and food safety.

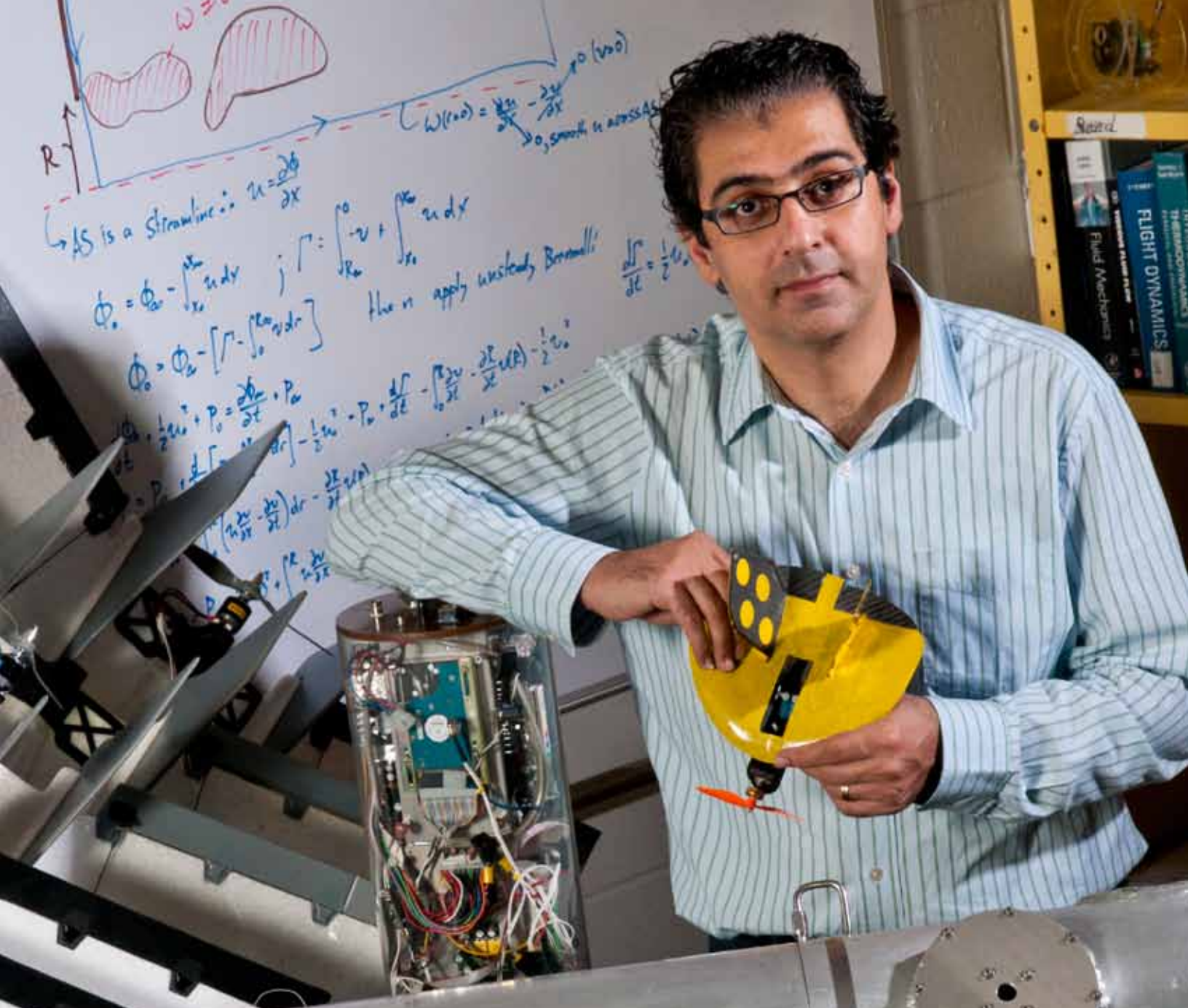
The University of Florida has a unique responsibility to improve the State's agricultural productivity through research, extension and education. Considering that every dollar spent on agricultural research produces a \$10 return, the investment is certainly a sound one. The State of Florida ranks number one in value of production for 10 different crops.

The impact of UF/IFAS reaches far beyond the groves, fields and ranches. For example, as founder and sponsor of the Florida Folic Acid Coalition, we have helped fuel their mission to decrease the incidence of folic-acid-preventable birth defects, reduce chronic disease risk and promote the benefits of folic acid.

*Opposite: W. P. Bushnell Endowed Professor Kamran Mosheni is focused on systems for aerial and underwater vehicles as well as mobile sensor networks for the Department of Electrical and Computer Engineering at UF's College of Engineering.*

*Below: UF/IFAS provides vegetable growers with the latest information on new production trends and techniques at the Florida Ag Expo.*



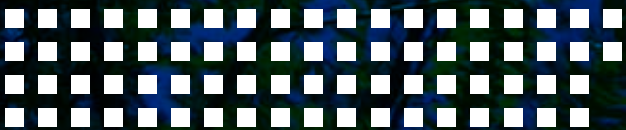


***UF is committed to providing the core elements that shape the quality of life throughout the State, including:***

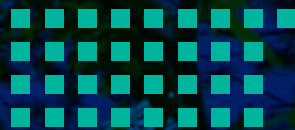
- Educate the State's workforce
- Improve the economy and create jobs
- Protect and conserve the quantity and quality of our water
- Teach our youth essential life skills and promote civic engagement
- Encourage healthy lifestyles for Floridians
- Conserve and manage our diverse natural resources
- Discover more efficient strategies of land use
- Manage our coastal and marine environments
- Seek greater energy independence
- Help agricultural and natural resource industries become more diverse and efficient
- Develop new high-value agricultural crops



*A Select Group — Land, Sea and Space Grant Universities Nationwide.*



Land Grant Universities (74)



Land + Sea Grant Universities (33)



Land + Sea + Space Grant Universities (17)

# Land, Sea & Space

The University of Florida is also a sea grant institution, one of 33 in a nationwide network of university-based programs that partner with coastal communities. Modeled after the land-grant program created more than a century earlier, the sea grant initiative is a partnership of academia, government, and industry focused on coastal and marine resources. Locally, the Florida Sea Grant College Program functions administratively as a State of Florida center through the Florida Board of Education Division of Colleges and Universities. The program has system-wide responsibility for research and education activities designed to create a better coastal environment. Our role as a sea grant university further enables UF to maintain its mission of providing food and water for today's and tomorrow's expanding population.

*Opposite: Ferns at the Ordway-Swisher Biological Station, a year-round management, research and educational facility administered by UF/IFAS.*

*Below: The Department of Astronomy's Rosemary Hill observatory and its 30-inch telescope.*

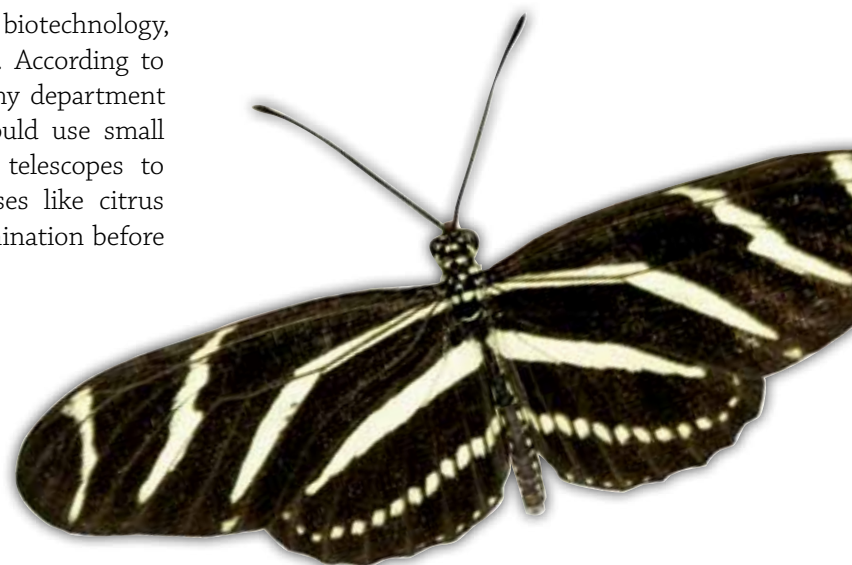
Fewer than 3 percent of universities in the country share the distinction of Land Grant, Sea Grant and Space Grant status. UF is proud to belong to that select group. In 2011, a team from UF's Department of Astronomy initiated an arrangement that created a collaborative research initiative between scientists in Spain and Florida working in small satellite technology, agriculture biotechnology, and the science of aging. According to Rafael Guzman, astronomy department chairman at UF, "You could use small satellites equipped with telescopes to monitor crops for diseases like citrus canker and stop a contamination before it destroys a whole grove."

Better science can improve agriculture and medicine, as well as create jobs. UF/IFAS will lead U.S. efforts to find new technology to help growers, while a similar agency in Spain will actively pursue the same goal, creating opportunities for joint studies, new sources of funding and fresh perspectives on common challenges.

UF's Institute on Aging will similarly join with a sister organization in Spain to develop their research. The current agreement begins the planning process for the future commercial venture that will be based near the Kennedy Space Center, just three hours from the UF campus.

The University of Florida is even involved in addressing the issue of what astronauts will eat on long-term space flights in the future.

Further evidence of the University's commitment to the future is its role as a regional participant in the Sun Grant Initiative, a network of land-grant universities and federally-funded laboratories working together to research and develop sustainable and environmentally friendly bio-based energy alternatives.



# The University of Florida

**MISSION** | The mission of the University of Florida is to offer broad-based, inclusive public education; leading-edge research; and service to the residents of Florida and the nation. The fusion of these three endeavors stimulates a remarkable intellectual vitality and generates a synthesis that represents the University's greatest strength.

Teaching is a fundamental purpose of this University at both the undergraduate and graduate levels. Research and scholarship are integral to the education process and to the expansion of our understanding of the natural world, the intellect and the senses. Service reflects the University's obligation to share the benefits of its research and knowledge for the public good.

These three interlocking elements span all academic disciplines and represent the University's commitment to lead and serve the State of Florida and the nation. The University of Florida aspires to advance the State, the nation and the international community by strengthening the human condition and improving the quality of life.

**HISTORY** | UF is Florida's oldest university, and for many years was one of only three State universities, along with the Florida

State College for Women (now Florida State University) and Florida A&M. Women attended the University as early as 1916, and the student body grew to 601 women and 8,177 men when the Legislature removed all barriers for female enrollment in 1947.

Today, the University is one of the largest in the nation, boasting an enrollment of more than 50,000 students. UF is one of only 17 public, land-grant universities that belong to the Association of American Universities.

**FACULTY** | The University faculty, which numbers more than 5,000, now has more than 50 Eminent Scholar Chairs and more than two dozen members have been elected to the National Academies of Science and/or Engineering, the Institute of Medicine, or a counterpart in another nation. Present and past faculty include Pulitzer Prize winners, a pioneer in aviation engineering, a leading scholar on econometrics, three winners of NASA's top award for research, one of the four charter members of the Solar Hall of Fame, and a winner of the Smithsonian Institution's award for conservation.

From pharmacy and public relations to pain mitigation and materials engineering, the University of Florida

*Below: Members of the College of Agricultural and Life Sciences Leadership Institute Cohort I visit a sustainable farm in Costa Rica.*





is a recognized leader in a wide variety of specialties and areas. University researchers and scientists have made significant developments and discoveries in many fields, including astronomy, microbiology, metallurgy and medical technology.

Sixty-four percent of enrolled students are undergraduates, 24 percent are graduate students and 9 percent are in professional degree programs. Approximately 27 percent of students are minorities.

**STUDENTS** | The University of Florida's freshman retention rate of 96 percent speaks to the outstanding quality of the University's entire academic experience. Fall 2010 figures indicate an enrollment of 50,116 students, more than 80 percent of whom are from Florida. Every state in the nation is represented in the UF student body, and the University is gaining an increasingly international enrollment, with approximately 5,000 international students representing more than 100 countries.

University of Florida students also receive many opportunities to participate in extra-curricular activities. There are more than 900 student organizations on campus, and students attend more than 2,000 campus concerts, art exhibits, theatrical productions, guest lectures, sports, concerts and other events each year.



## Economic Impact

■ **\$8.76 billion**

The University of Florida's total annual economic impact on the State.

■ **106,118**

The number of jobs created directly and indirectly by UF each year, including operations, healthcare services, student spending, spinoff companies, asset purchases, visitor spending and direct support organizations.

■ **\$619.1 million**

The total amount of sponsored research awards to the University of Florida in 2010-11.

■ **14 to 1**

Every State dollar appropriated to the University of Florida results in a \$14 return on investment.

For more information, visit [www.EconomicImpact.ufl.edu](http://www.EconomicImpact.ufl.edu)



# Knowledge by the Numbers

## Association of Public and Land- Grant Universities

74

U.S. land-grant institutions

3.5 million  
undergraduate students

1.1 million  
graduate students

645,000  
faculty members

\$34 billion  
in annual research

## Headcount Enrollment by Colleges and Schools — Fall Terms

<u>College/School</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Accounting	905	871	897	925	852
Agricultural and Life Sciences	4,940	4,640	4,557	4,483	4,450
Building Construction	499	581	616	652	668
Business Administration	4,728	4,947	5,539	5,767	5,543
Dentistry	378	379	389	391	385
Design, Construction, and Planning	899	899	921	935	977
Division of Continuing Education (A)	215	259	275	349	380
Education	1,886	1,919	1,940	1,947	1,914
Engineering	8,240	7,880	7,696	7,118	6,832
Fine Arts	1,309	1,284	1,254	1,264	1,247
Forest Resources and Conservation	-	222	215	222	213
Health and Human Performance	2,008	1,908	1,970	2,135	2,098
High School	47	44	33	52	27
Interdisciplinary Ecology	127	135	131	148	-
Journalism and Communications	2,516	2,663	2,957	2,987	3,041
Law	1,191	1,263	1,340	1,422	1,489
Liberal Arts and Sciences	12,817	13,368	14,315	14,364	14,582
Medicine	853	967	867	850	830
Multiple-College Program	1	2	-	-	-
Natural Resources and Environment	154	158	142	122	103
Nursing	1,090	1,188	1,160	1,111	1,040
Pharmacy	836	761	689	656	620
Pharmacy Doctor	1,752	1,891	1,841	1,913	1,923
Physician Assistant Program	119	119	119	121	120
Public Health & Health Professions	2,139	1,971	1,803	1,881	1,728
Veterinary Medicine	530	525	507	520	509
<b>SUB-TOTAL</b>	<b>50,179</b>	<b>50,844</b>	<b>52,173</b>	<b>52,335</b>	<b>51,571</b>
Minus Concurrent Degree	63	60	61	64	51
<b>TOTAL</b>	<b>50,116</b>	<b>50,784</b>	<b>52,112</b>	<b>52,271</b>	<b>51,520</b>

(A) Includes Continuing Education and correspondence courses for students not enrolled in a college.

