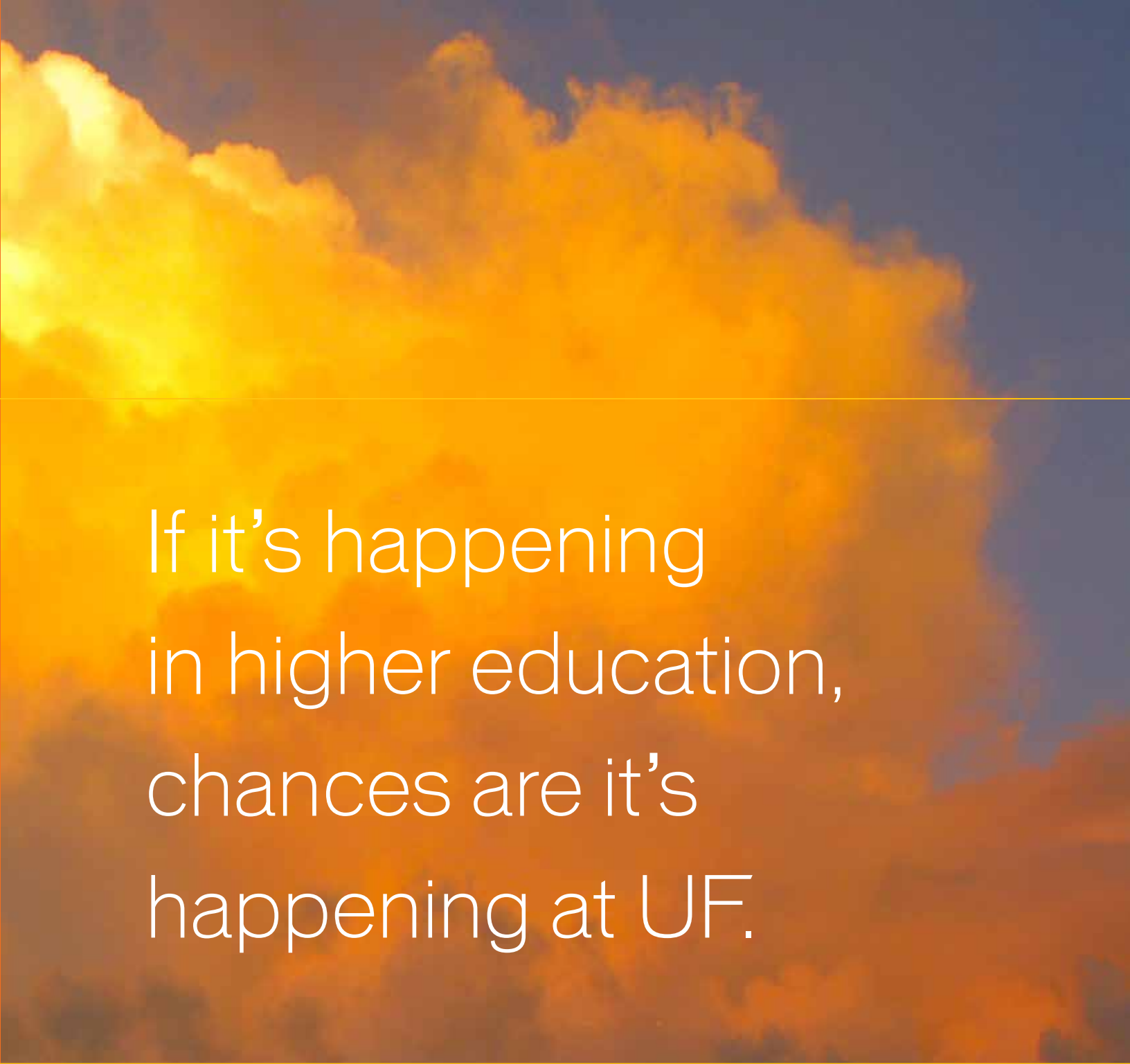


University of Florida Annual Financial Report 2011-2012



Higher education has never been more critical to the future of this State, our country and the world.

Our great land-grant universities have a tremendous impact on the way we all experience our lives. As one of only six public research universities in the Nation with colleges of medicine, law, agricultural sciences and veterinary medicine on a single campus, the University of Florida is among the Nation's most academically and scientifically diverse.



If it's happening
in higher education,
chances are it's
happening at UF.

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President's Message



J. Bernard Machen

President, University of Florida

As the year draws to a close, the pressures facing higher education have rarely been greater.

Concerns about sky-high student debt and graduates who are unable to find jobs continue to mount. Economically strapped states are divesting from their public universities. Internet startups are offering free online classes that are seen as possible competitors to those of traditional bricks-and-mortar institutions.

All of these circumstances would seem to pose significant threats to the University of Florida. To be sure, Florida's only top-20 public research university faces its share of challenges. But after nearly a decade of growth and change, UF is one of the nation's most comprehensive universities – with strengths ranging across the higher education spectrum. As a result, our University is better equipped than many peer universities to prosper in these uncertain times.

This is especially clear when it comes to the two most talked-about issues in higher education today – high tuition and student debt, and graduates' employability.

In a year when President Obama decried tuition increases in his State of the Union address, UF's annual tuition remained among the lowest of all public research universities in the nation – \$6,143 for 2012. Additionally, UF ranks No. 1 among the 59 U.S. public universities in the Association of American Universities in the least student debt at graduation. Indeed, just 38 percent of our graduating class of 2010-11 graduated with education-related debt.



Even in uncertain times, UF remains steadfast in continuing to offer expanded access to higher education across the State of Florida, remarkably competitive value and an unwavering dedication to conduct the highest level of research.



To be sure, UF's affordability has serious shortcomings when it comes to operating the University, and we will continue to seek tuition increases. But at this moment in history – when affordability is such a key issue for families and public policy makers – it is an asset that maintains UF's tradition of keeping its doors open to students from all walks of life.

Parents and students concerned about debt are also understandably concerned about whether graduates can find jobs. UF's mission is much broader than workforce preparation. But several indicators suggest our performance in this area is excellent as well.

UF's first-ever university-wide exit survey of graduating students – conducted

this spring amid a continued lackluster economy – found that nearly two-thirds of those who planned to enter the workforce had already accepted a full-time position before graduation. We learned that the College of Engineering is the source of the third-largest number of engineer hires at corporate giants Intel and ExxonMobil. And media organizations from The Today Show to Smart Money singled out UF as an excellent choice for career-minded students.

While student debt and workforce preparation have been recent lightning rods, State budget cuts to universities are an ongoing concern – with UF losing one-third of its State of Florida allocation from fiscal year 2007-08 through fiscal year 2012-13.

We have made up for the loss through

The University of Florida's offering of scholarships is where the roads to access and value intersect. In addition to the Office for Student Financial Affairs, scholarships are available in other departments, offices, individual colleges and schools throughout the University.



Spring 2013 welcomes the first enrollees to UF's Innovation Academy, which gives students a small-college experience focused on innovation, creativity, entrepreneurship, ethics, and leadership on a unique spring-summer calendar.

Research at the University of Florida continues to gather momentum, despite substantial economic challenges. More than 100 biotechnology companies have emerged as a result of UF research. UF faculty average an impressive 300 new inventions each year.

increased operational efficiencies, sound budgeting, and limited tuition increases. This year, we received a significant additional boost with the successful conclusion of Florida Tomorrow, UF's largest and most ambitious capital campaign ever.

Some 865,000 generous donors helped Florida Tomorrow top \$1.7 billion – clearing the campaign's original goal by more than \$200 million. Those dollars will not contribute directly to UF's operating budget, but they will help the University support faculty, programs, and facilities amid what is at best an uncertain future of public funding.

Another growing source of income is the patenting and licensing revenue from UF-developed technologies. The University's innovations brought home \$34 million in the most recent fiscal year – all of it reinvested in UF startups and other elements of our innovation operation. We anticipate that our patenting and licensing income will continue to grow as UF's new business incubator, the Florida Innovation Hub, matures – and as established UF startups grow.

Nationally, other higher education issues range from the growth of distance learning to Federal research budgets that are essentially flat, threatening a key source of income.

UF is on solid ground in both arenas. We continue to grow our traditional online presence, now offering more than 100 degree programs that enroll approximately 7,000 students worldwide. At the same time, we became part of the rapidly evolving world of “massive open online courses” this spring when we joined Coursera, one of the leading providers of free and open online courses.

As for research, after nearly a decade of campus growth, we have 600,000 square feet of labs, greenhouses and other new basic research space. This past year, research contracts and grants to UF faculty soared from \$619.1 million to \$644.4 million, an increase of 4 percent and an all-time high in terms of regular funding.

There is no question that the higher education landscape is undergoing rapid change and that the University of Florida will face significant challenges in the years ahead. But with our continued emphasis on access, value, and research — three areas of the greatest change in higher education nationwide — we are well-prepared to continue to grow and prosper.

J. BERNARD MACHEN

President, University of Florida

The University of Florida, despite competition from an exponentially growing number of four-year institutions, continues to garner more than its fair share of the State's and Nation's finest students.

to rise as well. Each year, UF averages 29,000 undergraduate applications for just 6,400 spots in the freshman class.

Just as other universities have realized the value of placing an increased emphasis on diversity and internationalization, UF continues to attract students from around the world. UF admitted 1,375 International

It's happening with access.



EVERY INSTITUTION IN HIGHER EDUCATION would like to tout its students as the “best and the brightest.” Likewise, the best students have a strong desire to attend the finest universities. More than 90 percent of incoming freshmen score above the national average on standardized exams. The demand for a UF education continues

Baccalaureate students last year — more than any other university in the U.S. Sixty-six Florida counties, every state in the nation and nearly 140 countries are represented in the UF student body. This continuously expanding internationalization provides a remarkably rich experience, exposing students to a variety of cultures and thereby

providing a greater understanding and appreciation of different ways of life.

Economic diversity is also reflected within the UF student body, thanks largely in part to the Florida Opportunity Scholars Program. Initiated with the 2006-07 school year, the program provides full grant/scholarship financial aid packages,

Once UF students arrive on campus, they tend to stay, as evidenced by our 96 percent freshmen retention rate – among the highest in the country – as well as our outstanding 65 percent 4-year and 83 percent 6-year graduation rates.

Personal access to educators is a growing concern for college students throughout

the nation. By lowering our student/faculty ratio to 20.5: 1, we're making it possible for there to be more interaction.

For those students seeking to acquire a quality education off-campus, UF has a burgeoning distance learning online degree program. Ten years ago, the UF MBA Program was one



For UF, access includes our online MBA Program, offering one of the first fully accredited online degrees, and the Florida Opportunity Scholars Program, which enables deserving scholars to become Gator Scholars.



96%

UF's freshman retention rate is among the highest in the country.

16

colleges on one campus and over 150 centers and institutes make UF one of the most comprehensive universities in the nation.

35%

of University of Florida undergraduates, 11,280 students, received Federal Pell Grants in 2011-12.

From heavily Hispanic Miami-Dade county to ethnically rich Tampa-St. Petersburg and Orlando, Florida is a highly diverse, multicultural state.