Source: Office of Institutional Planning and Research - UF Facts

## Degrees Awarded by Type of Degree

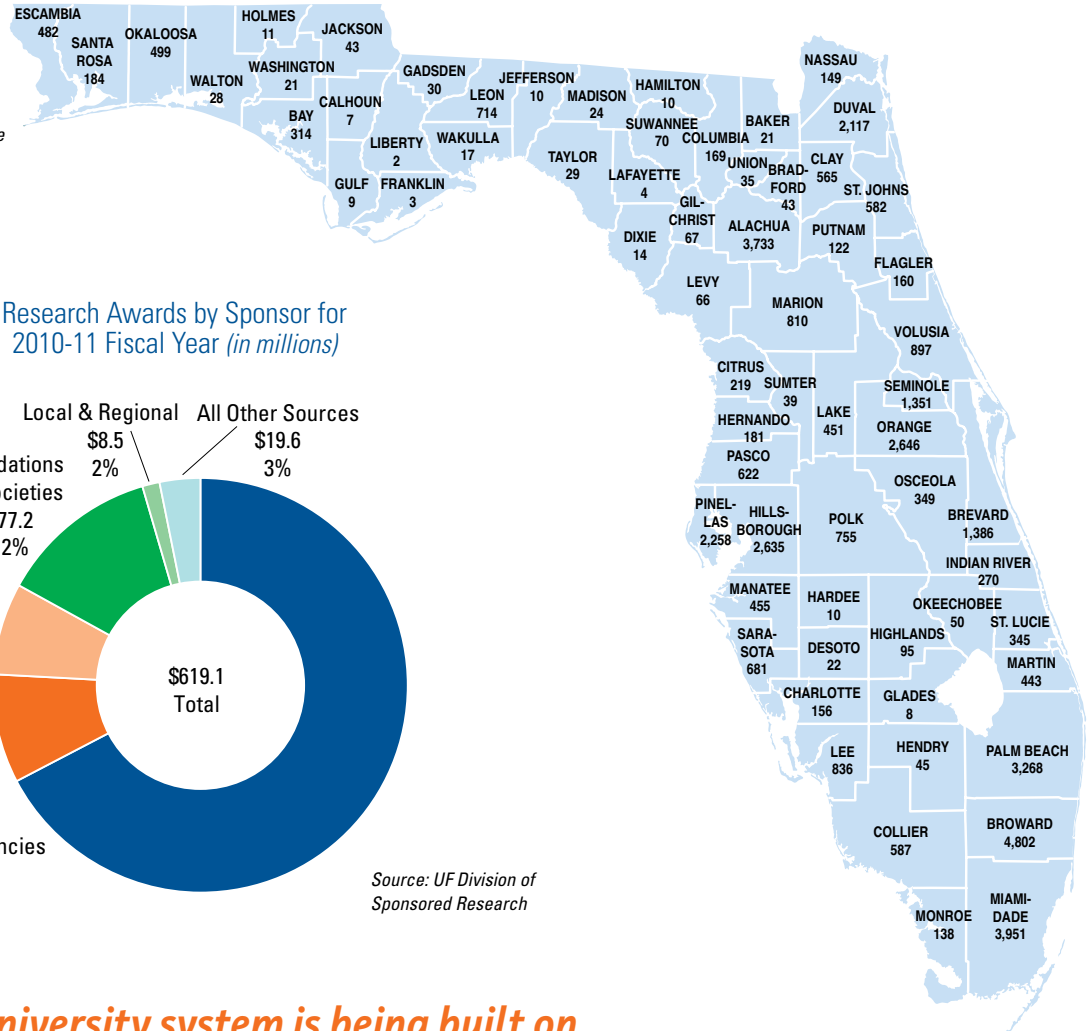
<u>Degree</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Bachelor's	8,685	9,302	9,207	8,737	8,569
Master's	3,878	3,751	3,546	3,337	3,062
Doctor of Philosophy	936	957	841	857	794
Doctor of Pharmacy	484	483	474	492	454
Juris Doctor	410	377	424	488	427
Doctor of Medicine	127	130	124	115	124
Doctor of Dental Medicine	83	91	81	72	79
Doctor of Veterinary Medicine	87	89	84	83	79
Specialist in Education	70	111	73	61	69
Engineer	-	-	1	2	1
<b>TOTAL</b>	<b>14,760</b>	<b>15,291</b>	<b>14,855</b>	<b>14,244</b>	<b>13,658</b>

Source: UF Office of Institutional Planning and Research

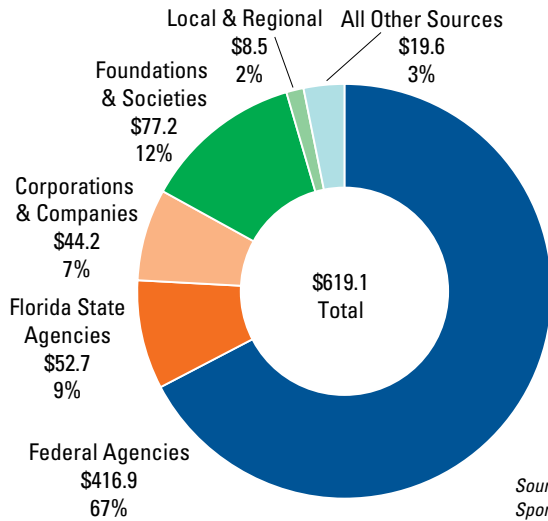
### In-State Enrollment by County - Fall 2010

Total In-State Enrollment: 41,115

Source: Fall Final Student Data Course File  
Prepared by the UF Office of Institutional Planning & Research



### Research Awards by Sponsor for 2010-11 Fiscal Year (in millions)



Source: UF Division of Sponsored Research

**“The land-grant university system is being built on behalf of the people, who have invested in these public universities their hopes, their support, and their confidence.” — Abraham Lincoln**

Today, America’s land-grant universities fulfill their mandate for openness, accessibility, and service to the people. Many of these institutions have joined the ranks of the nation’s most distinguished public research universities. The Association of Public and Land-Grant Universities (APLU) member-institutions currently enroll more than 3.5 million undergraduate and 1.1 million graduate students in every academic discipline and explore fields of inquiry far beyond the scope envisioned in the original land-grant act. APLU campuses employ more than 645,000 faculty members and

conduct nearly two-thirds of all federally-funded academic research, totaling more than \$34 billion annually.

The Association’s membership includes 217 institutions, consisting of state universities, land-grant universities, and state university systems. The total includes 74 U.S. land-grant institutions, of which 18 are the historically black institutions. In addition, APLU represents the interests of the nation’s 33 American Indian land-grant colleges through the membership of the American Indian Higher Education Consortium (AIHEC).

## *Introduction from the Vice President and Chief Financial Officer*



I am pleased to present the University of Florida Annual Financial Report for the 2010-11 fiscal year. It is a testament to the leadership of the University that we had a successful year in these difficult economic times.

The University's assets totaled \$3.0 billion at June 30, 2011, and liabilities totaled \$638 million, resulting in net assets of \$2.4 billion, a 3.1% increase over the previous year.

The University's operating revenues totaled \$1.5 billion for the 2010-11 fiscal year, representing a 6.1% increase over the 2009-10 fiscal year. The major components of the increase in operating revenues are Student Tuition and Fees, and Grants and Contracts. Student Tuition and Fees, net of scholarship allowances, increased \$30.7 million or 12.5% because of tuition and fee increases. Nongovernmental Grants and Contracts revenue increased by \$58.3 million, or 10.2%, which includes transfers from component units and the addition of \$15 million in new contracts. Operating expenses totaled \$2.3

billion for the 2010-11 fiscal year, representing an increase of 4.7% over the 2009-10 fiscal year. The two largest categories contributing to this increase were Employee Compensation and Benefits, and Services and Supplies.

Net nonoperating revenues and expenses in the 2010-11 fiscal year decreased \$7.6 million primarily because of the reduction in funding provided by the American Recovery and Reinvestment Act. The decrease in the fair value of investments was offset by a slight increase in State Appropriations due to increased costs for insurance, retirement, and maintenance of new buildings.

The University had significant construction activity during the year. Completed construction projects include:

- 1) Southwest Recreation Center Expansion (capitalized costs of \$15.6 million);
- 2) Levin College of Law School Advocacy Center (capitalized costs of \$5.7 million); and
- 3) Health Science Center Autopsy Suite Renovation (capitalized costs of \$14.6 million).

Construction continues on several major projects, including four that, when finished, will be capitalized at over \$90 million:

- 1) Lake Nona Research Facility;
- 2) Clinical Translational Research Building;
- 3) Florida Innovation Hub at UF; and
- 4) Harn Museum Asian Art Wing.

As the economic recovery lags, the University faces another round of budget cuts, a \$46 million decrease in State Appropriations. While a tuition increase of 15% is planned, it will not make up for the loss of State support.



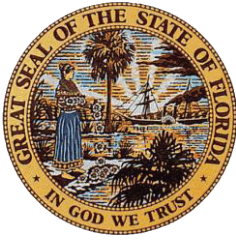
The Office of the Vice President and Chief Financial Officer is focused on supporting the mission of the University. To that end, we continue to look for ways to conserve resources and cut costs, as well as encourage entrepreneurial efforts. We are studying the potential savings and effectiveness of implementing shared service centers. We have reengineered contract and grant financial compliance, improved the electronic Effort Reporting system, created an electronic Faculty Activity Report (FAR) and executed several strategic sourcing agreements.

On July 1, 2011, The Florida Board of Governors created Regulation 9.002, which increased the capitalization threshold for tangible personal property from \$1,000 to \$5,000. This change will reduce the administrative costs of recording and tracking items of equipment. The Regulation also enhances the overall stewardship and control of the University's assets by eliminating the requirement to record and track relatively low-valued items so more attention and effort can be given to safeguarding the remaining, higher-valued items.

We will continue to enhance the Responsibility Center Management (RCM) budget allocation system, and implement technological changes to automate the budget allocation and preparation. A major upgrade to the financial system went live May 2011. The Human Resources and Payroll system upgrade is scheduled to go live September 4, 2012. We will utilize technology to stay current and improve efficiencies.

While we are challenged by the continuing loss of State support, our focus will be to carry on the mission of the University, staying faithful to the trust placed in the University of Florida when the Morrill Land-Grant Act was enacted nearly 150 years ago.

Matthew M. Fajack  
Vice President and Chief Financial Officer



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
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 ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of Florida, 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, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. The prior year partial comparative information was derived from the University's 2009-10 financial statements and, in our report dated February 11, 2011, we expressed an unqualified opinion on the respective financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our 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 the University of Florida and of its aggregate discretely presented component units as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1 and 2 to the financial statements, Shands Teaching Hospital and Clinics, Inc., a discretely presented component unit, was reorganized to form Shands Jacksonville HealthCare, Inc., as a separate discretely presented component unit. Additionally, both entities began reporting under standards promulgated by the Governmental Accounting Standards Board; a change from the Financial Accounting Standards Board standards previously followed. These changes affect the comparability of amounts reported within the component units' columns for the 2010-11 fiscal year with amounts reported for the 2009-10 fiscal year.

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The financial statements include prior-year partial comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the fiscal year ended June 30, 2010, from which the partial information was derived.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and the **OTHER 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Florida's basic financial statements. The introductory information, the President's Message, the University of Florida Overview, the Introduction from the Vice President and Chief Financial Officer, and the supplemental information for financial aid administered, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory information, the President's Message, the University of Florida Overview, the Introduction from the Vice President and Chief Financial Officer, and the supplemental information for financial aid administered have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



David W. Martin, CPA  
March 19, 2012  
Audit Report No. 2012-147



# Management's Discussion and Analysis

From the Vice President and Chief Financial Officer

## INTRODUCTION AND BACKGROUND

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

## FINANCIAL HIGHLIGHTS

The University's assets totaled \$3.0 billion at June 30, 2011. This balance reflects a \$122.0 million, or 4.2%, increase from the 2009-10 fiscal year. Investments increased by \$85.3 million due in part to the investment of bond proceeds for

the Clinical Translational Research Building, which will also house the UF Institute on Aging. The amount due from the State continued to decrease because several large construction projects have been completed. While assets grew, liabilities grew \$49.8 million, or 8.5%, to \$638.1 million. The new bond issue increased debt by \$29.8 million. Compensated absences payable grew \$8.3 million and Other Postemployment Benefits Payable grew by \$23.2 million. As a result, the University's net assets increased by \$72.2 million, or 3.1%, reaching a year-end balance of \$2.4 billion.

The University's operating revenues totaled \$1.5 billion for the 2010-11 fiscal year, representing a 6.1% increase over the 2009-10 fiscal year. Major components of operating revenues are Student Tuition and Fees, and Grants and Contracts. Student Tuition and Fees, Net of Scholarship Allowances, increased \$30.7 million or 12.5% because of tuition and fee increases. Nongovernmental Grants and Contracts revenue increased by \$58.3 million, or 10.2%, which includes transfers from component units and the addition of \$15 million in new contracts.

Operating Expenses totaled \$2.3 billion for the 2010-11 fiscal year, representing an increase of 4.7% over the 2009-10 fiscal year. The two largest categories contributing to this increase were Compensation and Employee Benefits, reflecting increased Compensated Absences and Other Postemployment Benefits, and Services and Supplies.

Net Nonoperating Revenues and Expenses in the 2010-11 fiscal year decreased \$7.6 million mainly due to the change in the fair value of investments and a decline in the American Recovery and Reinvestment Act (ARRA) stimulus funding.

The University had significant construction activity during the year. Completed construction projects included: (1) Southwest Recreation Center Expansion (capitalized costs of \$15.6 million); (2) Levin College of Law School Advocacy Center (capitalized costs of \$5.7 million); and (3) Health Science Center Autopsy Suite Renovation (capitalized costs of \$14.6 million). Construction continues on several major projects, including four that, when finished, will be capitalized at over \$90 million: (1) Lake Nona Research Facility; (2) Clinical Translational Research Building (this project includes the Institute on Aging Research Building); (3) Florida Innovation Hub at UF; and (4) Harn Museum Asian Art Wing.

## OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

**Direct-Support Organizations** – These are separate, not-for-profit corporations organized and operated exclusively to assist the University in achieving excellence by providing supplemental resources from private gifts, bequests, and valuable education support services.

**Health Science Center Affiliates** – These are the several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center, including the Faculty Practice Plans.

**Shands Hospital and Others** – This includes Shands Teaching Hospital and Clinics, Inc., a not-for-profit corporation that is contractually obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the Health Science Center at the University of Florida.

Information regarding the discretely presented component units, including summaries of their separately issued financial

statements, is presented in Notes 1, 2, 3, 6, 9, 12, and 19 to the financial statements. This MD&A focuses on the University, excluding the component units. MD&A information regarding the component units is included in their separately issued audit reports, if reporting under GASB standards. Component units reporting under Financial Accounting Standards Board (FASB) standards do not include an MD&A in their audit reports.

Based upon the application of the criteria for determining component units, the University of Florida Self-Insurance Program, combined with the University of Florida Healthcare Education Insurance Corporation, are included within the University reporting entity as a blended component unit. Additional information regarding the blended component unit is presented in Note 1 to the financial statements.

The financial statements characterize revenues and expenses as either operating or nonoperating. The principal component of operating revenues is Grants and Contracts (\$1.1 billion). Compensation and Employee Benefits (\$1.6 billion) represent the primary component of operating expenses. A significant portion of the University's anticipated, recurring resources is considered nonoperating as defined by GASB Statement No. 35. The principal component of nonoperating revenues for the fiscal year ended June 30, 2011, is State Appropriations including ARRA stimulus funds (\$610 million). Recurring nonoperating expenses consist primarily of the loss on disposal of capital assets and interest expense on capital asset-related debt for the fiscal year ended June 30, 2011.

## STATEMENT OF NET ASSETS

The Statement of Net Assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Net Assets, the difference between total assets and total

### Condensed Statement of Net Assets (*in millions*)

	<u>2010-11</u>	<u>2009-10</u>
<b>Assets:</b>		
Current Assets	\$ 1,200.2	\$ 1,159.5
Capital Assets, Net	1,663.3	1,605.6
Other Noncurrent Assets	143.9	120.3
<b>Total Assets</b>	<u>3,007.4</u>	<u>2,885.4</u>
<b>Liabilities:</b>		
Current Liabilities	200.7	197.3
Noncurrent Liabilities	437.4	391.0
<b>Total Liabilities</b>	<u>638.1</u>	<u>588.3</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,573.2	1,510.3
Restricted	684.7	662.4
Unrestricted	111.4	124.4
<b>Total Net Assets</b>	<u>\$ 2,369.3</u>	<u>\$ 2,297.1</u>

liabilities, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition. The preceding table summarizes the University's assets, liabilities, and net assets at June 30.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following summarizes the University's activity for the 2010-11 and 2009-10 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets <i>(in millions)</i>		
	2010-11	2009-10
Operating Revenues	\$ 1,532.8	\$ 1,445.1
Operating Expenses	(2,321.2)	(2,216.3)
Operating Loss	(788.4)	(771.2)
Net Nonoperating Revenues	785.5	793.1
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2.9)	21.9
Other Revenues, Expenses, Gains, or Losses	75.1	58.1
<b>Increase in Net Assets</b>	<b>72.2</b>	<b>80.0</b>
<b>Net Assets – Beginning of Year</b>	<b>2,297.1</b>	<b>2,174.4</b>
<b>Adjustment to Beginning Net Assets</b>	<b>-</b>	<b>42.7</b>
<b>Adjusted Net Assets, Beginning of Year</b>	<b>2,297.1</b>	<b>2,217.1</b>
<b>Net Assets – End of Year</b>	<b>\$ 2,369.3</b>	<b>\$ 2,297.1</b>

## 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 gives up or receives something of equal or similar value. The following summarizes the operating revenues by source that were used to fund operating activities during the 2010-11 and 2009-10 fiscal years:

### Operating Revenues *(in millions)*

	2010-11	2009-10
Grants and Contracts	\$ 1,070.5	\$ 1,006.2
Student Tuition and Fees, Net of Scholarship Allowances	276.1	245.4
Sales and Services of Auxiliary Enterprises	136.6	148.2
Sales and Services of Educational Departments	45.6	42.6
Other	4.0	2.7
<b>Total Operating Revenues</b>	<b>\$ 1,532.8</b>	<b>\$ 1,445.1</b>

## 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 the natural classifications. The University has chosen to report the expenses in their natural classifications on the Statement of Revenues, Expenses, and Changes in Net Assets and has displayed the functional classifications below and in the notes to the financial statements. The following summarizes the operating expenses for each method of classification for the 2010-11 and 2009-10 fiscal years:

### Operating Expenses *(in millions)*

Natural Classifications	2010-11	2009-10
Compensation and Employee Benefits	\$ 1,583.1	\$ 1,514.5
Services and Supplies	434.2	390.4
Depreciation	126.6	116.3
Scholarships, Fellowships and Waivers *	98.6	97.3
Utilities and Communications	67.7	73.9
Self-Insured Claims and Expenses	11.0	23.9
<b>Total Operating Expenses</b>	<b>\$ 2,321.2</b>	<b>\$ 2,216.3</b>
Functional Classifications	2010-11	2009-10
Instruction	\$ 662.3	\$ 624.9
Research	556.8	518.0
Public Service	359.6	352.0
Academic Support	149.5	147.1
Depreciation	126.6	116.3
Auxiliary Operations	124.0	135.7
Institutional Support	122.7	96.7
Operation and Maintenance of Plant	107.7	113.0
Scholarships, Fellowships and Waivers *	75.9	75.5
Student Services	36.1	37.1
<b>Total Operating Expenses</b>	<b>\$ 2,321.2</b>	<b>\$ 2,216.3</b>

\* Net of Scholarship Allowances of \$148.4 million in the 2010-11 fiscal year and \$137.8 million in the 2009-10 fiscal year.

## NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to provide funding for operations, including State Appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The University had a slight increase in appropriations due to increased costs for insurance, retirement, and maintenance of new buildings; as well as a modest increase to replace a portion of the ARRA funds. Investment income grew modestly because the market recovery slowed. The following summarizes the University's nonoperating revenues and expenses for the 2010-11 and 2009-10 fiscal years:

Nonoperating Revenues (Expenses) <i>(in millions)</i>		
	2010-11	2009-10
State Appropriations	\$ 579.1	\$ 552.2
State Appropriations - ARRA Funds	30.9	40.9
Federal and State Student Financial Aid	147.3	142.2
Investment Income	27.5	25.4
Increase in Fair Market Value of Investments	16.8	40.7
Gain (Loss) on Disposal of Capital Assets	(5.3)	2.2
Interest on Capital Asset-Related Debt	(4.4)	(6.5)
Other Nonoperating Expenses	(6.4)	(4.0)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>\$ 785.5</b>	<b>\$ 793.1</b>

## OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is composed of Capital Appropriations and Capital Grants, Contracts, Donations, and Student Fees. The University received Capital Appropriations for projects that included P. K. Yonge Developmental Research School and Lake Nona Research Facility. The following summarizes the University's other revenues, expenses, gains, or losses for the 2010-11 and 2009-10 fiscal years:

Other Revenues, Expenses, Gains, or Losses <i>(in millions)</i>		
	2010-11	2009-10
Capital Appropriations	\$ 60.2	\$ 38.0
Capital Grants, Contracts, Donations, and Student Fees	14.9	20.1
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>\$ 75.1</b>	<b>\$ 58.1</b>

## 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 and related financing activities include activities of the capital funds and related long-term debt. Cash flows from investing activities show the net source and use of cash related to the purchases and sales of investments and income earned on those investments. Cash flows from noncapital financing activities include those activities not covered in the other sections.

Major sources of funds came from State Appropriations (\$588.2 million), State Appropriations - ARRA Funds (\$30.9 million), net student tuition and fees (\$275.6 million), grants and contracts (\$1,067.7 million), and sales and services of auxiliary enterprises (\$138.6 million). Major uses of funds were for payments to employees (\$1,579.9 million), payments to suppliers for goods and services (\$498.2 million), and purchase or construction of capital assets (\$187.1 million). The following summarizes cash flows for the 2010-11 and 2009-10 fiscal years:

Condensed Statement of Cash Flows <i>(in millions)</i>		
	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	\$ (663.7)	\$ (601.0)
Noncapital Financing Activities	761.5	731.0
Capital and Related Financing Activities	(80.1)	(84.5)
Investing Activities	(17.1)	(45.3)
<b>Net Change in Cash and Cash Equivalents</b>	<b>0.6</b>	<b>0.2</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>0.9</b>	<b>0.7</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1.5</b>	<b>\$ 0.9</b>

## CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the University had approximately \$3.2 billion in capital assets, less accumulated depreciation of \$1.6 billion, for net capital assets of \$1.6 billion. Depreciation charges for the current fiscal year totaled \$126.6 million. The table below summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Total Capital Assets, Net <i>(in millions)</i>		
	2011	2010
Land	\$ 10.8	\$ 10.8
Buildings	1,198.1	1,157.6
Infrastructure and Other Improvements	40.9	36.1
Furniture and Equipment	248.1	242.8
Library Resources	60.2	57.8
Property Under Capital Lease	6.4	6.7
Computer Software	2.2	2.4
Other Capital Assets	6.0	6.0
Construction in Progress	90.6	85.4
<b>Total Capital Assets (Non-Depreciable and Depreciable, Net)</b>	<b>\$ 1,663.3</b>	<b>\$ 1,605.6</b>

*Additional information about the University's capital assets is presented in Note 8 to the financial statements.*

### Capital Expenses and Commitments

Major capital expenses through June 30, 2011, were incurred on the following continuing projects: Cellulosic Ethanol Plant (\$9.9 million); Harn Museum Asian Art Wing (\$8.7 million); Lake Nona Research Facility (\$10.8 million); Florida Innovation Hub at UF (\$7.0 million); College of Engineering Renovations (\$5.6 million); and Chemistry Biology Building (\$4.9 million). The University's major capital commitments at June 30, 2011, are summarized below:

Major Capital Commitments <i>(in millions)</i>	
	Amount
Total Commitment Completed to Date	\$ 286.1 90.6
<b>Balance Committed</b>	<b>\$ 195.5</b>

*Additional information about the University's capital commitments is presented in Note 15 to the financial statements.*

### Debt Administration

At June 30, 2011, the University had \$109.9 million in capital improvement debt, capital leases, and installment purchase agreements, representing an increase of \$24.7 million, or 29%, from the prior fiscal year. The following table summarizes the outstanding capital asset-related debt by type of debt at June 30:

### Capital Asset-Related Debt *(in millions)*

	2011	2010
Capital Improvement Debt	\$ 104.5	\$ 79.2
Capital Leases	3.3	3.4
Installment Purchase Agreements	2.1	2.6
<b>Total Capital Asset-Related Debt</b>	<b>\$ 109.9</b>	<b>\$ 85.2</b>

*Additional information about the University's capital asset-related debt is presented in Note 12 to the financial statements.*

## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

While the American Recovery and Reinvestment Act (ARRA) funding has ended and the State's economic recovery is slow, the Florida Legislature's Office of Economic and Demographic Research has reported that Florida is slowly turning the corner. State Appropriations in 2011 increased slightly, \$26.9 million, due to increased costs for insurance, retirement, and maintenance of new buildings; as well as a modest increase to the base budget to replace a portion of the ARRA funds. As the economic recovery lags, the University is facing a \$46 million overall decrease in State Appropriations in the 2011-12 fiscal year. Offset partially with a planned tuition increase of 15%, the University will still experience a net loss to the budget of about \$15 million. Even though enrollment is stable, the emphasis on increasing the percentage of graduate students will yield higher tuition revenue compared to undergraduate students.

The University continues to look for ways to conserve resources and cut costs as well as to encourage entrepreneurial efforts in all academic departments and auxiliaries. We are expanding distance learning initiatives and exploring shared service centers in an effort to generate new revenues and be more efficient. Most promising, legislators allocated \$10 million to the State's Institute for the Commercialization of Public Research, which is expected to be relocated from South Florida to the Florida Innovation Hub in Gainesville. Through these and other initiatives, the University will maintain the high quality and integrity of the educational and research programs at the core of the University of Florida's mission.

## REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Michael V. McKee, Assistant Vice President and University Controller, P. O. Box 113200, Gainesville, Florida 32611.

## STATEMENT OF NET ASSETS as of June 30, 2011 (amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2011)		
	2011	2010	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents (Note 1)	\$ 1,531	\$ 855	\$ 20,563	\$ 107,918	\$ 70,343
Investments (Note 3)	978,644	917,327	202,114	5,232	207,633
Accounts Receivable, Net (Note 4)	118,336	116,460	113,489	52,574	178,272
Loans and Notes Receivable, Net (Note 4)	3,082	4,084	202	-	-
Due From State (Note 5)	79,385	101,027	-	-	7,358
Due From Component Units/University (Note 6)	11,625	10,735	8,906	4,071	3,412
Inventories (Note 7)	4,865	5,089	1,030	-	22,430
Other Current Assets	2,781	3,888	6,543	2,856	41,503
<b>Total Current Assets</b>	<b>1,200,249</b>	<b>1,159,465</b>	<b>352,847</b>	<b>172,651</b>	<b>530,951</b>
<b>Noncurrent Assets:</b>					
Restricted Cash and Cash Equivalents (Note 1)	8	14	658	1,518	-
Restricted Investments (Note 3)	105,695	81,735	1,589,591	17,380	221,578
Loans and Notes Receivable, Net (Note 4)	37,314	37,685	-	-	-
Depreciable Capital Assets, Net (Note 8)	1,557,991	1,505,577	165,933	29,676	795,008
Nondepreciable Capital Assets (Note 8)	105,301	100,018	67,968	4,147	99,199
Other Noncurrent Assets	854	914	1,730	8,957	215,473
<b>Total Noncurrent Assets</b>	<b>1,807,163</b>	<b>1,725,943</b>	<b>1,825,880</b>	<b>61,678</b>	<b>1,331,258</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,007,412</b>	<b>\$ 2,885,408</b>	<b>\$ 2,178,727</b>	<b>\$ 234,329</b>	<b>\$ 1,862,209</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 61,620	\$ 61,138	\$ 15,672	\$ 15,197	\$ 178,724
Salaries and Wages Payable	15,742	44,036	2,752	1,651	72,478
Due to Component Units/University (Note 6)	28,901	26,146	39,192	6,775	5,566
Deferred Revenue (Note 10)	28,958	27,353	81,954	-	66
Deposits Held in Custody	7,773	5,247	823	24	-
Other Current Liabilities (Note 11)	23,408	41	19,443	2,286	128
Long-Term Liabilities - Current Portion: (Note 12)					
Capital Improvement Debt Payable	5,193	4,550	-	-	-
Bonds Payable	-	-	3,955	1,076	28,990
Installment Purchase Agreements Payable	978	1,259	-	-	-
Capital Leases Payable	114	107	-	-	1,360
Compensated Absences Payable	11,860	9,885	300	9,370	-
Liability for Self-Insured Claims	16,120	17,509	-	-	-
<b>Total Current Liabilities</b>	<b>200,667</b>	<b>197,271</b>	<b>164,091</b>	<b>36,379</b>	<b>287,312</b>
<b>Noncurrent Liabilities: (Note 12)</b>					
Capital Improvement Debt Payable	99,314	74,614	-	-	-
Bonds Payable	-	-	107,890	13,457	602,948
Installment Purchase Agreements Payable	1,092	1,295	-	-	-
Capital Leases Payable	3,197	3,310	-	-	1,788
Compensated Absences Payable	166,071	159,750	4,615	-	-
Other Postemployment Benefits Payable	66,062	42,869	-	-	1,378
Liability for Self-Insured Claims	82,287	89,481	-	-	-
Other Noncurrent Liabilities	19,425	19,721	39,947	-	44,209
<b>Total Noncurrent Liabilities</b>	<b>437,448</b>	<b>391,040</b>	<b>152,452</b>	<b>13,457</b>	<b>650,323</b>
<b>TOTAL LIABILITIES</b>	<b>638,115</b>	<b>588,311</b>	<b>316,543</b>	<b>49,836</b>	<b>937,635</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	1,573,215	1,510,283	107,395	20,224	303,544
Restricted:					
Nonexpendable:					
Endowment	-	-	1,085,503	-	97
Expendable:					
Endowment	-	-	261,581	-	-
Loans	33,935	35,027	-	-	-
Capital Projects	105,522	127,441	-	-	-
Debt Service	4,863	4,684	-	-	-
Other	540,347	495,250	278,726	1,520	8,690
Unrestricted	111,415	124,412	128,979	162,749	612,243
<b>TOTAL NET ASSETS</b>	<b>2,369,297</b>	<b>2,297,097</b>	<b>1,862,184</b>	<b>184,493</b>	<b>924,574</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,007,412</b>	<b>\$ 2,885,408</b>	<b>\$ 2,178,727</b>	<b>\$ 234,329</b>	<b>\$ 1,862,209</b>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS** for the Fiscal Year Ended June 30, 2011  
*(amounts expressed in thousands)*