UF has a strong commitment to diversity.

17.5%

of UF undergraduates are Hispanic

8.7%

of UF undergraduates are African-American

including living expenses, to UF freshmen who are Florida residents and come from families in which neither parent holds a bachelor's degree and whose annual household income is less than \$40,000. The program's ultimate goal is for students to earn a bachelor's degree and graduate with no student loan debt.

of the first to be offered as a fully accredited online degree. Today we are known as the world's best, as we were ranked No. 1 by *The Economist*. And that is just one of more than 100 doctorate, master's and bachelor's degree distance learning programs we offer, giving a whole new meaning to the phrase "The Gator Nation Is Everywhere."

“Florida Tomorrow is a better place, a brighter day and a firm belief in the future... because of the rising star that is the University of Florida.”

— *BERNIE MACHEN, PRESIDENT*

from an entrepreneurial standpoint. The University of Florida is certainly no exception.

UF demonstrated its foresight and drive by launching the Florida Tomorrow capital campaign in 2007, with the ambitious goal of raising \$1.5 billion in private funds by fall 2012. The principal focus of the



A COMMON THREAD IN HIGHER EDUCATION today is the challenge of obtaining legislative funding and support. Because securing approval to adequately increase tuition to necessary levels is also a frequent hurdle, many universities are taking the initiative of becoming more financially independent and approaching the situation

campaign was to help support faculty, students and research. The goal was not only reached, but surpassed at \$1.7 billion.

UF also managed to double its endowment over an eight-year period, increasing from \$585.7 million in June 2003 to \$1.3 billion in June 2011.

Our research contracts and grants totaled \$644.4 million during the last fiscal year. For fiscal year 2003-04, that number was \$470.0 million. This marked increase should be encouraging to anyone who believes in the potential of exploration.

The University itself has grown in size, too. Despite losing a third of our State-

among its peers, having been recognized as the second-best value in public colleges in the U.S. by Kiplinger's *Personal Finance* magazine each of the last seven years. Consequently, nearly two-thirds of UF graduates leave the University with no student loan debt. For the remaining third, their average debt is just under \$17,000,

As a top-20 research university and one of the biggest public universities in the country, UF's commitment to value is reflected in our tuition and endowment, student loan debt loads, and many prestigious national rankings.

\$6,143

yearly tuition and fees are among the lowest in the nation

2nd Best

value in public colleges each of the last 7 years

Kiplinger's *Personal Finance* magazine

\$1.3 billion

UF's endowment after doubling in size from 2003 to 2011

6th

PayScale.Com's list of universities that offer the best return on investment

60+%

of UF graduates leave the University with no student loan debt

2nd

Universities providing the best return on their tuition

SmartMoney magazine

allocated dollars over the six most recent fiscal years, UF has expanded its reach both literally and financially, with 3 million square feet of new construction since 2004, an annual economic impact approaching \$9 billion and more than 106,000 jobs statewide.

The University of Florida remains highly competitive in terms of affordability

compared with the national average of more than \$25,000.

In all the ways we value and support higher education, and as they evolve, the University of Florida is looking ahead with the goal of creating the most impact possible – for our students and the people of the State of Florida.

Opportunities, challenges, exploration, discovery. Higher education embraces them all. More than ever, our leading universities clearly not only reflect what is going on in the nation but profoundly influence how we go about our daily lives. Nowhere is that more evident than at the University of Florida.

number of buildings and laboratories that have been constructed .

Since 2003, UF has added four major research facilities that cover 600,000 square feet: The Nanoscale Research Facility, the Emerging Pathogens Institute, the Biomedical Sciences Building, and UF's largest research building, the Cancer and

It's happening in research.



SIMPLY LOOKING AT WHAT THE UNIVERSITY has accomplished over the past ten years should give you an idea of the magnitude of progress we have made and our emphasis on innovation. State-of-the-art facilities and leading-edge technologies are not terms we use casually at UF. Our commitment to continuing our research can be seen in the

Genetics Research Building.

Much has been written about the amount of technology transfer at UF. And for good reason. We are the nation's top public institution in transferring research to the marketplace, according to the Milken Institute. We made our mark commercializing technologies with the

introduction of Gatorade in 1965. And we have been on the right track ever since.

One of the latest examples of tech transfer – Gator-style – is the Florida Innovation Hub at UF, which opened its doors in 2011 as the first building in Innovation Square, a 40-acre, urban, live/work/play research community. By providing resident

“graduate” – or move out of the Innovation Hub – once they become self-sufficient.

UF Tech Connect, an Economic Development Administration University Center housed in the UF Office of Technology Licensing at Innovation Hub, was responsible for creating 230 new jobs last fiscal year alone. Innovation Academy,

a unique spring-summer program will eventually enroll 2,000 students and increase their access to the University.

As the demand for food, water and natural resources grows right along with the population, so does the need for research to address these pressing concerns. The University of Florida’s Institute of Food and Agricultural Sciences (UF/IFAS) is a Federal-State-County partnership dedicated

\$740m

in R&D expenditures for 2011 represents nearly half of the total for all 11 Florida public universities.

28 \$34m

Members of the National Academies are faculty at the University of Florida. The National Science Foundation ranked UF No. 21 for research and development in 2010.

Patenting and licensing income in 2011-12. UF generated 322 new invention disclosures, had 86 patents granted and negotiated 131 licenses and options during that time.

businesses with office space, laboratories, conference rooms and other essential resources, this aptly named facility allows those companies to concentrate on the advancement of technology and marketing strategies. Already, 22 startup businesses are proud to call Innovation Hub home. The ultimate goal for these businesses is to

to developing knowledge in agriculture, human and natural resources, and the life sciences, and enhancing and sustaining the quality of human life by making that information accessible. With an extension office in each of Florida’s 67 counties, UF/IFAS is able to work with farmers and address their unique issues.



More than three million sq.ft. of new construction over the past decade includes the Research and Academic Center at Lake Nona (artist's rendering above) and the Emerging Pathogens Institute (below), representing UF's strong commitment to research.



Knowledge by the Numbers

Headcount Enrollment by Colleges and Schools – Fall Terms

College/School	2011	2010	2009	2008	2007
Accounting	865	905	871	897	925
Agricultural and Life Sciences	4,955	4,940	4,640	4,557	4,483
Building Construction	391	499	581	616	652
Business Administration	4,681	4,728	4,947	5,539	5,767
Dentistry	389	378	379	389	391
Design, Construction, and Planning	896	899	899	921	935
Division of Continuing Education (A)	179	215	259	275	349
Education	1,749	1,886	1,919	1,940	1,947
Engineering	8,454	8,240	7,880	7,696	7,118
Fine Arts	1,256	1,309	1,284	1,254	1,264
Forest Resources and Conservation	-	-	222	215	222
Health and Human Performance	2,047	2,008	1,908	1,970	2,135
High School	52	47	44	33	52
Interdisciplinary Ecology	116	127	135	131	148
Journalism and Communications	2,540	2,516	2,663	2,957	2,987
Law	1,118	1,191	1,263	1,340	1,422
Liberal Arts and Sciences	12,673	12,817	13,368	14,315	14,364
Medicine	862	853	967	867	850
Multiple-College Program	1	1	2	-	-
Natural Resources and Environment	155	154	158	142	122
Nursing	1,170	1,090	1,188	1,160	1,111
Pharmacy	823	836	761	689	656
Pharmacy Doctor	1,686	1,752	1,891	1,841	1,913
Physician Assistant Program	119	119	119	119	121
Public Health & Health Professions	2,122	2,139	1,971	1,803	1,881
Veterinary Medicine	542	530	525	507	520
SUB-TOTAL	49,841	50,179	50,844	52,173	52,335
Minus Concurrent Degree	56	63	60	61	64
TOTAL	49,785	50,116	50,784	52,112	52,271

(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

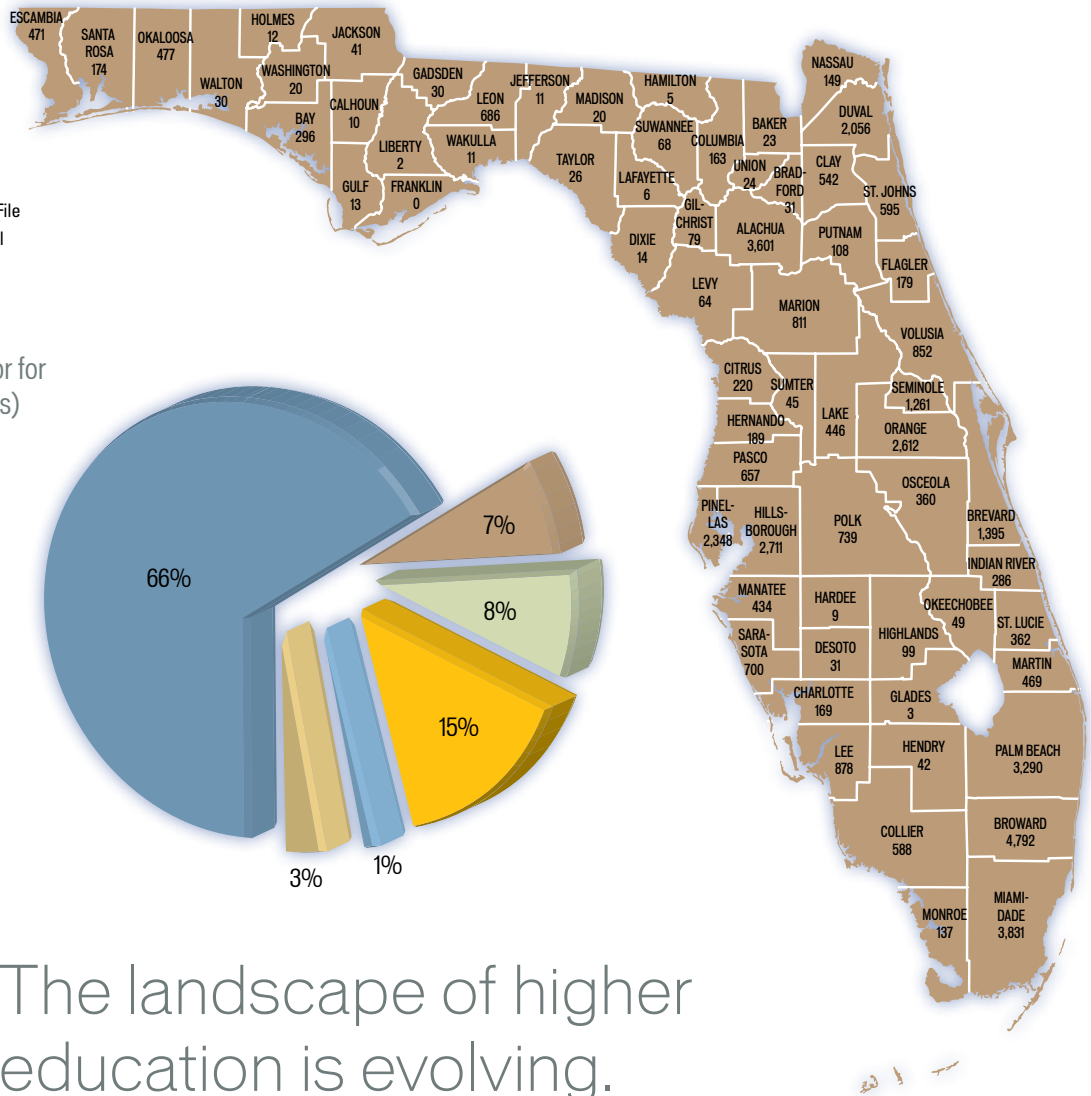
Degree	2011-12	2010-11	2009-10	2008-09	2007-08
Bachelor's	8,600	8,685	9,302	9,207	8,737
Master's	3,924	3,878	3,751	3,546	3,337
Doctor of Philosophy	859	936	957	841	857
Doctor of Pharmacy	461	484	483	474	492
Juris Doctor	334	410	377	424	488
Doctor of Medicine	134	127	130	124	115
Doctor of Dental Medicine	82	83	91	81	72
Doctor of Veterinary Medicine	84	87	89	84	83
Specialist in Education	71	70	111	73	61
Engineer	-	-	-	1	2
TOTAL	14,549	14,760	15,291	14,855	14,244