	Component Units (FYE in 2011)				
	University of Florida		Direct- Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
	2010-11	2009-10			
<b>OPERATING REVENUES</b>					
Student Tuition and Fees	\$ 424,462	\$ 383,204	\$ -	\$ -	\$ -
Scholarship Allowances	(148,351)	(137,835)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	276,111	245,369	-	-	-
Federal Grants and Contracts	392,326	381,729	-	-	-
State and Local Grants and Contracts	48,431	53,016	-	-	-
Nongovernmental Grants and Contracts	629,771	571,481	-	-	-
Sales and Services of Auxiliary Enterprises (Note 13)	136,634	148,194	-	-	-
Sales and Services of Educational Departments	45,643	42,602	-	-	-
Sales and Services of Component Units	-	-	117,424	-	-
Hospital Revenues	-	-	-	523,610	1,486,925
Gifts and Donations - Component Units	-	-	88,014	5,364	-
Royalties and Licensing Fees - Component Units	-	-	28,321	-	1,283
Interest on Loans and Notes Receivable	1,007	1,958	-	-	-
Other Operating Revenues	2,824	709	14,611	1,759	17,500
<b>Total Operating Revenues</b>	<b>1,532,747</b>	<b>1,445,058</b>	<b>248,370</b>	<b>530,733</b>	<b>1,505,708</b>
<b>OPERATING EXPENSES</b>					
Compensation and Employee Benefits	1,583,100	1,514,455	-	-	-
Services and Supplies	434,167	390,442	-	-	-
Utilities and Communications	67,693	73,879	-	-	-
Scholarships, Fellowships and Waivers, Net	98,600	97,324	-	-	-
Depreciation	126,568	116,264	8,539	6,387	74,033
Self-Insured Claims and Expenses	11,030	23,957	-	-	-
Other Component Unit Operating Expenses	-	-	278,048	192,473	1,330,004
<b>Total Operating Expenses (Note 18)</b>	<b>2,321,158</b>	<b>2,216,321</b>	<b>286,587</b>	<b>198,860</b>	<b>1,404,037</b>
<b>Operating Income (Loss)</b>	<b>(788,411)</b>	<b>(771,263)</b>	<b>(38,217)</b>	<b>331,873</b>	<b>101,671</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State Appropriations	579,123	552,200	-	-	7,500
Federal and State Student Financial Aid	147,345	142,184	-	-	-
State Appropriated American Recovery and Reinvestment Act Funds	30,923	40,916	-	-	-
Investment Income	29,099	26,924	40,406	859	55,986
Net Increase in the Fair Value of Investments	16,812	40,745	174,153	20	22,762
Investment Expenses	(1,656)	(1,476)	-	-	-
Gain (Loss) on Disposal of Capital Assets	(5,331)	2,152	-	(116)	9,362
Interest on Capital Asset-Related Debt	(4,464)	(6,502)	(4,386)	(91)	(16,860)
Other Nonoperating Revenues (Expenses)	(6,389)	(3,986)	1,062	(387,141)	(61,012)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>785,462</b>	<b>793,157</b>	<b>211,235</b>	<b>(386,469)</b>	<b>17,738</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(2,949)</b>	<b>21,894</b>	<b>173,018</b>	<b>(54,596)</b>	<b>119,409</b>
Capital Appropriations	60,259	37,969	-	-	-
Capital Grants, Contracts, Donations, and Student Fees	14,890	20,172	-	-	-
Additions to Permanent Endowments	-	-	45,472	-	-
Other Revenues (Expenses)	-	-	5,130	69,965	(35,530)
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>75,149</b>	<b>58,141</b>	<b>50,602</b>	<b>69,965</b>	<b>(35,530)</b>
<b>Increase in Net Assets</b>	<b>72,200</b>	<b>80,035</b>	<b>223,620</b>	<b>15,369</b>	<b>83,879</b>
<b>Net Assets, Beginning of Year</b>	<b>2,297,097</b>	<b>2,174,361</b>	<b>1,638,564</b>	<b>169,124</b>	<b>489,871</b>
Adjustment to Beginning Net Assets (Note 2)	-	42,701	-	-	350,824
<b>Adjusted Net Assets, Beginning of Year, as Restated</b>	<b>2,297,097</b>	<b>2,217,062</b>	<b>1,638,564</b>	<b>169,124</b>	<b>840,695</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,369,297</b>	<b>\$ 2,297,097</b>	<b>\$ 1,862,184</b>	<b>\$ 184,493</b>	<b>\$ 924,574</b>

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

**STATEMENT OF CASH FLOWS** as of June 30, 2011 *(amounts expressed in thousands)*

	<b>University of Florida</b>	
	<b>2010-11</b>	<b>2009-10</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees, Net	\$ 275,625	\$ 245,014
Grants and Contracts	1,067,675	1,015,618
Sales and Services of Auxiliary Enterprises	138,584	141,071
Sales and Services of Educational Departments	45,625	42,692
Repayment of Loans and Notes Receivable from Students	6,812	6,798
Interest on Loans Receivable	2,016	860
Other Operating Receipts	1,705	964
Payments to Employees	(1,579,905)	(1,477,042)
Payments to Suppliers for Goods and Services	(498,189)	(456,700)
Payments to Students for Scholarships and Fellowships	(98,601)	(97,324)
Loans Issued to Students	(5,439)	(6,143)
Payments on Self-Insured Claims and Expenses	(19,612)	(16,809)
<b>Net Cash Used by Operating Activities</b>	<b>(663,704)</b>	<b>(601,001)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Appropriations	588,229	553,477
Federal and State Financial Aid	147,345	142,184
State Appropriated American Recovery and Reinvestment Act Funds	30,923	40,916
Direct Loan Program Receipts	230,013	212,328
Direct Loan Program Disbursements	(230,017)	(212,289)
Operating Subsidies and Transfers	3	31
Net Change in Funds Held for Others	1,187	(1,452)
Other Nonoperating Receipts	1,155	2,352
Other Nonoperating Disbursements	(7,277)	(6,582)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>761,561</b>	<b>730,965</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Capital Improvement Debt	29,796	-
Capital Appropriations	71,936	84,588
Capital Grants, Contracts, Donations, and Student Fees	15,909	48,007
Proceeds from Sales of Capital Assets	108	6,312
Purchase or Construction of Capital Assets	(187,068)	(206,627)
Principal Paid on Capital Debt and Leases	(6,297)	(10,277)
Interest Paid on Capital Debt and Leases	(4,464)	(6,502)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(80,080)</b>	<b>(84,499)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Investments	1,405,419	1,277,984
Purchase of Investments	(1,450,146)	(1,348,323)
Investment Income	27,620	25,057
<b>Net Cash Used by Investing Activities</b>	<b>(17,107)</b>	<b>(45,282)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>670</b>	<b>183</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>869</b>	<b>686</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,539</b>	<b>\$ 869</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (788,411)	\$ (771,263)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	126,568	116,264
Change in Assets and Liabilities:		
Receivables, Net	(748)	2,466
Due From State and Component Units	(890)	2,701
Inventories	224	298
Other Assets	3,508	(3,302)
Accounts Payable	(61)	10,624
Salaries and Wages Payable	(28,294)	5,316
Due to State and Component Units	586	134
Deferred Revenue	2,046	(3,501)
Deposits Held in Custody	(1,138)	17
Other Postemployment Benefits Payable	23,193	23,221
Compensated Absences Payable	8,296	8,876
Liability for Self-Insured Claims	(8,583)	7,148
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (663,704)</b>	<b>\$ (601,001)</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Unrealized gains on investments are recognized as income on the statement of revenues, expenses and changes in net assets, but are not considered a source of cash for the statement of cash flows.	\$ 16,812	
Acquisition of equipment under installment purchase agreements.	\$ 906	
Loss on disposal of capital assets.	\$ (5,331)	

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



# Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2011

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the University of Florida are described below to enhance the usefulness of the financial statements.

### A. Reporting Entity

The University of Florida 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 or incomplete. Based on the application of these criteria, the University of Florida 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.

### *B. Blended Component Unit*

Based on the application of the criteria for determining component units, the University of Florida Self-Insurance Program (the Program), combined with the University of Florida Healthcare Education Insurance Company (HEIC), are included within the University reporting entity as a blended component unit. The Program was created by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes. The HEIC was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. Although legally separate from the University of Florida, the Program's and the HEIC's sole purpose is to assist in providing liability protection for the University and its affiliated individuals and entities, and are therefore reported as if they are part of the University. See Note 16 for more details.

### *C. Discretely Presented Component Units*

Based on the application of the criteria for determining component units, certain affiliated organizations are included within the University reporting entity as discretely presented component units. The University further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Teaching Hospital and Others. 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 Note 19.

### *D. 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 the University of Florida and therefore the latest audited financial statements of these organizations are included in the financial statements of the University 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. 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:

**University of Florida Foundation, Inc.**, solicits, collects, manages, and directs contributions to the various academic departments and programs of the University, and assists the University in fund raising, public relations, and maintenance of alumni records.

**University of Florida Research Foundation, Inc.**, promotes, encourages, and assists research activities of the University through income derived from or related to the development and commercialization of intellectual properties, which include inventions, discoveries, processes, and work products.

**The University Athletic Association, Inc.**, conducts various inter-collegiate athletic programs for and on behalf of the University.

**Gator Boosters, Inc.**, supports athletic activities at the University.

**The University of Florida Law Center Association, Inc.**, supports the Levin College of Law.

**Florida Foundation Seed Producers, Inc.**, supplies Florida farmers and producers with crop seed and nursery stock. This organization stocks foundation seed of the best-known varieties acceptable to Florida climate and soils in adequate quantities and at reasonable prices.

**Florida 4-H Club Foundation, Inc.**, promotes the educational objectives of the Florida Cooperative Extension Service.

**Southwest Florida Research and Education Foundation, Inc.**, provides research and educational support to the University of Florida Southwest Florida Research and Education Center.

**Citrus Research and Education Foundation, Inc.**, expedites citrus production, propagates new plant materials, collects and analyzes environmental impact research data, and provides research and education support to the University of Florida Citrus Research and Education Center at Lake Alfred.

**Citrus Research and Development Foundation, Inc.**, was formed to advance disease and production research and product development activities to ensure the survival and competitiveness of Florida's citrus growers through innovation.

**University of Florida Leadership and Education Foundation, Inc.**, was formed to further agriculture and natural resource education and related activities, promote agriculture and natural resources leadership, and make contributions to and confer benefits upon the University.

**Treasure Coast Agricultural Research Foundation, Inc.**, supports, encourages, and fosters research, education, and extension at the Institute of Food and Agricultural Sciences of the University on issues related to the citrus industry within the Indian River region.

**University of Florida Alumni Association, Inc.**, supports activities of the alumni of the University of Florida.

**University of Florida Investment Corporation** promotes the educational purposes of the University of Florida by providing investment research, advice, counsel, and management to and for the University Board of Trustees and affiliated organizations of the University.

**UF Historic St. Augustine, Inc.**, ensures the long-term preservation and interpretation of State-owned historic properties in St. Augustine. Related transactions have been recorded in the University's accounting records, primarily for payments received per the lease agreements transferred to the University and from State Appropriations for maintenance of the historic properties. Since this direct-support organization had no separate financial transactions, it is not presented.

**University of Florida Development Corporation**, which was formed March 17, 2011, develops and maintains Innovation Square where the University-owned Florida Innovation Hub is located. This direct-support organization had no financial transactions and it is not presented.

### *E. Health Science Center Affiliates*

Several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center (JHMHC) are considered to be component units of the University of Florida. These corporations are as follows:

- **Florida Clinical Practice Association, Inc.**
- **University of Florida Jacksonville Physicians, Inc.**
- **Faculty Associates, Inc.**
- **Florida Health Professions Association, Inc.**
- **University of Florida College of Nursing Faculty Practice Association, Inc.**
- **University of Florida College of Pharmacy Faculty Practice Association, Inc.**
- **Florida Veterinary Medicine Faculty Association, Inc.**
- **University of Florida Jacksonville Healthcare, Inc.**
- **Faculty Clinic, Inc.**

The first seven corporations listed are Faculty Practice Plans, as provided for in Board of Governors' Regulation 9.017. The Faculty Practice Plans provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, and dental care to patients as an integral part of their academic activities and their

employment as faculty. Because these faculty practice activities generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the JHMHC.

University of Florida Jacksonville Healthcare, Inc., a Health Services Support Organization, as provided for in Board of Governors' Regulation 9.011, engages in strategic alliances and partnerships with non-academic entities, effecting managed care contracting and provider network development for the JHMHC. Faculty Clinic, Inc., was originally organized to operate a multi-specialty clinic. However, effective January 1, 1995, Faculty Clinic, Inc., was restructured to operate as a facilities management company.

### *F. Shands Teaching Hospital and Others*

**Shands Teaching Hospital and Clinics, Inc.** (Shands), was incorporated October 15, 1979, as a not-for-profit corporation. Shands, a major tertiary care teaching institution, is a leading referral center in the State of Florida and the southeast United States and facilitates medical education programs at the University.

Shands entered into a contractual agreement, as of July 1, 1980, as subsequently restated and amended, with the Florida Board of Education, to provide for the use of hospital facilities at the JHMHC through December 31, 2030, with renewal provisions. The contractual agreement also provides for the transfer to Shands of all other assets and liabilities arising from the operation of the hospital facilities prior to July 1, 1980. At termination of the contractual agreement, the net assets of Shands revert to the State Board of Education. Legal title to all buildings and improvements transferred to Shands remains with the State of Florida during the term of the contractual agreement. The contractual agreement provides for a 12-month grace period for any event of default, other than the bankruptcy of Shands. In addition, the contractual agreement limits the right of the State Board of Education to terminate the contractual agreement solely to the circumstance in which Shands declares bankruptcy and, in such event, requires net revenues derived from the operation of the hospital facilities to continue to be applied to the payment of Shands' debts.

Under the terms of the contractual agreement, Shands is obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the JHMHC and further agrees to contract with the State Board of Education for the provision of these programs. By operation of law, the University of Florida Board of Trustees has become the successor-in-interest to the State Board of Education.

Effective September 8, 2010, the Board of Directors of Shands approved a motion to reorganize its corporate structure. Under

the reorganization, Shands will no longer be the sole corporate member of Shands Jacksonville HealthCare, Inc. (Shands Jacksonville), and will continue as an affiliated entity under common control of the University of Florida. Pursuant to the reorganization, Shands Jacksonville is no longer consolidated with Shands effective July 1, 2010.

After reassessing its articles of incorporation and bylaws, Shands determined that it meets the definition of a governmental entity and thus adopted Governmental Accounting Standards Board (GASB) pronouncements. Previously, Shands followed Financial Accounting Standards Board (FASB) pronouncements. Beginning net assets have been restated for the adoption of GASB pronouncements. See Note 2.

**Shands Jacksonville HealthCare, Inc.** (Shands Jacksonville), is a Florida not-for-profit corporation. Shands Jacksonville was organized primarily to provide healthcare and related services to the community including the City of Jacksonville and surrounding counties, and to support the teaching and research missions of the University.

Effective September 27, 2010, the Board of Directors of Shands Jacksonville approved the motion for Shands to no longer be the sole corporate member of Shands Jacksonville. The reorganization is accounted for under the de-pooling method of accounting, and, as such, Shands Jacksonville is no longer consolidated with Shands effective July 1, 2010. Therefore, the financial position and results of operations and changes in net assets of Shands Jacksonville are reported separately from Shands.

Shands Jacksonville continues to receive management and operational services from Shands. As a part of the reorganization, Shands Jacksonville delivered a promissory note to Shands in the amount of \$42.3 million payable over 20 years in acknowledgement of historical investments in Shands Jacksonville.

After reassessing its articles of incorporation and bylaws, Shands Jacksonville determined that it meets the definition of a governmental entity and thus adopted GASB pronouncements. Previously, Shands Jacksonville followed FASB pronouncements. See Note 2.

**University Village Apartments, Inc.** (the Corporation), was established in 1969, for the purpose of providing housing for low- and moderate-income families, especially those affiliated with the University of Florida. Capital was contributed at inception by the University of Florida Foundation, Inc., but no capital stock was issued because the Corporation does not operate for the benefit of any special interest. The Corporation provides housing under Section 221(d)(3) of the National Housing Act. The facility consists of 28 two-story buildings and is regulated by the United States Department of Housing and Urban Development as to rent charges and operating

methods. The Corporation's major program is its Section 221 insured loan, which is in the repayment phase. Legal title to the property is held by the Corporation.

### *G. 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 with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and FASB. GASB allows public universities various reporting options. The University of Florida 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 entity-wide reporting including the following components:

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

### *H. Basis of Accounting*

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

The University's discretely presented component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Some follow GASB and some, such as the University of Florida Foundation, Inc., follow FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets is presented by major sources and is reported net of tuition scholarships, discounts, and allowances. Tuition scholarships, discounts, and 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 scholarships, discounts, and 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 to be 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*.

### ***I. Cash and Cash Equivalents***

The amount reported by the University as cash and cash equivalents consists of cash on hand and cash in interest earning 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 assets or other restricted assets, are classified as restricted.

### ***J. Capital Assets***

University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease, works of art and historical treasures, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value on the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property and \$250,000 for new buildings. For building improvements, the threshold is \$250,000 or less if the amount expended is at least 25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings - 20 to 50 years, depending on construction
- Infrastructure and Other Improvements - 12 to 50 years
- Furniture and Equipment - 3 to 20 years
- Property Under Capital Lease - 40 years
- Computer Software - 3 to 7 years
- Library Resources - 10 years

### ***K. Noncurrent Liabilities***

Noncurrent liabilities include principal amounts of capital improvement debt payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts 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 Other Noncurrent Assets, and are amortized over the life of the debt using the straight-line method.

### L. Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and subsequent notes hereafter.

## 2 ADJUSTMENTS TO BEGINNING NET ASSETS

During the 2010-11 fiscal year, management of Shands Teaching Hospital and Clinics, Inc. (Shands), and Shands Jacksonville HealthCare, Inc. (Shands Jacksonville), determined that they meet the definition of a governmental entity, thereby adopting GASB pronouncements. Previously, these entities followed FASB pronouncements. This change resulted in an increase to the Beginning Net Assets of \$350,824,000.

Table 1 shows the adjustment that was made to Beginning Net Assets reported in the Statement of Revenues, Expenses, and Changes in Net Assets and reflects the changes in accounting principles from FASB to GASB.

Table 1. Adjustments to Beginning Net Assets

Description	Component Units
Shands – To Increase Beginning Net Assets to Reflect the Change in Accounting Principles from FASB to GASB	\$ 307,265,000
Shands Jacksonville – To Increase Beginning Net Assets to Reflect the Change in Accounting Principles from FASB to GASB	43,559,000
<b>Total</b>	<b>\$ 350,824,000</b>

## 3 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. Investments of the University and its component units at June 30, 2011, are reported at fair value and shown in Tables 2 and 3.

### A. External Investment Pools

The University and its discretely presented component units (see Note 1) reported investments at fair value totaling \$824,895,286 and \$261,909,556, respectively, at June 30, 2011, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard and Poor's and had an effective duration of 2.13 years at June 30, 2011. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2011, the University's component units reported investments at fair value totaling \$407,701 in the Florida PRIME investment pool, administered by the SBA pursuant to Section 218.405, Florida Statutes. The investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 31 days as of June 30, 2011. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

### B. State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$1,415,349 at June 30, 2011, in the SBA Debt Service Accounts. These investments are used to make debt service payments on

Table 2. University Investments

<u>Types of Investments</u>	<u>Fair Value</u>
External Investments Pools:	
State Treasury Special Purpose Investment Account	\$ 824,895,286
State Board of Administration Debt Service Accounts	1,415,349
United States Government and Federally –	
Guaranteed Obligations	16,278,421
Repurchase Agreements	21,293,084
Stocks	516
Certificates of Deposit	750,000
Investment Agreements	100,766,404
Equity Mutual Funds	35,014,269
Bond Mutual Funds	83,925,208
<b>Total University Investments</b>	<b>\$ 1,084,338,537</b>

bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

### C. Other Investments

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, mutual funds and certificates of deposit. For the University, the majority of the other investments are those reported by the University of Florida Self-Insurance Program combined with the University of Florida Healthcare Education Insurance Company, a blended component unit (see Note 1), plus amounts invested by the University of Florida Investment Corporation for the University of Florida. For the University's discretely presented component units, other investments are those reported primarily by the University of Florida Foundation, Inc., University of Florida Research Foundation, Inc., The University Athletic Association, Inc., Florida Clinical Practice Association, Inc., Shands Jacksonville HealthCare, Inc., and Shands Teaching Hospital and Clinics, Inc. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools:

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Per the Statement of Investment Guidelines and Objectives of the University of Florida Healthcare Education Insurance Company, the weighted-average duration of the fixed income portfolio shall at all times be less than five years. Investments

Table 3. Component Units Investments

<u>Types of Investments</u>	<u>Fair Value</u>
External Investments Pools:	
State Treasury Special Purpose Investment Accounts	\$ 261,909,556
State Board of Administration Florida PRIME Investment Pool	407,701
United States Government and Federally–	
Guaranteed Obligations	4,436,406
Federal Agency Obligations	492,216
Bonds and Notes	18,978,309
Investment Agreements	1,763,183,434
Real Estate Agreements	12,856,928
Stocks	5,342,752
Certificates of Deposit	7,470,015
Money Market Funds	58,085,524
Equity Mutual Funds	55,541,148
Bond Mutual Funds	53,770,323
Commercial Paper	1,054,000
<b>Total Component Units Investments</b>	<b>\$ 2,243,528,312</b>

of the University and its component units (excluding those reporting under FASB standards) in debt securities and bond mutual funds, and their future maturities at June 30, 2011, are shown in Tables 4 and 5, respectively.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2011, the University and its component units (excluding those reporting under FASB standards) had bonds and notes, money market funds and bond mutual funds, with quality ratings by nationally recognized rating agencies (i.e., Moody's Investors Service), as shown in Tables 6 and 7, respectively.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University has no formal policy on custodial credit risk. The component units manage their custodial credit risk based on various investment policies, which may be obtained separately from the component units.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investments in a single issuer. The University has no formal policy on concentration of credit risk. The component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the component units.

Table 4. University Debt Investments Maturities

Types of Investments	Investments Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 16,278,421	\$ 4,121,257	\$ 12,157,164	\$ -	\$ -
Bond Mutual Funds	83,925,208	-	19,679,280	64,245,928	-
<b>Total University</b>	<b>\$ 100,203,629</b>	<b>\$ 4,121,257</b>	<b>\$ 31,836,444</b>	<b>\$ 64,245,928</b>	<b>\$ -</b>

Table 5. Component Units Debt Investments Maturities

Types of Investments	Investments Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 2,799,218	\$ -	\$ -	\$ 2,799,218	\$ -
Federal Agency Obligations	48,481	-	2,970	-	45,511
Bonds and Notes	16,269,124	1,540,360	10,501,152	1,394,807	2,832,805
Bond Mutual Funds	45,228,849	7,687,000	5,265,849	32,276,000	-
<b>Total Component Units</b>	<b>\$ 64,345,672</b>	<b>\$ 9,227,360</b>	<b>\$ 15,769,971</b>	<b>\$ 36,470,025</b>	<b>\$ 2,878,316</b>

Table 6. University Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Bond Mutual Funds	\$ 83,925,208	\$ 568,719	\$ 50,297,564	\$ 29,417,016	\$ 3,641,909

Table 7. Component Units Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Federal Agency Obligations	\$ 492,216	\$ 38,864	\$ 443,735	\$ -	\$ 9,617
Bonds and Notes	16,269,124	7,729,083	4,976,738	3,458,064	105,239
Money Market Funds	32,741,264	24,366,000	1,054,000	264,264	7,057,000
Bond Mutual Funds	45,228,849	-	-	-	45,228,849
<b>Total Component Units</b>	<b>\$ 94,731,453</b>	<b>\$ 32,133,947</b>	<b>\$ 6,474,473</b>	<b>\$ 3,722,328</b>	<b>\$ 52,400,705</b>

## 4 RECEIVABLES

### A. Accounts Receivable

Accounts receivable represent amounts for grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, student tuition and fees, and interest accrued on investments and loans receivable. Accounts receivable, net of an allowance for uncollectible accounts, reported as of June 30, 2011, are summarized in Table 8.

### B. 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.

### C. Allowances for Uncollectible Receivables

Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts

Table 8. Accounts Receivable

Description	Amount
Grants and Contracts	\$ 79,099,605
Sales and Services of Auxiliary Enterprises	30,010,812
Student Tuition and Fees	5,308,136
Sales and Services of Educational Departments	1,483,261
Interest	2,434,226
<b>Total Accounts Receivable, Net</b>	<b>\$ 118,336,040</b>

receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$8,547,395, which is 17.9% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$3,539,884, which is 8% of total related loans and notes receivable. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

## 5 DUE FROM STATE

This amount consists of \$79,384,879 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

## 6 DUE FROM AND TO COMPONENT UNITS/ UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2011. The University's component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Additionally, component units' due from and due to amounts include receivables and payables between the various component unit columns. Accordingly, amounts reported by the University as due from and to component units on the Statement of Net Assets may not agree with amounts reported by the component units as due from and to the University.

## 7 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 Assets.

**Merchandise Inventories** – 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 Assets and are valued at cost using either the moving average method or the first-in, first-out method.

## 8 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is presented in Table 9.

## 9 MUSEUM AND ART COLLECTIONS

The Florida Museum of Natural History, which is part of the University, maintains a depository of biological, geological, archaeological, and ethnographic materials. The Museum's collections contain approximately 32 million specimens, more than half of which are catalogued, either individually or in lots. While many of the collections are undoubtedly quite valuable and irreplaceable, the University has not placed a dollar value on these items and, accordingly, the financial statements do not include these assets.

The Samuel P. Harn Museum of Art, which is also part of the University, maintains a collection of approximately 8,300 works of art. Donations of artwork to the Museum are recorded by the University of Florida Foundation, Inc. (Foundation), and are included with reported "Permanent Collections" as further explained in Note 9 of the Foundation's audited financial statements for the fiscal year ended June 30, 2011. Purchases of artwork by the Museum are included with the University's reported "Non-depreciable Capital Assets" as presented in Table 9.

## 10 DEFERRED REVENUE

Deferred revenue includes amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Deferred revenue, as of June 30, 2011, is summarized in Table 10.

## 11 OTHER CURRENT LIABILITIES

The University maintained accounts with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the University's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30, 2011. This did not, however, represent an overdraft in the University's depository accounts.