Source: UF Office of Institutional Planning and Research

In-State Enrollment by County - Fall 2011

Total In-State Enrollment:
40,852

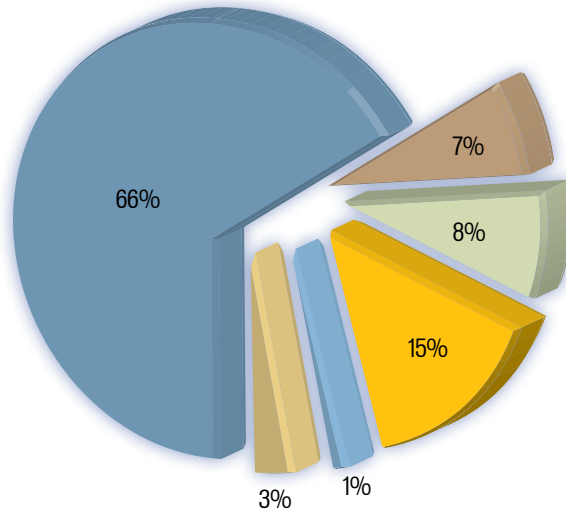
Source: Fall Final Student Data Course File
Prepared by the UF Office of Institutional
Planning & Research



Research Awards by Sponsor for 2011-12 fiscal year (in millions)

- Federal Agencies
\$423,115,544
- Florida State Agencies
\$42,045,915
- Corporations & Companies
\$54,537,922
- Foundations & Societies
\$96,019,679
- Local & Regional
\$6,465,707
- All Other Sources
\$22,200,064

TOTAL
\$644,384,831



The landscape of higher education is evolving.

Because of our relentless commitment to access, value, and research, one thing is clear: *If it's happening in higher education, chances are it's happening at UF, right now, and moving forward.*

The nation's universities must continue to adapt in order to retain their relevance and achieve their individual missions.

The University of Florida will always welcome the challenges and opportunities that a modern major research institution encounters, and prove just how much progress can be made under a variety

of circumstances.

We will continue to provide students access to an outstanding learning experience. Our ongoing focus on creative and aggressive funding efforts will keep adding value. And raising the bar in research will remain a UF priority.

We've created an environment of self-assurance and a growing innovation enterprise, both of which are reflected not just on campus, but also among businesses, leaders and jobs throughout the State.



I AM PLEASED TO PRESENT THE UNIVERSITY of Florida's Annual Financial Report for the fiscal year ended June 30, 2012. This report provides useful information concerning the University's financial position and activities for the year. The Management Discussion and Analysis, the financial statements and the notes to the financial statements document the University's financial success and health for this year.

It is a testament to the University of Florida's leadership, faculty, staff, and students that we had a successful year. The University of Florida is resilient. Despite six straight years of declining State appropriations, budget cuts and a sluggish economy, the University continues to adapt and transform itself to meet the needs of its

students and its mission.

During the six most recent fiscal years, State of Florida appropriations have declined by 30.5%, or \$202 million. In an effort to mitigate those losses, we have increased operational efficiencies, held true to sound budgeting principles, and had limited tuition increases. Tuition has increased \$125 million since fiscal year 2007-08. The tuition increases helped, but they did not cover the remaining \$77 million in lost State support.

Even with the tuition increases, the University continues to be a great value for the investment and among the lowest for cost of attendance of all public research universities nationwide. Additionally, despite the tuition increases, only 38 percent of our graduating class of 2010-11



graduated with education-related debt.

The University strives to maintain its beautiful and historic campus while the State of Florida has significantly reduced the amount of support for capital projects, including Public Education Capital Outlay (PECO) funding, available to the University. In addition, State facility and operating matching programs have been suspended.

Without capital funding, other significant resources were diverted from other uses in order to maintain the facilities necessary for fulfilling instruction, research and clinical needs. During the 2011-12 fiscal year, Student Housing issued the 2011A Housing debt to refinance the 1998 Housing debt and issued new 2012 Housing debt for 14 different renovation projects in the dormitories.

Buildings that were completed illustrate the University's diverse nature. Completed projects include Florida Innovation Hub at UF, Harn Museum Asian Art Wing, Veterinary Education & Clinical Research Center, and Cellulosic Ethanol Plant.

Continuing construction projects further illustrate the important work being done by the University. The Lake Nona Research Facility and the Clinical Translational Research Building joined with the Institute on Aging Research Building will be completed in 2013. The P.K. Yonge Developmental School and the East Campus

Data Center are exciting projects that are also in progress. As you will see in Table 20, Construction Commitments, the number of projects and the dollars committed have significantly declined as the University winds down projects previously funded through the State.

The Office of the Vice President and Chief Financial Officer will continue to enhance the Responsibility Center Management budget process. A major upgrade to the Payroll and Human Resources system went live September 18, 2012. We will continue to utilize technology to stay current and improve efficiencies. While we continue to be challenged to do more with less, we remain committed to effectively managing the University's assets and facilitating the business needs as this University continues its move to being the best it can be.

Matthew M. Fajack
Vice President and
Chief Financial Officer



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of 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, 2012, 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 fiscal year partial comparative information was derived from the University's 2010-11 financial statements and, in our report dated March 19, 2012, 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, 2012, 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.

The financial statements include prior fiscal 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, 2011, 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's basic financial statements. 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 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 basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



David W. Martin, CPA
December 13, 2012
Audit Report No. 2013-063



Management's Discussion and Analysis

From the Vice President and Chief Financial Officer

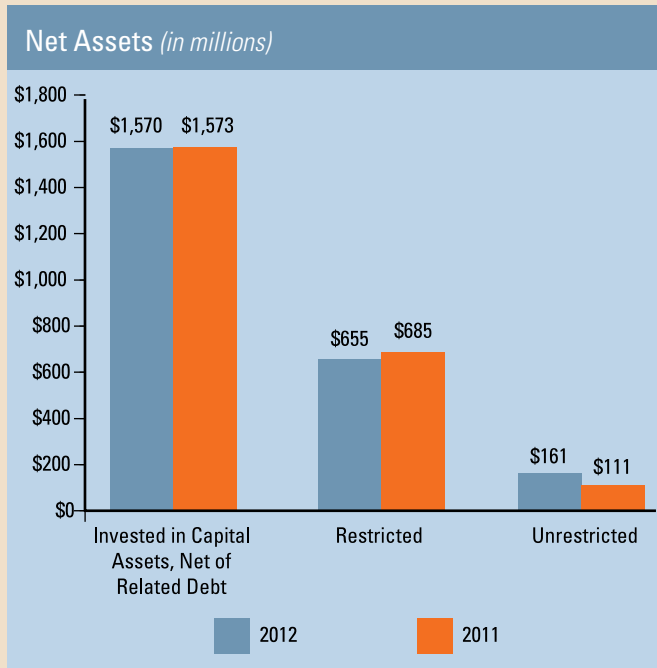
INTRODUCTION AND BACKGROUND

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, 2012, 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

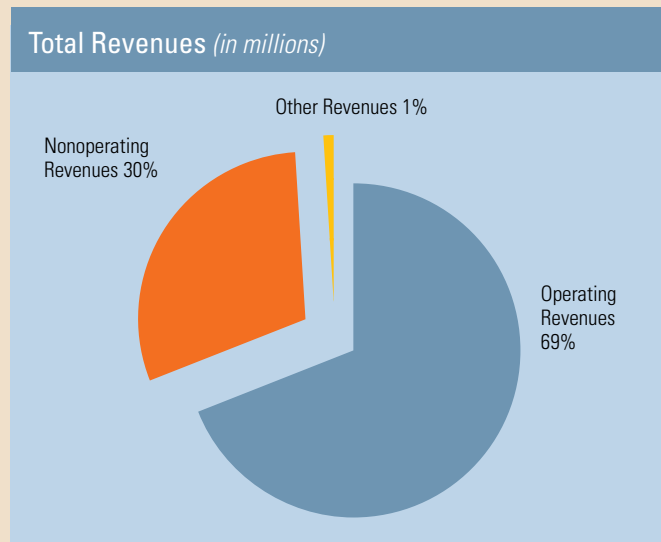
The University's assets totaled \$2.99 billion at June 30, 2012. This balance reflects a \$14.8 million, or 0.5%, decrease from the 2010-11 fiscal year. The reduction in assets primarily resulted from a decrease in the amount Due From State as several large construction projects have been completed. While total assets declined, liabilities also declined by \$31.8 million or 5.0%, totaling \$606.3 million at June 30, 2012. The net decrease in liabilities is due primarily to a decrease of \$80.1 million in Compensated Absences Payable as a result of revised regulations for vacation and sick leave cash outs; increase in Postemployment Benefits Payable of \$36.4 million; and an increase in Capital Improvement Debt Payable of \$21.8 million to renovate housing dormitories. As a result, the University's net assets increased by \$17.0 million, or 0.7%, reaching a year-end balance of \$2.4 billion. Net assets

represent the residual interest in the University's assets after deducting liabilities. The University's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following chart:



The University's operating revenues totaled \$1.6 billion for the 2011-12 fiscal year, representing a 1.6% increase over the 2010-11 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 \$44.4 million, or 16.1%, because of tuition and fee increases. Nongovernmental Grants and Contracts revenue decreased by \$25.0 million, or 4.0%, because certain transfers from component units were determined to be nonexchange transactions and are reported as nonoperating revenue.

The following chart provides a graphical presentation of the University's revenues by category for the 2011-12 fiscal year:



Operating Expenses totaled \$2.2 billion for the 2011-12 fiscal year, representing a \$76.7 million decrease or 3.3% compared to the 2010-11 fiscal year. The two largest categories contributing to this decrease were Employee Compensation and Benefits, reflecting changes in the University's leave regulations and the reduction in employer retirement contributions, as well as Scholarships, Fellowships and Waivers, Net, reflecting the State's decrease in funding of Bright Futures and decreases in various federally funded scholarship programs.

Net Nonoperating Revenues and Expenses in the 2011-12 fiscal year decreased \$103.5 million primarily due to the changes in capitalization thresholds for certain capital assets, a decrease in Noncapital State Appropriations, a decrease in State and Federal financial aid, and the end of funding under the American Recovery and Reinvestment Act of 2009.



The University had significant construction activity during the year. Completed or substantially completed construction projects included: (1) Cellulosic Ethanol Plant (capitalized costs of \$18.6 million); (2) Harn Museum Asian Art Wing (capitalized costs of \$18.2 million); and (3) Florida Innovation Hub at UF (capitalized costs of \$13.5 million). Construction continues on several major projects, including four that, when finished, will be capitalized at over \$114 million: (1) Lake Nona Research Facility; (2) Clinical Translational Research Building (this project includes the Institute on Aging Research Building); (3) East Campus Data Center; and (4) Chemistry Biology Building.

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, 3, 4, 7, 10, 13, and 20 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 criteria for determining component units, the University of Florida Self-Insurance Program (the Program), and the University of Florida Healthcare Education Insurance Corporation (HEIC), are included within the University reporting entity as blended component units. Additional information regarding the blended component units 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). The principal component of operating expenses is Employee Compensation and Benefits (\$1.5 billion). 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, 2012, is Noncapital State Appropriations (\$527.9 million). Recurring nonoperating expenses consist primarily of the loss on disposal of capital assets and interest expense on capital related debt for the fiscal year ended June 30, 2012.

Two changes were made by the University in the 2011-12 fiscal year. The first resulted in a new nonoperating revenue category, Noncapital Grants, Contracts, and Gifts (\$81.1 million). Certain transfers from component units which were previously reported as operating Nongovernmental Grants and Contracts, were determined to be nonexchange transactions, and are now reported in this new category. The second was a change to certain of the University's capitalization thresholds effective July 1, 2011. The net amount of \$61.2 million was recorded as Other Nonoperating Expenses and the related assets were removed from the University's accounting records.

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

Condensed Statement of Net Assets (in millions)

	2011-12	2010-11
Assets:		
Current Assets	\$ 1,187.4	\$ 1,200.2
Capital Assets, Net	1,665.7	1,663.3
Other Noncurrent Assets	139.5	143.9
Total Assets	2,992.6	3,007.4
Liabilities:		
Current Liabilities	183.2	200.7
Noncurrent Liabilities	423.1	437.4
Total Liabilities	606.3	638.1
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,570.4	1,573.2
Restricted	654.7	684.7
Unrestricted	161.2	111.4
Total Net Assets	\$ 2,386.3	\$ 2,369.3

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 table summarizes the University's activity for the 2011-12 and 2010-11 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets <i>(in millions)</i>		
	2011-12	2010-11
Operating Revenues	\$ 1,557.5	\$ 1,532.8
Operating Expenses	(2,244.5)	(2,321.2)
Operating Loss	(687.0)	(788.4)
Net Nonoperating Revenues	682.0	785.5
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5.0)	(2.9)
Other Revenues, Expenses, Gains, or Losses	22.0	75.1
Increase in Net Assets	17.0	72.2
Net Assets – Beginning of Year	2,369.3	2,297.1
Net Assets – End of Year	\$ 2,386.3	\$ 2,369.3

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 table summarizes the operating revenues by source that were used to fund operating activities during the 2011-12 and 2010-11 fiscal years:

Operating Revenues <i>(in millions)</i>		
	2011-12	2010-11
Grants and Contracts	\$ 1,056.5	\$ 1,070.5
Student Tuition and Fees, Net of Scholarship Allowances	320.5	276.1
Sales and Services of Auxiliary Enterprises	129.4	136.6
Sales and Services of Educational Departments	47.8	45.6
Other	3.3	4.0
Total Operating Revenues	\$ 1,557.5	\$ 1,532.8

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 table summarizes the operating expenses for each method of classification for the 2011-12 and 2010-11 fiscal years:

Operating Expenses <i>(in millions)</i>		
Natural Classifications	2011-12	2010-11
Employee Compensation and Benefits	\$ 1,522.9	\$ 1,583.1
Services and Supplies	446.6	434.2
Depreciation	116.7	126.6
Scholarships, Fellowships and Waivers *	80.8	98.6
Utilities and Communications	65.7	67.7
Self-Insured Claims and Expenses	11.8	11.0
Total Operating Expenses	\$ 2,244.5	\$ 2,321.2
Functional Classifications	2011-12	2010-11
Instruction	\$ 634.1	\$ 662.3
Research	545.3	556.8
Public Service	385.2	359.6
Academic Support	150.8	149.5
Auxiliary Operations	124.5	124.0
Depreciation	116.7	126.6
Institutional Support	107.1	122.7
Operation and Maintenance of Plant	106.7	107.7
Scholarships, Fellowships and Waivers *	53.7	75.9
Student Services	20.4	36.1
Total Operating Expenses	\$ 2,244.5	\$ 2,321.2

* Net of Scholarship Allowances of \$141.6 million in the 2011-12 fiscal year and \$148.4 million in the 2010-11 fiscal year.

NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to provide funding for operations, including Noncapital 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 experienced a decrease in appropriations as well as the one-time expense associated with the changes in capitalization thresholds, reported as Other Nonoperating Expenses. While Noncapital Grants, Contracts, and Gifts increased due to the change in reporting certain transfers from component units, the net effect of these changes reduced net nonoperating revenue. The following summarizes the University's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses) <i>(in millions)</i>		
	2011-12	2010-11
Noncapital State Appropriations	\$ 527.9	\$ 579.1
State Appropriated - ARRA Funds	2.4	30.9
Federal and State Student Financial Aid	116.2	147.3
Noncapital Grants, Contracts, and Gifts	81.1	-
Investment Income, Net of Expenses	24.1	27.5
Increase in Fair Market Value of Investments	2.3	16.8
Loss on Disposal of Capital Assets	(2.6)	(5.3)
Interest on Capital Asset-Related Debt	(5.5)	(4.4)
Other Nonoperating Expenses	(63.9)	(6.4)
Net Nonoperating Revenues (Expenses)	\$ 682.0	\$ 785.5

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is composed of Capital State Appropriations and Capital Grants, Contracts, Donations, and Student Fees. The University received dramatically less in Capital State Appropriations due to State budget constraints. The following summarizes the University's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

Other Revenues, Expenses, Gains, or Losses <i>(in millions)</i>		
	2011-12	2010-11
Capital State Appropriations	\$ 6.1	\$ 60.2
Capital Grants, Contracts, Donations, and Student Fees	15.9	14.9
Total Other Revenues, Expenses, Gains, or Losses	\$ 22.0	\$ 75.1

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 Noncapital State Appropriations (\$527.9 million), net student tuition and fees (\$316.4 million), grants and contracts (\$1,043.1 million), and sales and services of auxiliary enterprises (\$117.2 million). Major uses of funds were for payments to employees (\$1,563.1 million), payments to suppliers for goods and services (\$503.1 million), and purchase or construction of capital assets (\$179.5 million). The following table summarizes cash flows for the 2011-12 and 2010-11 fiscal years:

Condensed Statement of Cash Flows <i>(in millions)</i>		
	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	\$ (627.1)	\$ (663.7)
Noncapital Financing Activities	728.6	761.5
Capital and Related Financing Activities	(110.7)	(80.1)
Investing Activities	8.2	(17.1)
Net Change in Cash and Cash Equivalents	(1.0)	0.6
Cash and Cash Equivalents, Beginning of Year	1.5	0.9
Cash and Cash Equivalents, End of Year	\$ 0.5	\$ 1.5

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the University had approximately \$3.2 billion in capital assets, less accumulated depreciation of \$1.5 billion, for net capital assets of \$1.7 billion. Depreciation charges for the current fiscal year totaled \$116.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Total Capital Assets, Net (in millions)			
	2012	2011	
Land	\$ 10.8	\$ 10.8	
Buildings	1,253.3	1,198.1	
Infrastructure and Other Improvements	40.9	40.9	
Furniture and Equipment	190.0	248.1	
Library Resources	58.7	60.2	
Property Under Capital Lease	6.2	6.4	
Computer Software	-	2.2	
Other Capital Assets	4.1	6.0	
Construction in Progress	101.7	90.6	
Total Capital Assets (Non-Depreciable and Depreciable, Net)	\$ 1,665.7	\$ 1,663.3	

Additional information about the University's capital assets is presented in Note 9 to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2012, were incurred on the following continuing projects:

Lake Nona Research Facility (\$43.5 million); Clinical Translational Research Building/Institute on Aging Research Building (\$13.5 million); P.K. Yonge Developmental School (\$7.2 million); and Chemistry Biology Building (\$5.1 million).

The University's major capital commitments at June 30, 2012, are summarized below:

Major Capital Commitments (in millions)	
	Amount
Total Commitment Completed to Date	\$ 182.5
	101.7
Balance Committed	\$ 80.8

Additional information about the University's capital commitments is presented in Note 16 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2012, the University had \$131.4 million in outstanding Capital Improvement Debt Payable, Capital Leases Payable, and Installment Purchase Agreements Payable, representing an increase of \$21.5 million, or 19.6%, 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)			
	2012	2011	
Capital Improvement Debt	\$ 126.3	\$ 104.5	
Capital Leases	3.2	3.3	
Installment Purchase Agreements	1.9	2.1	
Total Capital Asset-Related Debt	\$ 131.4	\$ 109.9	

Additional information about the University's capital asset-related debt is presented in Note 13 to the financial statements.



ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Florida Legislative Office of Economic and Demographic Research published the State of Florida's Long-Range Financial Outlook in the fall of 2012. This report indicates that while a Florida recovery has been underway since the late spring of 2010, the State still has far to go to return to more typical economic conditions.

This forecast is cautiously optimistic that the recovery will steadily continue, although at a slower pace than originally projected. Several years of modest growth are expected until fiscal year 2015-16 when more normal conditions are expected. The pace of Florida's recovery will be driven in large part by the time it takes for the construction industry to recover along with a tandem recovery in the jobs sector.

In light of the Federal Government passing the Patient Protection and Affordable Care Act of 2010 with its known and unknown costs, along with the State's bonding capacity being reached, and continuing budget reductions from the State, budget pressures continue for the State of Florida and the University. In an effort to control costs, UF is moving toward having more flexibility over the healthcare options available to employees.

Through the introduction of GatorCare, a consolidated group health insurance plan available to eligible employee groups, the University will have local control over healthcare design, costs, and options available to employees. During calendar year 2013, GatorCare will be offered to approximately 16,000 employees of component units, University graduate assistants, and postdoctoral personnel. GatorCare not only allows flexibility in offering benefits to these employees, but should result in cost efficiencies as well.