Table 9. Capital Assets

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Total Non-depreciable Capital Assets:</b>				
Land	\$ 10,763,861	\$ -	\$ -	\$ 10,763,861
Construction in Progress	85,413,074	34,183,609	29,007,528	90,589,155
Works of Art and Historical Treasures	3,840,857	107,486	-	3,948,343
<b>Total Non-Depreciable Capital Assets</b>	<b>\$ 100,017,792</b>	<b>\$ 34,291,095</b>	<b>\$ 29,007,528</b>	<b>\$ 105,301,359</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 1,909,854,601	\$ 103,115,554	\$ 463,864	\$ 2,012,506,291
Infrastructure and Other Improvements	87,829,333	7,945,718	-	95,775,051
Furniture and Equipment	660,410,984	60,139,611	37,429,098	683,121,497
Library Resources	282,778,174	14,332,912	753,788	296,357,298
Property Under Capital Lease	9,815,002	-	-	9,815,002
Works of Art and Historical Treasures	805,120	45,249	-	850,369
Computer Software	34,812,427	497,579	272,236	35,037,770
Other Capital Assets	2,559,486	745,827	991,088	2,314,225
<b>Total Depreciable Capital Assets</b>	<b>\$ 2,988,865,127</b>	<b>\$ 186,822,450</b>	<b>\$ 39,910,074</b>	<b>\$ 3,135,777,503</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	\$ 752,232,359	\$ 62,373,802	\$ 186,113	\$ 814,420,048
Infrastructure and Other Improvements	51,688,885	3,135,659	-	54,824,544
Furniture and Equipment	417,561,786	47,493,520	30,019,806	435,035,500
Library Resources	224,966,492	11,971,330	753,789	236,184,033
Property Under Capital Lease	3,127,448	245,375	-	3,372,823
Works of Art and Historical Treasures	401,017	46,579	-	447,596
Computer Software	32,371,372	861,785	402,911	32,830,246
Other Capital Assets	938,682	440,160	707,501	671,341
<b>Total Accumulated Depreciation</b>	<b>\$ 1,483,288,041</b>	<b>\$ 126,568,210</b>	<b>\$ 32,070,120</b>	<b>\$ 1,577,786,131</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 1,505,577,086</b>	<b>\$ 60,254,240</b>	<b>\$ 7,839,954</b>	<b>\$ 1,557,991,372</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,605,594,878</b>	<b>\$ 94,545,335</b>	<b>\$ 36,847,482</b>	<b>\$ 1,663,292,731</b>

Table 10. Deferred Revenue

Description	Amount
Grants and Contracts	\$ 18,787,045
Sales and Services of Auxiliary Enterprises	7,150,040
Capital Appropriations	3,021,361
<b>Total Deferred Revenue</b>	<b>\$ 28,958,446</b>

## 12 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2011, include capital improvement debt payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other noncurrent liabilities.

Long-term liability activity for the fiscal year ended June 30, 2011, is presented in Table 11.

### A. Capital Improvement Debt Payable

A summary of the University's capital improvement debt payable at June 30, 2011, appears in Table 12.

Student housing and parking garage capital improvement debt was issued to construct student housing facilities and parking garages. The outstanding debt, which includes both term and serial bonds, is secured by a pledge of a portion of housing rental revenues and parking fees.

On March 31, 2011, the Florida Board of Governors, on behalf of the University, issued \$29,838,000 of University of Florida Revenue Bonds, Series 2011. The proceeds of \$29,795,952, net of \$42,048 for costs of issuance, will be used to partially finance the construction of a Clinical Translational Research Building. The outstanding debt is secured by a pledge of a portion of indirect costs revenues received by the College of Medicine.

The Clinical Translational Research Building will be built on the campus of the University. The project will consist of a facility of approximately 120,000 square feet, with space to house the Clinical Translational Science Institute headquarters, the UF Institute on Aging, and several clinical research projects.

Table 11. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Capital Asset-Related Debt:</b>					
Capital Improvement Debt Payable	\$ 79,164,111	\$ 29,838,000	\$ 4,495,157	\$ 104,506,954	\$ 5,193,000
Installment Purchase Agreements Payable	2,553,610	905,628	1,389,524	2,069,714	977,590
Capital Leases Payable	3,417,147	-	106,760	3,310,387	113,647
<b>Total Capital Asset-Related Debt</b>	<b>85,134,868</b>	<b>30,743,628</b>	<b>5,991,441</b>	<b>109,887,055</b>	<b>6,284,237</b>
<b>Other Long-Term Liabilities:</b>					
Compensated Absences Payable	169,634,994	110,191,099	101,894,735	177,931,358	11,860,146
Other Postemployment Benefits Payable	42,869,000	33,220,000	10,027,000	66,062,000	-
Liability for Self-Insured Claims	106,990,118	8,016,453	16,598,980	98,407,591	16,120,400
Other Noncurrent Liabilities	19,720,934	-	296,276	19,424,658	-
<b>Total Long-Term Liabilities</b>	<b>\$ 424,349,914</b>	<b>\$ 182,171,180</b>	<b>\$ 134,808,432</b>	<b>\$ 471,712,662</b>	<b>\$ 34,264,783</b>

Remaining funding for the project, with an estimated cost of \$44,700,000, will be provided by a grant from the National Institutes of Health.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2011, appear in Table 13.

### B. Installment Purchase Agreements Payable

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$7,299,548. The stated interest rates ranged from 1.62% to 10.74%. Future minimum payments remaining under installment purchase agreements as of June 30, 2011, appear in Table 14.

### C. Capital Leases Payable

On June 8, 1994, the former Board of Regents, on behalf of the University of Florida, entered into a lease agreement with the University of Florida Foundation, Inc. (the Foundation), a direct-support organization (component unit) of the University. Under the terms of the agreement, the University agreed to lease from the Foundation a 607-space parking garage (the garage) located near the Health Science Center Administrative Offices for a period of thirty years beginning July 1, 1994. Lease payments of \$100,000 annually are due each July 1. The garage was simultaneously acquired by the Foundation from Shands Teaching Hospital and Clinics, Inc. (Shands), also a component unit, and financed by the Foundation through the issuance of a promissory note secured by a non-recourse mortgage containing payment terms similar to those in the lease agreement between the Foundation and the University. Lease payments from the University to the Foundation and from the Foundation to Shands were based on an original construction cost of \$3,000,000 and no interest. For reporting purposes, the lease is considered a capital lease under Financial Accounting

Standards Board (FASB) Statement No. 13, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$1,382,470. The asset, which is included in reported Property Under Capital Lease, was recorded at cost to Shands of \$3,000,000.

On March 1, 2000, the University, acting for and on behalf of the former Board of Regents, entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Annual lease payments of \$227,167 are due each May 1, beginning May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under FASB Statement No. 13, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$2,981,939. The asset, which is included in reported Property Under Capital Lease, was recorded at cost to Shands of \$6,815,002. A summary of pertinent information related to the two capital leases appears in Table 15.

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2011, are presented in Table 16.

### D. Compensated Absences Payable

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University Regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State Appropriations fund only the portion of accrued leave that is used or paid in the current fiscal

Table 12. Capital Improvement Debt Payable

Type and Series	Amount of Original Issue	Amount Outstanding		Interest Rates (Percent)	Maturity Date
		Principal	Interest		
<b>Student Housing Auxiliary Debt:</b>					
1984 Housing	\$ 3,500,000	\$ 525,000	\$ 31,800	3.000%	2014
1998 Housing	26,155,000	16,595,000	6,545,150	4.500 to 5.000%	2028
2005A Housing	37,610,000	33,115,000	16,955,013	4.000 to 5.125%	2030
<b>Total Student Housing Debt</b>	<b>67,265,000</b>	<b>50,235,000</b>	<b>23,531,963</b>		
<b>Parking Garage Auxiliary Debt:</b>					
1993 Parking Garage	19,545,000	2,315,000	177,375	5.000%	2014
1998 Parking Garage	10,000,000	5,205,000	1,039,043	4.375 to 4.750%	2019
2007A Parking Garage	20,770,000	18,565,000	7,268,340	3.500 to 4.375%	2028
<b>Total Parking Garage Debt</b>	<b>50,315,000</b>	<b>26,085,000</b>	<b>8,484,758</b>		
<b>University of Florida Revenue Bonds:</b>					
2011 Clinical Translational Research Building	29,838,000	29,838,000	14,616,598	4.433%	2030
Less: Unamortized Discounts	-	(530,735)	-		
Less: Unamortized Refunding Losses	-	(1,120,311)	-		
<b>Total Capital Improvement Debt</b>	<b>\$ 147,418,000</b>	<b>\$ 104,506,954</b>	<b>\$ 46,633,319</b>		

Table 13. Capital Improvement Debt Outstanding

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 5,193,000	\$ 4,803,275	\$ 9,996,275
2013	5,964,000	4,550,440	10,514,440
2014	6,232,000	4,284,560	10,516,560
2015	5,510,000	4,018,610	9,528,610
2016	5,734,000	3,779,522	9,513,522
2017-2021	29,196,000	14,814,489	44,010,489
2022-2026	27,529,000	8,314,571	35,843,571
2027-2031	20,800,000	2,067,852	22,867,852
<b>Total Principal &amp; Interest</b>	<b>106,158,000</b>	<b>46,633,319</b>	<b>152,791,319</b>
Less: Unamortized Discount	(530,735)	-	(530,735)
Less: Unamortized Refunding Losses	(1,120,311)	-	(1,120,311)
<b>Total</b>	<b>\$ 104,506,954</b>	<b>\$ 46,633,319</b>	<b>\$ 151,140,273</b>

Table 14. Installment Purchase Agreements

Fiscal Year Ending June 30	Principal	Interest	Total
2012	\$ 977,590	\$ 48,843	\$ 1,026,433
2013	600,329	22,230	622,559
2014	361,534	8,237	369,771
2015	105,108	2,421	107,529
2016	25,153	158	25,311
<b>Total Minimum Payments</b>	<b>\$ 2,069,714</b>	<b>\$ 81,889</b>	<b>\$ 2,151,603</b>

Table 15. Capital Leases Payable

Capital Leases	Interest Rate	Original Balance	Outstanding Balance At June 30, 2011
Shands Garage (607 spaces)	6.45%	\$ 1,382,470	\$ 862,454
Shands Garage (800 spaces)	6.45%	2,981,939	2,447,933
<b>Total</b>		<b>\$ 4,364,409</b>	<b>\$ 3,310,387</b>

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, 2011, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$177,931,358. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

### E. Other Postemployment Benefits Payable

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

Table 16. Capital Leases Principal &amp; Interest

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 113,647	\$ 213,520	\$ 327,167
2013	120,977	206,190	327,167
2014	128,780	198,387	327,167
2015	137,086	190,080	327,166
2016	145,929	181,238	327,167
2017-2021	883,573	752,261	1,635,834
2022-2026	1,001,282	434,552	1,435,834
2027-2030	779,113	129,554	908,667
<b>Total</b>	<b>\$ 3,310,387</b>	<b>\$ 2,305,782</b>	<b>\$ 5,616,169</b>

**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 2010-11 fiscal year, 2,513 retirees received postemployment benefits. The University provided required contributions of \$10,027,000 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 \$13,974,000.

**Annual OPEB Cost and Net OPEB Obligation.** The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 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. Table 17 shows the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation.

Table 17. Annual OPEB Cost and Net OPEB Obligation

<b>Description</b>	<b>Amount</b>
Normal Cost (Service Cost for One Year)	\$ 15,627,000
Amortization of Unfunded Actuarial Accrued Liability	16,040,000
Interest on Normal Cost and Amortization	<u>1,267,000</u>
<b>Annual Required Contribution</b>	<b>32,934,000</b>
Interest on Net OPEB Obligation	1,715,000
Adjustment to Annual Required Contribution	<u>(1,429,000)</u>
<b>Annual OPEB Cost (Expense)</b>	<b>33,220,000</b>
Contribution Toward the OPEB Cost	<u>(10,027,000)</u>
<b>Increase in Net OPEB Obligation</b>	<b>23,193,000</b>
Net OPEB Obligation, Beginning of Year	<u>42,869,000</u>
<b>Net OPEB Obligation, End of Year</b>	<b>\$ 66,062,000</b>

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, 2011, and for the two preceding years, are presented in Table 18.

**Funded Status and Funding Progress.** As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$455,677,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$455,677,000. The covered payroll (annual payroll of active participating employees) was \$963,840,468 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 47.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the 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

**Table 18. Annual OPEB Cost, Percentage Contributed, and Net Obligation**

<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2008-09	\$ 16,208,000	41.4%	\$ 19,648,000
2009-10	31,555,000	26.4%	42,869,000
2010-11	33,220,000	30.2%	66,062,000

assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the University's estimated 2010-11 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4% per year. Healthcare cost trend rates were 9.02%, 9.47%, and 9.62% for the current and two previous years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and were 7.11%, 10.5%, and 10.5% for the current and two previous years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.6% in the fourth year grading identically to 5.1% 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, 2011, was 26 years.

## 13 INTERDEPARTMENTAL AUXILIARY SALES

Interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from expenses and revenues for reporting purposes. The interdepartmental transactions eliminated in the financial statement preparation totaled \$106,426,256 for the fiscal year ended June 30, 2011.

## 14 RETIREMENT PROGRAMS

### A. Florida Retirement System

Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida

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

Employees in the Plan vest at 6 years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers. Employer contribution rates (none from employees) during the 2010-11 fiscal year are presented in Table 19.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$34,080,768, \$33,580,957, and \$38,823,505, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions

Table 19. Florida Retirement System Rates

<b>Class</b>	<b>Percent of Gross Salary (A)</b>
Florida Retirement System, Regular	10.77%
Florida Retirement System, Senior Management Service	14.57%
Florida Retirement System, Special Risk	23.25%
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	12.25%
Florida Retirement System, Reemployed Retiree	(B)

(A) Employer rates for each membership class include 1.11% for the post-employment health insurance subsidy and, except for DROP participants, 0.03% for administrative costs of the Public Employee Optional Retirement Program.

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

and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 1,530 University participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$6,410,097.

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.

### ***B. State University System Optional Retirement Program***

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

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

There were 5,481 University participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$57,287,834 and employee contributions totaled \$23,347,442.

### ***C. Institute of Food and Agricultural Sciences Supplemental Retirement***

In 1984, the Florida Legislature enacted the Institute of Food and Agricultural Sciences Supplemental Retirement Act to provide a supplement to the monthly retirement benefit being paid under the Federal Civil Service Retirement System to retirees of the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida. The supplement is designated for IFAS cooperative extension employees employed before July 1, 1983, who are not entitled to benefits from either a State-supported retirement system or social security based on their service with IFAS. It was intended to compensate these IFAS employees for the difference between their Civil Service benefit and the benefits an FRS member receives, which include a social security benefit. No additional persons can become eligible for this supplement.

There were 40 University participants during the 2010-11 fiscal year. Required employer contributions made to the program totaled \$655,383. Employees do not contribute to this program.

### ***D. Other Retirement Programs***

Some University employees participate in the Florida Teachers' Retirement System and the U.S. Civil Service Retirement System. Two employees were covered by the Florida Teachers' Retirement System during the 2010-11 fiscal year. Employer contributions totaled \$18,798, and employee contributions totaled \$8,722. Forty-six employees were covered by the U.S. Civil Service Retirement System during the 2010-11 fiscal year. Employer contributions totaled \$283,959, and employee contributions totaled \$280,349.

## **15**

## **CONSTRUCTION COMMITMENTS**

The University's construction commitments at June 30, 2011, are presented in Table 20.