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, 2012 (amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2012)		
	2012	2011	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 1)	\$ 503	\$ 1,531	\$ 28,478	\$ 65,336	\$ 58,303
Investments (Note 4)	987,024	978,644	207,149	6,438	224,083
Accounts Receivable, Net (Note 5)	145,382	118,336	122,624	56,756	211,913
Loans and Notes Receivable, Net (Note 5)	3,155	3,082	106	-	-
Due From State (Note 6)	31,535	79,385	-	-	6,885
Due From Component Units/University (Note 7)	13,320	11,625	8,270	9,116	5,811
Inventories (Note 8)	4,680	4,865	855	-	21,750
Other Current Assets	1,824	2,781	6,447	4,809	50,299
Total Current Assets	1,187,423	1,200,249	373,929	142,455	579,044
Noncurrent Assets:					
Restricted Cash and Cash Equivalents (Note 1)	16	8	-	1,501	-
Restricted Investments (Note 4)	100,878	105,695	1,563,638	21,450	195,584
Loans and Notes Receivable, Net (Note 5)	37,491	37,314	-	-	-
Depreciable Capital Assets, Net (Note 9)	1,549,324	1,557,991	169,661	32,454	780,353
Nondepreciable Capital Assets (Note 9)	116,369	105,301	74,568	25,280	120,802
Other Noncurrent Assets	1,126	854	1,593	7,591	300,258
Total Noncurrent Assets	1,805,204	1,807,163	1,809,460	88,276	1,396,997
TOTAL ASSETS	\$ 2,992,627	\$ 3,007,412	\$ 2,183,389	\$ 230,731	\$ 1,976,041
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 75,033	\$ 61,620	\$ 16,115	\$ 31,561	\$ 188,974
Salaries and Wages Payable	19,266	15,742	2,669	1,229	63,191
Due To Component Units/University (Note 7)	14,863	28,901	39,829	7,299	9,387
Deferred Revenue (Note 11)	25,575	28,958	84,592	11	58
Deposits Held in Custody	9,610	7,773	305	28	-
Other Current Liabilities (Note 12)	8,349	23,408	15,735	257	32
Long-Term Liabilities - Current Portion: (Note 13)					
Capital Improvement Debt Payable	6,919	5,193	-	-	-
Bonds Payable	-	-	4,995	1,109	28,327
Installment Purchase Agreements Payable	868	978	-	-	-
Capital Leases Payable	74	114	-	123	2,777
Compensated Absences Payable	7,243	11,860	279	6,767	-
Liability for Self-Insured Claims	15,440	16,120	-	-	-
Total Current Liabilities	183,240	200,667	164,519	48,384	292,746
Noncurrent Liabilities: (Note 13)					
Capital Improvement Debt Payable	119,365	99,314	-	-	-
Bonds Payable	-	-	117,895	12,348	583,898
Installment Purchase Agreements Payable	1,077	1,092	-	-	-
Capital Leases Payable	3,076	3,197	-	352	7,606
Compensated Absences Payable	90,621	166,071	3,272	-	-
Other Postemployment Benefits Payable	102,458	66,062	-	-	1,751
Liability for Self-Insured Claims	87,392	82,287	-	-	-
Other Noncurrent Liabilities	19,106	19,425	36,046	-	102,549
Total Noncurrent Liabilities	423,095	437,448	157,213	12,700	695,804
TOTAL LIABILITIES	606,335	638,115	321,732	61,084	988,550
NET ASSETS					
Invested in Capital Assets, Net of Related Debt Restricted:	1,570,417	1,573,215	115,121	44,669	321,357
Nonexpendable:					
Endowment	-	-	1,127,322	-	97
Expendable:					
Endowment	-	-	213,943	-	12,593
Loans	36,065	33,935	-	-	-
Capital Projects	47,251	105,522	-	-	-
Debt Service	5,289	4,863	-	-	-
Other	566,081	540,347	294,400	1,500	-
Unrestricted	161,189	111,415	110,871	123,478	653,444
TOTAL NET ASSETS	2,386,292	2,369,297	1,861,657	169,647	987,491
TOTAL LIABILITIES AND NET ASSETS	\$ 2,992,627	\$ 3,007,412	\$ 2,183,389	\$ 230,731	\$ 1,976,041

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, 2012

(amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2012)		
	2011-12	2010-11	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
OPERATING REVENUES					
Student Tuition and Fees	\$ 462,050	\$ 424,462	\$ -	\$ -	\$ -
Scholarship Allowances	(141,554)	(148,351)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	320,496	276,111	-	-	-
Federal Grants and Contracts	408,728	392,326	-	-	-
State and Local Grants and Contracts	43,085	48,431	-	-	-
Nongovernmental Grants and Contracts	604,723	629,771	-	-	-
Sales and Services of Auxiliary Enterprises (Note 14)	129,369	136,634	-	-	-
Sales and Services of Educational Departments	47,771	45,643	-	-	-
Sales and Services of Component Units	-	-	119,195	-	-
Hospital Revenues	-	-	-	514,131	1,576,713
Gifts and Donations - Component Units	-	-	83,794	11,644	-
Royalties and Licensing Fees - Component Units	-	-	33,322	-	1,289
Interest on Loans and Notes Receivable	998	1,007	-	-	-
Other Operating Revenues	2,288	2,824	12,196	4,167	25,704
Total Operating Revenues	1,557,458	1,532,747	248,507	529,942	1,603,706
OPERATING EXPENSES					
Employee Compensation and Benefits	1,522,935	1,583,100	-	-	-
Services and Supplies	446,578	434,167	-	-	-
Utilities and Communications	65,675	67,693	-	-	-
Scholarships, Fellowships and Waivers, Net	80,810	98,600	-	-	-
Depreciation	116,697	126,568	9,086	6,915	74,152
Self-Insured Claims and Expenses	11,803	11,030	-	-	-
Other Component Unit Operating Expenses	-	-	284,422	220,619	1,354,729
Total Operating Expenses (Note 19)	2,244,498	2,321,158	293,508	227,534	1,428,881
Operating Income (Loss)	(687,040)	(788,411)	(45,001)	302,408	174,825
NONOPERATING REVENUES (EXPENSES)					
Noncapital State Appropriations	527,880	579,123	-	-	4,000
Federal and State Student Financial Aid	116,178	147,345	-	-	-
State Appropriated American Recovery and Reinvestment Act Funds	2,384	30,923	-	-	-
Noncapital Grants, Contracts, and Gifts	81,077	-	-	-	-
Investment Income	26,156	29,099	7,328	449	13,915
Net Increase (Decrease) in the Fair Value of Investments	2,355	16,812	(6,781)	(3)	180
Investment Expenses	(2,097)	(1,656)	-	-	-
Gain (Loss) on Disposal of Capital Assets	(2,573)	(5,331)	2	(60)	496
Interest on Capital Asset-Related Debt	(5,483)	(4,464)	(3,894)	(90)	(16,002)
Other Nonoperating Expenses	(63,852)	(6,389)	(9,327)	(405,684)	(61,430)
Net Nonoperating Revenues (Expenses)	682,025	785,462	(12,672)	(405,388)	(58,841)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5,015)	(2,949)	(57,673)	(102,980)	115,984
Capital State Appropriations	6,060	60,259	-	-	-
Capital Grants, Contracts, Donations, and Student Fees	15,950	14,890	-	-	-
Additions to Permanent Endowments	-	-	45,233	-	-
Transfers from/(to) Component Units	-	-	11,913	88,148	(53,290)
Total Other Revenues, Expenses, Gains, or Losses	22,010	75,149	57,146	88,148	(53,290)
Increase (Decrease) in Net Assets	16,995	72,200	(527)	(14,832)	62,694
Net Assets, Beginning of Year	2,369,297	2,297,097	1,862,184	184,493	924,574
Adjustment to Beginning Net Assets (Note 3)	-	-	-	(14)	223
Adjusted Net Assets, Beginning of Year, as Restated	2,369,297	2,297,097	1,862,184	184,479	924,797
Net Assets, End of Year	\$ 2,386,292	\$ 2,369,297	\$ 1,861,657	\$ 169,647	\$ 987,491

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

STATEMENT OF CASH FLOWS as of June 30, 2012 *(amounts expressed in thousands)*

	University of Florida	
	2011-12	2010-11
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Net	\$ 316,411	\$ 275,625
Grants and Contracts	1,043,057	1,067,675
Sales and Services of Auxiliary Enterprises	117,239	138,584
Sales and Services of Educational Departments	47,609	45,625
Repayment of Loans and Notes Receivable from Students	5,962	6,812
Interest on Loans Receivable	786	2,016
Other Operating Receipts	2,447	1,705
Payments to Employees	(1,563,109)	(1,579,905)
Payments to Suppliers for Goods and Services	(503,087)	(498,189)
Payments to Students for Scholarships and Fellowships	(80,810)	(98,601)
Loans Issued to Students	(6,213)	(5,439)
Payments on Self-Insured Claims and Expenses	(7,378)	(19,612)
Net Cash Used by Operating Activities	(627,086)	(663,704)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital State Appropriations	527,880	588,229
Federal and State Financial Aid	116,178	147,345
State Appropriated American Recovery and Reinvestment Act Funds	2,384	30,923
Noncapital Grants, Contracts, and Gifts	81,077	-
Direct Loan Program Receipts	245,805	230,013
Direct Loan Program Disbursements	(245,794)	(230,017)
Operating Subsidies and Transfers	-	3
Net Change in Funds Held for Others	2,899	1,187
Other Nonoperating Receipts	2,180	1,155
Other Nonoperating Disbursements	(3,979)	(7,277)
Net Cash Provided by Noncapital Financing Activities	728,630	761,561
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Improvement Debt	27,094	29,796
Capital State Appropriations	50,889	71,936
Capital Grants, Contracts, Donations, and Student Fees	3,349	15,909
Proceeds from Sales of Capital Assets	193	108
Other Receipts for Capital Projects	55	-
Purchase or Construction of Capital Assets	(179,498)	(187,068)
Principal Paid on Capital Debt and Leases	(7,342)	(6,297)
Interest Paid on Capital Debt and Leases	(5,483)	(4,464)
Net Cash Used by Capital and Related Financing Activities	(110,743)	(80,080)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	1,476,554	1,405,419
Purchase of Investments	(1,492,980)	(1,450,146)
Investment Income	24,605	27,620
Net Cash Provided (Used) by Investing Activities	8,179	(17,107)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,020)	670
Cash and Cash Equivalents, Beginning of Year	1,539	869
Cash and Cash Equivalents, End of Year	\$ 519	\$ 1,539
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (687,040)	\$ (788,411)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	116,697	126,568
Change in Assets and Liabilities:		
Receivables, Net	(27,715)	(748)
Due From State and Component Units	(1,843)	(890)
Inventories	185	224
Other Assets	7	3,508
Accounts Payable	8,974	(61)
Salaries and Wages Payable	3,497	(28,294)
Due to Component Units	(1,414)	586
Deferred Revenue	(362)	2,046
Deposits Held in Custody	1,175	(1,138)
Other Postemployment Benefits Payable	36,396	23,193
Compensated Absences Payable	(80,067)	8,296
Liability for Self-Insured Claims	4,424	(8,583)
NET CASH USED BY OPERATING ACTIVITIES	\$ (627,086)	\$ (663,704)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
The following items are recognized on the Statement of Net Assets or the Statement of Revenues, Expenses and Changes in Net Assets, but are not cash transactions for the Statement of Cash Flows.		
Unrealized gains on investments	\$ 2,355	
Acquisition of equipment under installment purchase agreements	\$ 1,085	
Loss on disposal of capital assets	\$ (2,573)	
Expenses related to the changes in capitalization thresholds	\$ (61,206)	
Loss on refunded 1998 Housing Bonds will be amortized over the life of the 2011A refunding Housing Bonds	\$ (364)	

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



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

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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 Units

Based on the application of the criteria for determining component units, the University of Florida Self-Insurance Program (the Program), and the University of Florida Healthcare Education Insurance Company (HEIC), are included within the University reporting entity as blended component units. 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 17 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 20.

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 4-H Youth Development Program, an official part 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 develops and maintains Innovation Square where the University-owned Florida Innovation Hub is located. Related transactions have been recorded in the University's accounting records. Since this direct-support organization had no separate financial transactions, 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 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.

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.

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 blended and discretely presented component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Twenty-seven component units follow GASB standards of accounting and financial reporting. Three component units (University of Florida Foundation, Inc., Florida Foundation Seed Producers, Inc., and University of Florida Investment Corporation) 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 noncapital State Appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments) and capital State Appropriations for 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 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 \$4 million for intangible assets, which includes computer software, and \$5,000 for tangible personal property. The costs of all new buildings and projects adding new square footage are capitalized. Infrastructure and leasehold improvements have a \$250,000 capitalization threshold. For building renovations, 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 – 5 to 50 years, depending on construction
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 3 to 20 years
- Property Under Capital Lease – 40 years
- Library Resources – 10 years
- Computer Software – 5 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 CHANGES IN ACCOUNTING POLICY AND REPORTING

The University changed certain of its capitalization thresholds effective July 1, 2011. These changes resulted in \$191,012,146 of previously capitalized assets, net of \$129,806,302 in related accumulated depreciation, being removed from the University's accounting records. These changes are reflected within the adjustments column of Table 9. The net amount of \$61,205,844 was recorded as Other Nonoperating Expenses in the Statement of Revenues, Expenses and Changes in Net Assets.

Additionally, pursuant to the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, certain transfers to the University from component units, which were previously reported as operating revenues Nongovernmental Grants and Contracts, have been determined to be nonexchange transactions, and are now reported as nonoperating revenues Noncapital Grants, Contracts, and Gifts. The amount reported as Noncapital Grants, Contracts, and Gifts for the 2011-12 fiscal year is \$81,077,329. This change was made prospectively and, accordingly, the prior year financial statements have not been restated.

3 ADJUSTMENTS TO BEGINNING NET ASSETS - COMPONENT UNITS

Table 1 summarizes the Adjustments to Beginning Net Assets reported in the Statement of Revenues, Expenses, and Changes in Net Assets to correct prior year accounting errors of the University's component units.

Table 1. Adjustments to Beginning Net Assets

Description	Component Units
UF College of Pharmacy Faculty Practice Association, Inc. - To decrease Beginning Net Assets to correct prior year Accounts Receivable and Accounts Payable	\$ (14,052)
University Village Apartments, Inc. - To increase Beginning Net Assets for prior year overstatement of Accumulated Depreciation	223,358
Total	\$ 209,306

4 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, 2012, are reported at fair value and shown in Tables 2 and 3.

Table 2. University Investments

Types of Investments	Fair Value
External Investments Pools:	
State Treasury Special Purpose Investment Account	\$ 820,225,437
State Board of Administration Debt Service Accounts	2,836,585
United States Government and Federally-Guaranteed Obligations	14,908,204
Repurchase Agreements	18,254,159
Stocks	516
Certificates of Deposit	750,000
Investment Agreements	106,778,845
Equity Mutual Funds	36,407,622
Bond Mutual Funds	87,740,464
Total University Investments	\$ 1,087,901,832

Table 3. Component Units Investments

Types of Investments	Fair Value
External Investments Pools:	
State Treasury Special Purpose Investment Accounts	\$ 305,739,156
State Board of Administration Florida PRIME Investment Pool	413,539
United States Government and Federally-Guaranteed Obligations	4,166,062
Federal Agency Obligations	491,154
Bonds and Notes	24,130,420
Investment Agreements	1,700,068,594
Real Estate Agreements	11,106,906
Stocks	3,832,081
Certificates of Deposit	854,585
Money Market Funds	56,456,705
Equity Mutual Funds	47,376,783
Bond Mutual Funds	62,585,598
Commercial Paper	1,120,000
Total Component Units Investments	\$ 2,218,341,583

A. External Investment Pools

The University and its discretely presented component units (see Note 1) reported investments at fair value totaling \$820,225,437 and \$305,739,156, respectively, at June 30, 2012, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+ by Standard and Poor's and had an effective duration of 2.38 years at June 30, 2012. 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, 2012, the University's component units reported investments at fair value totaling \$413,539 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, 2012, 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 38 days as of June 30, 2012. 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 \$2,836,585 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on 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, and the University of Florida Healthcare Education Insurance Company, blended component units (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 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, 2012, are shown in Tables 4 and 5, respectively.

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	\$ 14,908,204	\$ 3,152,867	\$ 11,755,337	\$ -	\$ -
Bond Mutual Funds	87,740,464	-	87,740,464	-	-
Total University	\$ 102,648,668	\$ 3,152,867	\$ 99,495,801	\$ -	\$ -

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	\$ 2,967,031	\$ -	\$ -	\$ 2,967,031	\$ -
Federal Agency Obligations	491,154	491,154	-	-	-
Bonds and Notes	21,321,462	2,580,000	17,062,833	1,588,623	90,006
Bond Mutual Funds	51,175,498	5,176,818	11,464,680	34,534,000	-
Total Component Units	\$ 75,955,145	\$ 8,247,972	\$ 28,527,513	\$ 39,089,654	\$ 90,006

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	\$ 87,740,464	\$ 1,228,146	\$ 50,782,211	\$ 30,728,202	\$ 5,001,905

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	\$ 491,154	\$ 477,080	\$ -	\$ -	\$ 14,074
Bonds and Notes	21,321,462	2,068,277	6,637,358	10,625,672	1,990,155
Money Market Funds	52,355,980	19,500,000	-	352,980	32,503,000
Bond Mutual Funds	51,175,498	-	2,445,449	-	48,730,049
Total Component Units	\$ 125,344,094	\$ 22,045,357	\$ 9,082,807	\$ 10,978,652	\$ 83,237,278

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, 2012, 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.

5 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, 2012, are summarized in Table 8.

Table 8. Accounts Receivable

Description	Amount
Grants and Contracts	\$ 89,673,400
Sales and Services of Auxiliary Enterprises	42,357,312
Student Tuition and Fees	9,554,155
Sales and Services of Educational Departments	1,690,327
Interest	2,107,194
Total Accounts Receivable, Net	\$ 145,382,388

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 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 \$6,513,610, which is 10.5% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$3,271,000, which is 7.4% 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.

6 DUE FROM STATE

This amount consists of \$31,534,921 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

7 DUE FROM AND TO COMPONENT UNITS/ UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2012. 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.

8 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.

9 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is presented in Table 9.

Table 9. Capital Assets

Description	Beginning Balance	Adjustments (A)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 10,763,861	\$ -	\$ -	\$ -	\$ 10,763,861
Construction in Progress	90,589,155	-	66,815,315	55,674,924	101,729,546
Works of Art and Historical Treasures	3,948,343	(139,513)	95,939	29,476	3,875,293
Total Nondepreciable Capital Assets	105,301,359	(139,513)	66,911,254	55,704,400	116,368,700
Depreciable Capital Assets:					
Buildings	2,012,506,291	-	119,144,085	848,788	2,130,801,588
Infrastructure and Other Improvements	95,775,051	-	3,180,148	-	98,955,199
Furniture and Equipment	683,121,497	(178,247,692)	39,974,064	19,598,619	525,249,250
Library Resources	296,357,298	-	10,489,259	728,739	306,117,818
Property Under Capital Lease	9,815,002	-	-	-	9,815,002
Works of Art and Historical Treasures	850,369	(336,957)	6,283	-	519,695
Computer Software	35,037,770	(10,719,822)	353,359	138,307	24,533,000
Other Capital Assets	2,314,225	(1,568,162)	-	736,563	9,500
Total Depreciable Capital Assets	3,135,777,503	(190,872,633)	173,147,198	22,051,016	3,096,001,052
Less Accumulated Depreciation:					
Buildings	814,420,048	-	63,369,307	336,135	877,453,220
Infrastructure and Other Improvements	54,824,544	-	3,180,658	-	58,005,202
Furniture and Equipment	435,035,500	(119,998,096)	36,705,033	16,447,957	335,294,480
Library Resources	236,184,033	-	11,992,475	728,739	247,447,769
Property Under Capital Lease	3,372,823	-	245,375	-	3,618,198
Works of Art and Historical Treasures	447,596	(155,149)	29,468	(1,059)	322,974
Computer Software	32,830,246	(8,948,243)	818,636	167,639	24,533,000
Other Capital Assets	671,341	(704,814)	355,803	320,113	2,217
Total Accumulated Depreciation	1,577,786,131	(129,806,302)	116,696,755	17,999,524	1,546,677,060
Total Depreciable Capital Assets, Net	1,557,991,372	(61,066,331)	56,450,443	4,051,492	1,549,323,992
Total Capital Assets, Net	\$ 1,663,292,731	\$ (61,205,844)	\$ 123,361,697	\$ 59,755,892	\$ 1,665,692,692

(A) Adjustments represent the capital assets costs and related accumulated depreciation, removed from the University's accounting records as result of change in capitalization thresholds. See paragraph 1 of Note 2.

10 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 8,600 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, 2012. Purchases of artwork by the museum are included with the University's reported "Nondepreciable Capital Assets" as presented in Table 9.

11 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, 2012, is summarized in Table 10.

Table 10. Deferred Revenue

Description	Amount
Grants and Contracts	\$ 19,139,011
Sales and Services of Auxiliary Enterprises	6,436,082
Total Deferred Revenue	\$ 25,575,093

12 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,

2012. This did not, however, represent an overdraft in the University's depository accounts.

13 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2012, 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, 2012, is presented in Table 11.

A. Capital Improvement Debt Payable

Capital improvement debt is issued to construct student housing facilities, parking garages, and various other University facilities. The outstanding debt for student housing and parking garages is secured by a pledge of a portion of housing rental revenues and parking fees. The outstanding debt for the Clinical Translational Research Building is secured by a pledge of a portion of indirect costs revenues received by the College of Medicine.

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

On November 10, 2011, the Florida Board of Governors, on behalf of the University, issued \$16,350,000 of University of Florida Housing Revenue Bonds, Series 2011A, with interest rates ranging from 2.0 to 4.0 percent to advance refund the \$16,595,000 principal amount of the University of Florida Housing Revenue Bonds, Series 1998, maturing on or after July 1, 2011, with rates from 4.5 to 5.0 percent. The refunding bonds were used to purchase securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust

assets and the liability for the defeased bonds are not included in the University's Statement of Net Assets. As a result of the refunding, the University reduced its debt service requirement by \$1,968,164 over the next 15 years and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,600,752.