Table 20. Construction Commitments

<b>Project Title</b>	<b>Total Commitment</b>	<b>Completed to Date</b>	<b>Balance Committed</b>
Veterinary Education & Clinical Research Center	\$ 49,496,446	\$ 14,925,475	\$ 34,570,971
Lake Nona Research Facility	39,018,118	10,808,411	28,209,707
Clinical Translational Research Building/Institute on Aging Research Building	31,729,488	2,287,865	29,441,623
Cellulosic Ethanol Plant	20,038,685	9,926,712	10,111,973
East Campus Data Center	12,000,000	231,152	11,768,848
College of Engineering Renovations	11,725,000	5,632,704	6,092,296
Harn Museum Asian Art Wing	10,358,686	8,736,984	1,621,702
Florida Innovation Hub at UF	9,628,552	7,035,612	2,592,940
PK Yonge Developmental School Phase 1	8,537,780	1,638,018	6,899,762
Chemistry Biology Building	7,622,231	4,908,246	2,713,985
McCarty Chiller Loop Retrofit	6,191,429	5,458,675	732,754
IFAS Professional Development Center	5,012,000	1,747,417	3,264,583
Corry Village Utilities Infrastructure Improvement	4,187,400	3,139,148	1,048,252
Sun Terrace Expansion	3,660,000	2,651,451	1,008,549
Shands-Jacksonville University Dialysis Center Building Renovation	3,472,997	279,630	3,193,367
Tropical Research & Education Center Phase I – Homestead	3,314,400	252	3,314,148
Movement Disorders Center	3,306,605	2,389,610	916,995
Corry Village Commons Replacement	3,000,000	130,151	2,869,849
Refurbish Boilers #4 and #5 at Rabon Plant	2,100,541	940,961	1,159,580
Joint Use Library Storage Facility	2,017,512	3,025	2,014,487
Health Science Center Lobby Upgrades	1,852,578	104,286	1,748,292
SCADA (Steam Piping) Infrastructure - Campus	1,834,968	572,401	1,262,567
Evaluate and Optimize Condenser Pump	1,545,000	17,785	1,527,215
Conference Center at Plant Science Research Center - Citra	1,477,666	48,000	1,429,666
Plant Pathology Diagnostics Laboratory	1,400,000	10,322	1,389,678
McCarty Hall A - Third Floor Laboratory Renovations	1,368,810	229	1,368,581
Addition to Environmental Health & Safety Administration Building	1,330,000	228,981	1,101,019
Law School Second Floor Build-Out	1,243,922	610,192	633,730
Communicore Lecture Hall Air-Handling Upgrade	1,027,844	513,604	514,240
<b>Subtotal</b>	<b>\$ 249,498,658</b>	<b>\$ 84,977,299</b>	<b>\$ 164,521,359</b>
Projects Under \$1,000,000	36,619,451	5,611,856	31,007,595
<b>Total</b>	<b>\$ 286,118,109</b>	<b>\$ 90,589,155</b>	<b>\$ 195,528,954</b>

## 16

RISK MANAGEMENT  
PROGRAMS

## A. State Self-Insurance 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 2010-11 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$58.75 million for named wind and flood losses through February 14, 2011, and increased to \$61 million starting February 15, 2011. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200

million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage. All losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. There have been no significant reductions in insurance coverage from the prior year coverage. 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's 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.

### *B. University Self-Insurance Programs*

The University of Florida Self-Insurance Program was reestablished by the Florida Board of Governors effective July 1, 2006, by amending Board of Governors' Regulation 10.001, merging the then JHMHC Self-Insurance Program and the prior University of Florida JHMHC/Jacksonville Self-Insurance Program. The Self-Insurance Program provides general and professional liability protection for the University on behalf of the six health colleges of the JHMHC, which also include the Student Health Service Auxiliary, the Veterinary Medicine Teaching Hospital, and the University of Florida Proton Therapy Institute. Hospital professional liability protection, including patient general liability, is provided to Shands Teaching Hospital and Clinics, Inc.; Shands Jacksonville HealthCare, Inc.; and other statutorily permitted entities, which voluntarily participate in the Self-Insurance Program. The University is protected for losses, which are subject to Section 768.28, Florida Statutes, including legislative claims bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1 million per claim. The Self-Insurance Program provides \$2 million per-claim protection for the participants which are not subject to the provisions of Section 768.28, Florida Statutes. The per-claim limit of liability protection for the participants does not exceed \$2 million per claim in the event more than one protected entity is involved in the same claim or action.

Pursuant to Board of Governors' Regulation 10.001(2), the University of Florida Self-Insurance Program Council has created the University of Florida Healthcare Education Insurance Company (HEIC), a captive insurance company which is wholly owned by the Board of Governors and domiciled in the State of Vermont. HEIC is managed by a Board of Directors created by the Board of Governors. HEIC provides coverage for claims that are in excess of the protections afforded by the University of Florida Self-Insurance Program, at limits of \$4 million per-legislative claims bill coverage for insured participants subject to Section 768.28, Florida Statutes, and \$3 million per claim for voluntary settlements entered into by the Self-Insurance Program Council and insured participants that are not subject to Section 768.28, Florida Statutes. HEIC provides additional limits of liability coverage of \$50 million per claim and in the aggregate, which is in excess of the coverages described above. The excess insurance is paid to claimants on a first-come, first-serve basis.

Claims settlement and adjustment expenses are accrued as expenses and liabilities of the University of Florida Self-Insurance Program and University of Florida Healthcare Education Insurance Company, for the estimated settlement value of claims that is reported as a "Liability for Self-Insured Claims." The estimated settlement value of claims was determined based on the judgment and experience of management and the Self-Insurance Program Council through a case-by-case review. Estimated losses from incurred but unreported incidents are accrued based upon the findings of casualty actuaries.

The amount of "Liability for Self-Insured Claims" accrued for the Self-Insurance Program at June 30, 2011, was \$98,407,591 for compensatory losses and for allocated expenses. The "Liability for Self-Insured Claims" was accrued at an undiscounted present value.

The aggregate amount of claims liabilities for which annuity contracts have been purchased in the claimants' names, resulting in the removal of the related liabilities from the Statement of Net Assets, totals \$493,437 for the Self-Insurance Program at June 30, 2011. These annuities have been assigned to third parties, and all claimants have fully and completely released the Self-Insurance Program participants from all actual and contingent liability.

Changes in the balances of claims liabilities for the Self-Insurance Program and HEIC during the 2009-10 and 2010-11 fiscal years are presented in Table 21.

## 17

## LITIGATION AND CONTINGENCIES

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

The United States Department of Health and Human Services' and National Science Foundation's Offices of Inspector General, with the United States Department of Justice (civil division), are investigating the University's practices relating to Federal awards finances and accounting. University management is unable to make a determination of the outcome or estimate costs that the University may incur as a result of this audit.

Table 21. Liability for Self-Insured Claims

<u>Fiscal Year</u>	<u>Claims Liabilities Beginning of Year</u>	<u>Current Claims/Changes in Estimates</u>	<u>Claims Payments</u>	<u>Claims Liabilities End of Year</u>
2009-10	\$ 99,842,064	\$ 23,956,862	\$ (16,808,808)	\$ 106,990,118
2010-11	106,990,118	8,016,453	(16,598,980)	98,407,591

## 18 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 those departments consists of instructional program elements, all expenses of those departments are reported under the instruction classification. The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented by natural classifications. Table 22 presents those same expenses in functional classifications as recommended by NACUBO.

Table 22. Functional Expenses

<u>Functional Classifications</u>	<u>Amount (in thousands)</u>
Instruction	\$ 662,259
Research	556,767
Public Service	359,646
Academic Support	149,471
Depreciation	126,568
Auxiliary Operations	124,036
Institutional Support	122,681
Operation and Maintenance of Plant	107,698
Scholarships, Fellowships and Waivers, Net	75,934
Student Services	36,098
<b>Total Operating Expenses</b>	<b>\$ 2,321,158</b>

## 19 COMPONENT UNITS

The University has 28 component units (two of which are not presented) as discussed in Note 1. These component units comprise 100% of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 23, 24, and 25.

## 20 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. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Department of Housing and Residence Education provides safe and affordable living space for students of the University of Florida. Capital improvement debt has been issued over the years to provide funding for the construction of facilities to house students of the University. A summary of the financial activity for these segments is presented in Table 26.

Table 23. Direct-Support Organizations *(amounts expressed in thousands)*

	University of Florida Foundation, Inc. 6/30/2011	University of Florida Research Foundation, Inc. 6/30/2011	The University Athletic Association, Inc. 6/30/2011	Gator Boosters, Inc. 6/30/2011	The University of Florida Law Center Association, Inc. 6/30/2011	Florida Foundation Seed Producers, Inc. 6/30/2011
<b>CONDENSED STATEMENT OF NET ASSETS</b>						
<b>Assets</b>						
Due from Component Units/University	\$ -	\$ -	\$ 657	\$ 3,294	\$ 4,901	\$ -
Other Current Assets	101,776	159,893	60,101	3,250	1,838	5,278
Capital Assets, Net	68,122	-	164,548	18	-	969
Other Noncurrent Assets	<u>1,541,308</u>	<u>543</u>	<u>47,919</u>	<u>410</u>	<u>7</u>	<u>-</u>
<b>Total Assets</b>	<u>1,711,206</u>	<u>160,436</u>	<u>273,225</u>	<u>6,972</u>	<u>6,746</u>	<u>6,247</u>
<b>Liabilities</b>						
Due to Component Units/University	18,779	12,271	67	5,689	-	2,386
Other Current Liabilities	26,384	25,680	66,996	111	16	98
Noncurrent Liabilities	<u>33,692</u>	<u>30,100</u>	<u>88,065</u>	<u>209</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>78,855</u>	<u>68,051</u>	<u>155,128</u>	<u>6,009</u>	<u>16</u>	<u>2,484</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	19,049	-	84,348	18	-	969
Restricted-Nonexpendable Endowment	1,082,798	-	-	409	2,043	-
Restricted-Expendable Endowment	261,581	-	-	-	-	-
Restricted-Other	273,945	-	143	-	3,548	-
Unrestricted	<u>(5,022)</u>	<u>92,385</u>	<u>33,606</u>	<u>536</u>	<u>1,139</u>	<u>2,794</u>
<b>Total Net Assets</b>	<u>\$ 1,632,351</u>	<u>\$ 92,385</u>	<u>\$ 118,097</u>	<u>\$ 963</u>	<u>\$ 6,730</u>	<u>\$ 3,763</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>						
Operating Revenues	\$ 81,022	\$ 34,533	\$ 71,954	\$ 38,782	\$ 762	\$ 1,524
Operating Expenses	<u>(124,926)</u>	<u>(31,571)</u>	<u>(103,697)</u>	<u>(2,624)</u>	<u>(783)</u>	<u>(1,428)</u>
Operating Income (Loss)	(43,904)	2,962	(31,743)	36,158	(21)	96
<b>Nonoperating Revenues (Expenses)</b>						
Investment Income	33,910	2,993	1,366	1,293	674	27
Net Increase in the Fair Value of Investments	157,541	8,852	7,760	-	-	-
Addition to Permanent Endowments	45,462	-	-	10	-	-
Other	4,884	(1,000)	(7,312)	-	(2)	-
Transfers from/(to) Component Units	<u>(2,300)</u>	<u>-</u>	<u>39,986</u>	<u>(37,511)</u>	<u>94</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>195,593</u>	<u>13,807</u>	<u>10,057</u>	<u>(50)</u>	<u>745</u>	<u>123</u>
Net Assets, Beginning of Year	1,436,758	78,578	108,040	1,013	5,985	3,640
Adjustments to Beginning Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, Beginning of Year, as Restated	<u>1,436,758</u>	<u>78,578</u>	<u>108,040</u>	<u>1,013</u>	<u>5,985</u>	<u>3,640</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,632,351</u>	<u>\$ 92,385</u>	<u>\$ 118,097</u>	<u>\$ 963</u>	<u>\$ 6,730</u>	<u>\$ 3,763</u>

	Florida 4-H Club Foundation, Inc. 3/31/2011	Southwest Florida Research and Education Foundation, Inc. 6/30/2011	Citrus Research and Education Foundation, Inc. 6/30/2011	Citrus Research and Development Foundation, Inc. 6/30/2011	University of Florida Leadership and Education Foundation, Inc. 12/31/2010	Treasure Coast Agricultural Research Foundation, Inc. 6/30/2011	University of Florida Alumni Association, Inc. 6/30/2011	University of Florida Investment Corporation 6/30/2011	Total Direct Support Organizations
	\$ -	\$ -	\$ 54	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,906
	745	56	1,012	6,744	1,689	453	-	1,106	343,941
	-	86	55	-	-	-	-	103	233,901
	1,344	-	-	102	-	-	-	346	1,591,979
	<u>2,089</u>	<u>142</u>	<u>1,121</u>	<u>6,846</u>	<u>1,689</u>	<u>453</u>	<u>-</u>	<u>1,555</u>	<u>2,178,727</u>
	-	-	-	-	-	-	-	-	39,192
	140	1	37	3,794	1,034	-	-	608	124,899
	-	-	-	-	-	-	-	386	152,452
	<u>140</u>	<u>1</u>	<u>37</u>	<u>3,794</u>	<u>1,034</u>	<u>-</u>	<u>-</u>	<u>994</u>	<u>316,543</u>
	-	86	-	2,925	-	-	-	-	107,395
	253	-	-	-	-	-	-	-	1,085,503
	-	-	-	-	-	-	-	-	261,581
	1,090	-	-	-	-	-	-	-	278,726
	606	55	1,084	127	655	453	-	561	128,979
	<u>\$ 1,949</u>	<u>\$ 141</u>	<u>\$ 1,084</u>	<u>\$ 3,052</u>	<u>\$ 655</u>	<u>\$ 453</u>	<u>\$ -</u>	<u>\$ 561</u>	<u>\$ 1,862,184</u>
	\$ 1,581	\$ 75	\$ 873	\$ 11,931	\$ 3,358	\$ -	\$ 1,975	\$ -	\$ 248,370
	(1,910)	(80)	(616)	(9,007)	(3,301)	(5)	(4,480)	(2,159)	(286,587)
	(329)	(5)	257	2,924	57	(5)	(2,505)	(2,159)	(38,217)
	110	-	7	21	2	-	-	3	40,406
	-	-	-	-	-	-	-	-	174,153
	-	-	-	-	-	-	-	-	45,472
	106	-	-	-	-	-	-	-	(3,324)
	-	-	-	-	-	-	2,505	2,356	5,130
	<u>(113)</u>	<u>(5)</u>	<u>264</u>	<u>2,945</u>	<u>59</u>	<u>(5)</u>	<u>-</u>	<u>200</u>	<u>223,620</u>
	2,062	146	820	107	596	458	-	361	1,638,564
	-	-	-	-	-	-	-	-	-
	<u>2,062</u>	<u>146</u>	<u>820</u>	<u>107</u>	<u>596</u>	<u>458</u>	<u>-</u>	<u>361</u>	<u>1,638,564</u>
	<u>\$ 1,949</u>	<u>\$ 141</u>	<u>\$ 1,084</u>	<u>\$ 3,052</u>	<u>\$ 655</u>	<u>\$ 453</u>	<u>\$ -</u>	<u>\$ 561</u>	<u>\$ 1,862,184</u>