On May 10, 2012, the Florida Board of Governors, on behalf of the University, also issued \$26,500,000 of University of Florida Housing Revenue Bonds, Series 2012A, with interest rates ranging from 2.0 to 4.0 percent. Proceeds of \$27,094,319, which include a premium of \$939,136, will be used to finance 14 dormitory renovation projects.

A summary of the University's capital improvement debt payable at June 30, 2012, appears in Table 12.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2012, 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 \$7,091,455. The stated interest rates ranged from 0.00% to 10.74%. Future minimum payments remaining under installment purchase agreements as of June 30, 2012, 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

Table 11. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Asset-Related Debt:					
Capital Improvement Debt Payable	\$ 104,506,954	\$ 42,850,000	\$ 21,073,302	\$ 126,283,652	\$ 6,919,000
Installment Purchase Agreements Payable	2,069,714	1,085,057	1,209,308	1,945,463	867,773
Capital Leases Payable	3,310,387	-	160,881	3,149,506	73,743
Total Capital Asset-Related Debt	109,887,055	43,935,057	22,443,491	131,378,621	7,860,516
Other Long-Term Liabilities:					
Compensated Absences Payable	177,931,358	107,891,228	187,958,514	97,864,072	7,242,704
Other Postemployment Benefits Payable	66,062,000	45,792,000	9,396,000	102,458,000	-
Liability for Self-Insured Claims	98,407,591	11,800,173	7,376,172	102,831,592	15,439,665
Other Noncurrent Liabilities	19,424,658	-	318,581	19,106,077	-
Total Long-Term Liabilities	\$ 471,712,662	\$ 209,418,458	\$ 227,492,758	\$ 453,638,362	\$ 30,542,885

Table 12. Capital Improvement Debt Payable

Type and Series	Amount of Original Issue	Amount Outstanding		Interest Rates	Maturity Date
		Principal	Interest		
Student Housing Auxiliary Debt:					
1984 Housing	\$ 3,500,000	\$ 355,000	\$ 16,050	3.000%	2014
2005A Housing	37,610,000	31,760,000	15,345,781	4.000 to 5.125%	2030
2011A Housing	16,350,000	15,245,000	4,035,463	2.000 to 4.000%	2028
2012A Housing	26,500,000	26,500,000	10,269,311	2.000 to 4.000%	2031
Total Student Housing Debt	83,960,000	73,860,000	29,666,605		
Parking Garage Auxiliary Debt:					
1993 Parking Garage	19,545,000	1,580,000	80,000	5.000%	2014
1998 Parking Garage	10,000,000	4,655,000	810,212	4.400 to 4.750%	2019
2007A Parking Garage	20,770,000	17,775,000	6,539,124	3.500 to 4.375%	2028
Total Parking Garage Debt	50,315,000	24,010,000	7,429,336		
University of Florida Revenue Bonds:					
2011 Clinical Translational Research Building	29,838,000	28,811,000	13,305,250	4.433%	2030
Plus: Unamortized Premiums	-	1,367,055	-		
Less: Unamortized Discounts	-	(359,127)	-		
Less: Unamortized Refunding Losses	-	(1,405,276)	-		
Total Capital Improvement Debt	\$ 164,113,000	\$ 126,283,652	\$ 50,401,191		

Table 13. Capital Improvement Debt Outstanding

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 6,919,000	\$ 5,355,410	\$ 12,274,410
2014	7,307,000	4,970,782	12,277,782
2015	6,580,000	4,706,491	11,286,491
2016	6,829,000	4,448,234	11,277,234
2017	7,108,000	4,165,426	11,273,426
2018-2022	35,137,000	16,174,783	51,311,783
2023-2027	35,372,000	8,794,387	44,166,387
2028-2031	21,429,000	1,785,678	23,214,678
Subtotal	126,681,000	50,401,191	177,082,191
Plus: Unamortized Premiums	1,367,055	-	1,367,055
Less: Unamortized Discounts	(359,127)	-	(359,127)
Less: Unamortized Refunding Losses	(1,405,276)	-	(1,405,276)
Total	\$ 126,283,652	\$ 50,401,191	\$ 176,684,843

Table 14. Installment Purchase Agreements

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 867,773	\$ 37,691	\$ 905,464
2014	625,685	18,737	644,422
2015	375,133	7,232	382,365
2016	76,872	705	77,577
Total Minimum Payments	\$ 1,945,463	\$ 64,365	\$ 2,009,828

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.

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*

Table 15. Capital Leases Payable

Capital Leases	Interest Rate	Original Balances	Outstanding Balance At June 30, 2012
Shands Garage (607 spaces)	6.45%	\$ 1,382,470	\$ 770,848
Shands Garage (800 spaces)	6.45%	2,981,939	2,378,658
Total		\$ 4,364,409	\$ 3,149,506

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2012, are presented in Table 16.

Table 16. Capital Leases Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 73,743	\$ 153,423	\$ 227,166
2014	128,780	198,387	327,167
2015	137,086	190,080	327,166
2016	145,928	181,238	327,166
2017	155,341	171,826	327,167
2018-2022	940,563	695,271	1,635,834
2023-2027	965,866	369,970	1,335,836
2028-2030	602,199	79,301	681,500
Total	\$ 3,149,506	\$ 2,039,496	\$ 5,189,002

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 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.

During the 2011-12 fiscal year, the University made changes to the leave regulations concerning compensated absences. The new regulations placed limits on the hours of vacation and sick leave that can be paid out upon separation from the University. Vacation leave is limited to 200 hours for most employees, while sick leave is limited to one-fourth of the balance, up to 480 hours, for those employees hired prior to April 1, 2010, having more than ten years of service, and retiring on or before June 30, 2016.

At June 30, 2012, the estimated liability for compensated absences, which includes the University's share of the Florida

Table 17. Annual OPEB Cost and Net OPEB Obligation

Description	Amount
Normal Cost (service cost for one year)	\$ 24,032,000
Amortization of Unfunded Actuarial Accrued Liability	21,458,000
Interest on Normal Cost and Amortization	1,820,000
Annual Required Contribution	47,310,000
Interest on Net OPEB Obligation	2,568,000
Adjustment to Annual Required Contribution	(2,226,000)
Annual OPEB Cost (Expense)	47,652,000
Contribution Toward the OPEB Cost	(9,396,000)
Increase in Net OPEB Obligation	38,256,000
Net OPEB Obligation, Beginning of Year	66,062,000
Actuarial Adjustment to Beginning Net OPEB Obligation	(1,860,000)
Net OPEB Obligation, End of Year	\$102,458,000

Retirement System and FICA contributions, totaled \$97,864,072. 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.

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 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 2011-12 fiscal year, 2,451 retirees received

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 31,555,000	26.4%	\$ 42,869,000
2010-11	33,220,000	30.2%	66,062,000
2011-12	47,652,000	19.7%	102,458,000

postemployment benefits. The University provided required contributions of \$9,396,000 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 \$13,656,000.

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.

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, 2012, and for the two preceding years, are presented in Table 18.

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$643,742,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$643,742,000. The covered payroll (annual payroll of active participating employees) was \$996,685,753 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 64.6 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 assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the University's estimated 2011-12 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 trend rates were 7.24%, 8.38%, and 8.57% for the first three years respectively for all retirees in the PPO (Preferred Provider Organization) Plan and were 5.81%, 3.11%, and 8.42% for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.5% in the fourth year grading to 5.0% 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.

14

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 \$103,222,795 for the fiscal year ended June 30, 2012.

15

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 the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system

Table 19. Florida Retirement System Rates

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00%	4.91%
Florida Retirement System, Senior Management Services	3.00%	6.27%
Florida Retirement System, Special Risk	3.00%	14.10%
Deferred Retirement Option Program-Applicable to Members from all of the Above Classes	0.00%	4.42%
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:

(A) Employer rates for each membership class include 1.11% for health insurance subsidy. Also, employer rates, other than for DROP participants, include .03% for administrative costs of the Investment Plan.

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

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 Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk, who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk, who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in

lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or 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 Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service. There were 1,621 University participants during the 2011-12 fiscal year. Required employer contributions made to the Investment Plan totaled \$3,132,835 and employee contributions totaled \$1,875,505.

The State of Florida establishes contribution rates for participating employers and employees. Effective July 1, 2011, employees were required to contribute 3% of gross salary towards retirement. Contribution rates during the 2011-12 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. There were 8,032 University participants during the 2011-12 fiscal year. The University's contributions for the fiscal years ended June 30, 2010 and June 30, 2011 totaled \$33,580,957 and \$38,823,505 respectively, which were equal to the required contributions for each fiscal year. For the fiscal year ended June 30, 2012, the University's contributions totaled \$16,712,175 and employee contributions totaled \$8,613,541.

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, 7.92% of the participant's salary, less a small amount used to cover administrative costs and effective July 1, 2011, employees are required to contribute 3.0% of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 5,575 University participants during the 2011-12 fiscal year. Required employer contributions made to the Program totaled \$44,202,172 and employee contributions totaled \$35,121,824.

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 34 University participants during the 2011-12 fiscal year. Required employer contributions made to the program totaled \$53,273. 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. One employee was covered by the Florida Teachers' Retirement System during the 2011-12 fiscal year. Employer contributions totaled \$15,233, and employee contributions totaled \$8,388. Thirty-four employees were covered by the U.S. Civil Service Retirement System during the 2011-12 fiscal year. Employer contributions totaled \$238,395, and employee contributions totaled \$233,988.

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CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2012, are presented in Table 20.

Table 20. Construction Commitments

Project Title	Total Commitment	Completed to Date	Balance Committed
Lake Nona Research Facility	\$ 51,974,305	\$ 43,538,426	\$ 8,435,879
Clinical Translational Research Building/Institute on Aging Research Building	44,479,161	13,498,164	30,980,997
East Campus Data Center	12,000,000	2,565,476	9,434,524
P.K. Yonge Developmental School Phase 1	8,541,054	7,246,054	1,295,000
Chemistry Biology Building	6,513,400	5,072,133	1,441,267
Weimer Hall Expansion	4,431,449	3,348,107	1,083,342
Movement Disorders Center	3,306,605	2,405,305	901,300
Tropical Research & Education Center Phase I - Homestead	3,204,400	629,306	2,575,094
McCarty Hall A - Third Floor Laboratory Renovations	3,047,767	2,514,564	533,203
Health Science Center Lobby Upgrades	2,754,460	1,780,451	974,009
Broward Hall Electrical Wiring Upgrade	2,065,000	1,057,486	1,007,514
Joint Use Library Storage Facility	2,017,600	187,633	1,829,967
SCADA (Steam Piping) Infrastructure-Campus	1,897,788	1,455,835	441,953
Weaver Hall Bathroom and Kitchen Renovations	1,875,070	1,379,731	495,339
Plant Pathology Diagnostics Laboratory	1,700,000	160,495	1,539,505
Evaluate and Optimize Condenser Pump	1,539,320	1,116,093	423,227
Creekside Resident Life Coordinator Apartments Renovation	1,405,000	478,775	926,225
Replace Voltage Cables - Campus	1,306,416	943,323	363,093
Replacement Oil Switches	1,153,804	47,667	1,106,137
Roof Replacement at Whitney Laboratory for Marine Bioscience	1,135,164	956,191	178,973
Weaver Hall Window Replacement	1,118,570	628,189	490,381
Lacy C. Rabon Chilled Water Plant	1,021,000	735,726	285,274
Campus Security System Enhancement	1,004,900	541,362	463,538
Subtotal	\$ 159,492,233	\$ 92,286,492	\$ 67,205,741
Projects Under \$1,000,000	22,997,685	9,443,054	13,554,631
Total	\$ 182,489,918	\$101,729,546	\$ 80,760,372

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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 2011-12 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million of losses per occurrence with an annual aggregate retention of \$40 million for named windstorm 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 \$61 million for named windstorm and flood losses through February 14, 2012, and decreased to \$50 million starting February 15, 2012. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. 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 JHMH Self-Insurance Program and the prior University of Florida JHMH/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 JHMH, 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, 2012, was \$102,831,592 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

Table 21. Liability for Self-Insured Claims

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims/Changes in Estimates	Claims Payments	Claims Liabilities End of Year
2010-11	\$ 106,990,118	\$ 8,016,453	\$ (16,598,980)	\$ 98,407,591
2011-12	98,407,591	11,800,173	(7,376,172)	102,831,592

in the removal of the related liabilities from the Statement of Net Assets, totals \$1,910,010 for the Self-Insurance Program at June 30, 2012. 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 2010-11 and 2011-12 fiscal years are presented in Table 21.