Table 24. Health Science Center Affiliates *(amounts expressed in thousands)*

	<b>Florida Clinical Practice Association, Inc. 6/30/11</b>	<b>University of Florida Jacksonville Physicians, Inc. 6/30/11</b>	<b>Faculty Associates, Inc. 6/30/11</b>
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
<b>Assets</b>			
Due from Component Units/University	\$ 2,099	\$ 1,957	\$ -
Other Current Assets	83,866	59,492	3,421
Capital Assets, Net	9,486	15,404	-
Other Noncurrent Assets	26,173	94	-
<b>Total Assets</b>	<b>121,624</b>	<b>76,947</b>	<b>3,421</b>
<b>Liabilities</b>			
Due to Component Units/University	-	4,974	-
Other Current Liabilities	11,489	14,076	429
Noncurrent Liabilities	-	7,990	-
<b>Total Liabilities</b>	<b>11,489</b>	<b>27,040</b>	<b>429</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	9,486	6,804	-
Restricted	-	-	-
Unrestricted	100,649	43,103	2,992
<b>Total Net Assets</b>	<b>\$ 110,135</b>	<b>\$ 49,907</b>	<b>\$ 2,992</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>			
Operating Revenues	\$ 314,099	\$ 187,029	\$ 14,895
Operating Expenses	(81,240)	(86,223)	(201)
<b>Operating Income (Loss)</b>	<b>232,859</b>	<b>100,806</b>	<b>14,694</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment Income	736	92	4
Net Increase in the Fair Value of Investments	-	-	-
Other	(261,408)	(101,978)	(15,400)
Transfers from/(to) Component Units	28,349	13,386	-
<b>Change in Net Assets</b>	<b>536</b>	<b>12,306</b>	<b>(702)</b>
Net Assets, Beginning of Year	109,599	37,601	3,694
Adjustments to Beginning Net Assets	-	-	-
<b>Net Assets, Beginning of Year, as Restated</b>	<b>109,599</b>	<b>37,601</b>	<b>3,694</b>
<b>Net Assets, End of Year</b>	<b>\$ 110,135</b>	<b>\$ 49,907</b>	<b>\$ 2,992</b>

Florida Health Professions Association, Inc. 6/30/11	University of Florida College of Nursing Faculty Practice Association, Inc. 6/30/11	University of Florida College of Pharmacy Faculty Practice Association, Inc. 6/30/11	Florida Veterinary Medicine Faculty Association, Inc. 6/30/11	University of Florida Jacksonville Healthcare, Inc. 6/30/11	Faculty Clinic, Inc. 6/30/11	Total Health Science Center Affiliates
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ 4,071
6,056	4,161	1,415	8,324	305	1,540	168,580
-	822	-	-	4,423	3,688	33,823
-	-	18	-	-	1,570	27,855
<u>6,056</u>	<u>4,983</u>	<u>1,433</u>	<u>8,324</u>	<u>4,728</u>	<u>6,813</u>	<u>234,329</u>
-	-	-	-	1,785	16	6,775
115	-	367	27	2,574	527	29,604
867	-	-	-	-	4,600	13,457
<u>982</u>	<u>-</u>	<u>367</u>	<u>27</u>	<u>4,359</u>	<u>5,143</u>	<u>49,836</u>
-	822	-	-	4,423	(1,311)	20,224
-	-	20	-	-	1,500	1,520
<u>5,074</u>	<u>4,161</u>	<u>1,046</u>	<u>8,297</u>	<u>(4,054)</u>	<u>1,481</u>	<u>162,749</u>
<b><u>\$ 5,074</u></b>	<b><u>\$ 4,983</u></b>	<b><u>\$ 1,066</u></b>	<b><u>\$ 8,297</u></b>	<b><u>\$ 369</u></b>	<b><u>\$ 1,670</u></b>	<b><u>\$ 184,493</u></b>
\$ 5,963	\$ 574	\$ 1,694	\$ 5,821	\$ 290	\$ 368	\$ 530,733
(41)	(48)	(1,546)	(336)	(27,888)	(1,337)	(198,860)
5,922	526	148	5,485	(27,598)	(969)	331,873
-	10	1	10	-	6	859
-	-	20	-	-	-	20
(4,737)	3	-	(3,707)	(9)	(112)	(387,348)
-	(500)	-	-	27,607	1,123	69,965
<u>1,185</u>	<u>39</u>	<u>169</u>	<u>1,788</u>	<u>-</u>	<u>48</u>	<u>15,369</u>
3,889	4,944	897	6,509	369	1,622	169,124
-	-	-	-	-	-	-
<u>3,889</u>	<u>4,944</u>	<u>897</u>	<u>6,509</u>	<u>369</u>	<u>1,622</u>	<u>169,124</u>
<b><u>\$ 5,074</u></b>	<b><u>\$ 4,983</u></b>	<b><u>\$ 1,066</u></b>	<b><u>\$ 8,297</u></b>	<b><u>\$ 369</u></b>	<b><u>\$ 1,670</u></b>	<b><u>\$ 184,493</u></b>

Table 25. Shands Teaching Hospital and Others (amounts expressed in thousands)

	Shands Teaching Hospital & Clinics, Inc. 6/30/2011	Shands Jacksonville HealthCare, Inc. 6/30/2011	University Village Apartments, Inc. 6/30/2011	Total Shands Teaching Hospital and Others
<b>CONDENSED STATEMENT OF NET ASSETS</b>				
Assets				
Due from Component Units/University	\$ 3,368	\$ -	\$ 44	\$ 3,412
Other Current Assets	307,333	220,111	95	527,539
Capital Assets, Net	732,468	161,359	380	894,207
Other Noncurrent Assets	399,410	37,252	389	437,051
<b>Total Assets</b>	<b>1,442,579</b>	<b>418,722</b>	<b>908</b>	<b>1,862,209</b>
Liabilities				
Due to Component Units/University	5,566	-	-	5,566
Other Current Liabilities	188,674	92,411	661	281,746
Noncurrent Liabilities	517,368	132,922	33	650,323
<b>Total Liabilities</b>	<b>711,608</b>	<b>225,333</b>	<b>694</b>	<b>937,635</b>
Net Assets				
Invested in Capital Assets, Net of Related Debt	233,936	69,388	220	303,544
Restricted-Nonexpendable Endowment	97	-	-	97
Restricted-Other	5,684	3,006	-	8,690
Unrestricted	491,254	120,995	(6)	612,243
<b>Total Net Assets</b>	<b>\$ 730,971</b>	<b>\$ 193,389</b>	<b>\$ 214</b>	<b>\$ 924,574</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>				
Operating Revenues	\$ 977,727	\$ 526,581	\$ 1,400	\$ 1,505,708
Operating Expenses	(903,136)	(499,285)	(1,616)	(1,404,037)
<b>Operating Income (Loss)</b>	<b>74,591</b>	<b>27,296</b>	<b>(216)</b>	<b>101,671</b>
Nonoperating Revenues (Expenses)				
Investment Income	53,938	2,047	1	55,986
Net Increase in the Fair Value of Investments	22,762	-	-	22,762
Other	5,770	(66,773)	(7)	(61,010)
Transfers from/(to) Component Units	(35,425)	(105)	-	(35,530)
<b>Change in Net Assets</b>	<b>121,636</b>	<b>(37,535)</b>	<b>(222)</b>	<b>83,879</b>
Net Assets, Beginning of Year*	302,070	187,365	436	489,871
Adjustments to Beginning Net Assets	307,265	43,559	-	350,824
Net Assets, Beginning of Year, as Restated	609,335	230,924	436	840,695
<b>Net Assets, End of Year</b>	<b>\$ 730,971</b>	<b>\$ 193,389</b>	<b>\$ 214</b>	<b>\$ 924,574</b>

\*The Beginning Net Assets for Shands Teaching Hospital and Clinics, Inc., of \$302,070 combined with the Beginning Net Assets for Shands Jacksonville HealthCare, Inc., of \$187,365 equals \$489,435, which was the consolidated Ending Net Assets reported as of June 30, 2010.

Table 26. Segment Information

	<b>Transportation and Parking Services</b>	<b>Department of Housing and Residence Education</b>
<b>CONDENSED STATEMENT OF NET ASSETS</b>		
Assets		
Current Assets	\$ 7,980,052	\$ 15,544,195
Capital Assets, Net	44,108,852	79,740,104
Other Noncurrent Assets	6,908,512	7,827,387
Total Assets	<u>58,997,416</u>	<u>103,111,686</u>
Liabilities		
Current Liabilities	4,727,311	8,599,364
Noncurrent Liabilities	27,147,207	47,868,860
Total Liabilities	<u>31,874,518</u>	<u>56,468,224</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	15,152,301	31,255,870
Restricted	6,535,326	7,514,544
Unrestricted	5,435,271	7,873,048
<b>Total Net Assets</b>	<b><u>\$ 27,122,898</u></b>	<b><u>\$ 46,643,462</u></b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>		
Operating Revenues (Expenses):		
Operating Revenues	\$ 20,642,632	\$ 43,916,808
Depreciation Expense	(2,342,413)	(3,802,379)
Other Operating Expenses	(14,036,888)	(36,663,778)
Operating Income	<u>4,263,331</u>	<u>3,450,651</u>
Nonoperating Revenues (Expenses):		
Capital Grants, Contracts, Donations and Student Fees	-	962,461
Investment Income	452,432	875,945
Interest on Capital Asset-Related Debt	(1,382,639)	(2,548,240)
Other	(458,956)	(5,051,978)
Transfers	234,478	4,285,537
Net Nonoperating Revenues (Expenses)	<u>(1,154,685)</u>	<u>(1,476,275)</u>
Change in Net Assets	3,108,646	1,974,376
Net Assets, Beginning of Year	<u>24,014,252</u>	<u>44,669,086</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 27,122,898</u></b>	<b><u>\$ 46,643,462</u></b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,971,226	\$ 8,610,948
Noncapital Financing Activities	(1,320,700)	(9,063,237)
Capital and Related Financing Activities	(3,260,209)	(7,031,300)
Investing Activities	(2,390,274)	(2,294,226)
Net Increase (Decrease) in Cash and Cash Equivalents	43	(9,777,815)
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>24,216,842</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 43</u></b>	<b><u>\$ 14,439,027</u></b>

Other Required Supplementary Information  
 Schedule of Funding Progress – Other Postemployment Benefits Plan *(amounts expressed in thousands)*

<u>Actuarial Valuation Date (1)</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as Percentage of Covered Payroll ((b-a)/c)</u>
7/1/07	\$ -	\$ 269,126	\$ 269,126	0%	\$ 788,732	34%
7/1/09	\$ -	\$ 455,677	\$ 455,677	0%	\$ 948,375	48%

(1) 7/1/2007 was the first year the Other Postemployment Benefits liability was accrued.

**Notes to Required Supplementary Information:**

**Schedule of Funding Progress — Other Postemployment Benefits Plan**

The July 1, 2009, unfunded actuarial liability of \$455,677 thousand was significantly higher than the July 1, 2007, liability of \$269,126 thousand primarily as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and changes in the rates of decrement and mortality and the amortization factor.

Financial Aid Administered for the Year Ended June 30, 2011 *(unaudited)*

	<b>Number of Recipients</b>	<b>Aid Disbursed</b>
<b>Federal Programs</b>		
Pell Grants	13,520	\$ 51,578,623
Supplemental Educational Opportunity Grants	2,412	2,135,994
National SMART Grant	2,283	6,292,191
Academic Competitiveness Grants	2,710	2,174,344
TEACH Grant	17	55,500
Perkins Student Loans	1,628	3,349,759
Health Professions Student Loans (PCL, LDS, HPSL)	42	408,233
Direct Loans	<u>20,076</u>	<u>230,017,811</u>
<b>TOTAL FEDERAL FINANCIAL AID ADMINISTERED</b>	<b><u>42,688</u></b>	<b><u>\$ 296,012,455</u></b>
<b>State Programs</b>		
Loans:		
University of Florida Short-Term Loans	732	\$ 935,645
Student Aid For Education (SAFE) Loans	79	151,535
University of Florida Long-Term Loans	<u>127</u>	<u>454,154</u>
Total Loans Administered	<u>938</u>	<u>1,541,334</u>
Scholarships and Grants:		
Racing	1	2,199
State of Florida Financial Aid Program	30,404	83,071,201
Lottery Trust Grant Funded Waivers	<u>551</u>	<u>1,415,286</u>
Total State Scholarships and Grants Administered	<u>30,956</u>	<u>84,488,686</u>
<b>TOTAL STATE FINANCIAL AID ADMINISTERED</b>	<b><u>31,894</u></b>	<b><u>\$ 86,030,020</u></b>
<b>Other Scholarships and Grants</b>		
Institutional Grants:		
College Awarded Scholarships	11,392	\$ 32,357,087
Graduate Tuition Remission Waivers	3,010	18,734,399
General Scholarships	<u>7,256</u>	<u>18,237,886</u>
Total Institutional Scholarships and Grants	<u>21,658</u>	<u>69,329,372</u>
Custodial Scholarships:		
Tuition, Trusts, Clubs, Service Organizations, etc.	<u>4,777</u>	<u>9,680,416</u>
<b>TOTAL OTHER SCHOLARSHIPS AND GRANTS</b>	<b><u>26,435</u></b>	<b><u>\$ 79,009,788</u></b>
<b>Fee Waivers</b>		
Non-Resident Tuition Waivers	289	\$ 2,529,081
Other Waivers	<u>4,966</u>	<u>35,133,665</u>
<b>TOTAL FEE WAIVERS ADMINISTERED</b>	<b><u>5,255</u></b>	<b><u>\$ 37,662,746</u></b>
<b>TOTAL FINANCIAL AID ADMINISTERED</b>		<b><u>\$ 498,715,009</u></b>



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the University of Florida, 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, 2011, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the 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, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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### **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, with which noncompliance 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. 2012-072.

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

Respectfully submitted,



David W. Martin, CPA  
March 19, 2012  
Report No. 2012-147

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*Assistant Vice President for Contracts and Grants Accounting Services*

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Stuart E. Hoskins  
*Senior Associate Controller for University Financial Services and Treasury Management*

Kim C. Simpson  
*Senior Associate Controller for Operational Controls and Efficiencies, and Cost Analysis*

Kathleen M. Tillett  
*Senior Associate Controller for General Accounting, Financial Reporting, Payroll and Tax Services*

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**THE UNIVERSITY OF THE FUTURE** | There are about as many ways to rank a university as there are universities. At UF, we measure our success by our ability to prepare students for the future. And that includes offering a large array of programs on campus. As a matter of fact, we are one of only six public universities in the country – and the only one in the South – that offer each of the following programs: law, medicine, agriculture and veterinary medicine. Like our five peers in this elite group, the University of Florida is an AAU member with solid and respectable research credentials, and, therefore, a strong academic reputation. UF steadfastly believes the university of the future must be diverse, global, and both broad and deep in scope.

Michael V. McKee  
Assistant Vice President and  
University Controller  
Post Office Box 113200  
Tigert Hall, Room 207  
Gainesville, FL 32611-3200  
mckee@ufl.edu

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