18 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.

19 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.

20 COMPONENT UNITS

The University has 26 discretely presented component units 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.

21 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 22. Functional Expenses
(amounts expressed in thousands)

Functional Classifications	Amount
Instruction	\$ 634,096
Research	545,336
Public Service	385,231
Academic Support	150,761
Auxiliary Operations	124,450
Depreciation	116,697
Institutional Support	107,087
Operation and Maintenance of Plant	106,718
Scholarships, Fellowships and Waivers, Net	53,749
Student Services	20,373
Total Operating Expenses	\$ 2,244,498

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

	University of Florida Foundation, Inc.	University of Florida Research Foundation, Inc.	The University Athletic Association, Inc.	Gator Boosters, Inc.	The University of Florida Law Center Association, Inc.	Florida Foundation Seed Producers, Inc.
	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012
CONDENSED STATEMENT OF NET ASSETS						
Assets						
Due from Component Units/University	\$ -	\$ -	\$ 130	\$ 3,293	\$ 4,799	\$ -
Other Current Assets	109,279	156,801	72,524	1,916	1,904	6,387
Capital Assets, Net	68,496	-	174,581	19	-	942
Other Noncurrent Assets	<u>1,516,847</u>	<u>520</u>	<u>46,173</u>	<u>414</u>	<u>-</u>	<u>-</u>
Total Assets	<u>1,694,622</u>	<u>157,321</u>	<u>293,408</u>	<u>5,642</u>	<u>6,703</u>	<u>7,329</u>
Liabilities						
Due to Component Units/University	19,196	13,320	65	4,332	-	2,916
Other Current Liabilities	19,698	25,634	69,490	233	36	98
Noncurrent Liabilities	<u>31,108</u>	<u>29,100</u>	<u>96,496</u>	<u>110</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>70,002</u>	<u>68,054</u>	<u>166,051</u>	<u>4,675</u>	<u>36</u>	<u>3,014</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	19,049	-	92,600	19	-	942
Restricted-Nonexpendable Endowment	1,124,605	-	-	414	2,044	-
Restricted-Expendable Endowment	213,943	-	-	-	-	-
Restricted-Other	285,897	-	4,232	-	3,123	-
Unrestricted	<u>(18,874)</u>	<u>89,267</u>	<u>30,525</u>	<u>534</u>	<u>1,500</u>	<u>3,373</u>
Total Net Assets	<u>\$ 1,624,620</u>	<u>\$ 89,267</u>	<u>\$ 127,357</u>	<u>\$ 967</u>	<u>\$ 6,667</u>	<u>\$ 4,315</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS						
Operating Revenues	\$ 76,712	\$ 36,492	\$ 68,204	\$ 42,581	\$ 890	\$ 2,412
Operating Expenses	<u>(119,209)</u>	<u>(40,004)</u>	<u>(102,112)</u>	<u>(2,502)</u>	<u>(887)</u>	<u>(1,881)</u>
Operating Income (Loss)	<u>(42,497)</u>	<u>(3,512)</u>	<u>(33,908)</u>	<u>40,079</u>	<u>3</u>	<u>531</u>
Nonoperating Revenues (Expenses)						
Investment Income	1,346	2,468	1,961	1,436	2	18
Net Decrease in the Fair Value of Investments	(1,211)	(2,943)	(2,627)	-	-	-
Addition to Permanent Endowments	45,224	-	-	9	-	-
Other	(7,014)	869	(6,912)	-	(181)	3
Transfers from/(to) Component Units	<u>(3,579)</u>	<u>-</u>	<u>50,746</u>	<u>(41,520)</u>	<u>113</u>	<u>-</u>
Change in Net Assets	<u>(7,731)</u>	<u>(3,118)</u>	<u>9,260</u>	<u>4</u>	<u>(63)</u>	<u>552</u>
Net Assets, Beginning of Year	<u>1,632,351</u>	<u>92,385</u>	<u>118,097</u>	<u>963</u>	<u>6,730</u>	<u>3,763</u>
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>1,632,351</u>	<u>92,385</u>	<u>118,097</u>	<u>963</u>	<u>6,730</u>	<u>3,763</u>
Net Assets, End of Year	<u>\$ 1,624,620</u>	<u>\$ 89,267</u>	<u>\$ 127,357</u>	<u>\$ 967</u>	<u>\$ 6,667</u>	<u>\$ 4,315</u>

Florida 4-H Club Foundation, Inc. 3/31/2012	Southwest Florida Research and Education Foundation, Inc. 6/30/2012	Citrus Research and Education Foundation, Inc. 6/30/2012	Citrus Research and Development Foundation, Inc. 6/30/2012	University of Florida Leadership and Education Foundation, Inc. 12/31/2011	Treasure Coast Agricultural Research Foundation, Inc. 6/30/2012	University of Florida Alumni Association, Inc. 6/30/2012	University of Florida Investment Corporation 6/30/2012	Total Direct Support Organizations
\$ -	\$ -	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,270
1,448	63	1,528	9,510	2,486	350	-	1,463	365,659
-	75	46	-	-	-	-	70	244,229
971	-	-	-	-	-	-	306	1,565,231
2,419	138	1,622	9,510	2,486	350	-	1,839	2,183,389
-	-	-	-	-	-	-	-	39,829
201	3	43	6,895	1,452	30	-	877	124,690
-	-	-	-	-	-	-	399	157,213
201	3	43	6,895	1,452	30	-	1,276	321,732
-	75	-	2,436	-	-	-	-	115,121
259	-	-	-	-	-	-	-	1,127,322
-	-	-	-	-	-	-	-	213,943
1,148	-	-	-	-	-	-	-	294,400
811	60	1,579	179	1,034	320	-	563	110,871
\$ 2,218	\$ 135	\$ 1,579	\$ 2,615	\$ 1,034	\$ 320	\$ -	\$ 563	\$ 1,861,657
\$ 2,078	\$ 60	\$ 1,156	\$ 11,780	\$ 3,941	\$ -	\$ 2,201	\$ -	\$ 248,507
(1,994)	(66)	(668)	(12,241)	(3,662)	(133)	(5,899)	(2,250)	(293,508)
84	(6)	488	(461)	279	(133)	(3,698)	(2,250)	(45,001)
64	-	7	24	-	-	-	2	7,328
-	-	-	-	-	-	-	-	(6,781)
-	-	-	-	-	-	-	-	45,233
16	-	-	-	-	-	-	-	(13,219)
105	-	-	-	100	-	3,698	2,250	11,913
269	(6)	495	(437)	379	(133)	-	2	(527)
1,949	141	1,084	3,052	655	453	-	561	1,862,184
-	-	-	-	-	-	-	-	-
1,949	141	1,084	3,052	655	453	-	561	1,862,184
\$ 2,218	\$ 135	\$ 1,579	\$ 2,615	\$ 1,034	\$ 320	\$ -	\$ 563	\$ 1,861,657

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

	Florida Clinical Practice Association, Inc. 6/30/2012	University of Florida Jacksonville Physicians, Inc. 6/30/2012	Faculty Associates, Inc. 6/30/2012
CONDENSED STATEMENT OF NET ASSETS			
Assets			
Due from Component Units/University	\$ 4,561	\$ 4,545	\$ -
Other Current Assets	58,448	50,160	3,546
Capital Assets, Net	32,804	16,278	-
Other Noncurrent Assets	28,896	85	-
Total Assets	124,709	71,068	3,546
Liabilities			
Due to Component Units/University	-	4,993	-
Other Current Liabilities	26,150	11,969	198
Noncurrent Liabilities	264	7,438	-
Total Liabilities	26,414	24,400	198
Net Assets			
Invested in Capital Assets, Net of Related Debt	32,449	8,168	-
Restricted	-	-	-
Unrestricted	65,846	38,500	3,348
Total Net Assets	\$ 98,295	\$ 46,668	\$ 3,348
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating Revenues	\$ 306,955	\$ 189,757	\$ 17,747
Operating Expenses	(98,506)	(95,819)	(240)
Operating Income (Loss)	208,449	93,938	17,507
Nonoperating Revenues (Expenses)			
Investment Income	312	91	2
Net Decrease in the Fair Value of Investments	-	-	-
Other	(265,361)	(110,633)	(17,153)
Transfers from/(to) Component Units	44,760	13,365	-
Change in Net Assets	(11,840)	(3,239)	356
Net Assets, Beginning of Year	110,135	49,907	2,992
Adjustments to Beginning Net Assets	-	-	-
Net Assets, Beginning of Year, as Restated	110,135	49,907	2,992
Net Assets, End of Year	\$ 98,295	\$ 46,668	\$ 3,348

Florida Health Professions Association, Inc. 6/30/2012	University of Florida College of Nursing Faculty Practice Association, Inc. 6/30/2012	University of Florida College of Pharmacy Faculty Practice Association, Inc. 6/30/2012	Florida Veterinary Medicine Faculty Association, Inc. 6/30/2012	University of Florida Jacksonville Healthcare, Inc. 6/30/2012	Faculty Clinic, Inc. 6/30/2012	Total Health Science Center Affiliates
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 9,116
4,932	4,182	1,430	9,008	373	1,260	133,339
-	778	-	-	4,336	3,538	57,734
-	-	-	-	-	1,561	30,542
4,932	4,960	1,430	9,008	4,709	6,369	230,731
-	-	-	-	2,288	18	7,299
127	-	51	44	2,052	494	41,085
798	-	-	-	-	4,200	12,700
925	-	51	44	4,340	4,712	61,084
-	778	-	-	4,336	(1,062)	44,669
-	-	-	-	-	1,500	1,500
4,007	4,182	1,379	8,964	(3,967)	1,219	123,478
\$ 4,007	\$ 4,960	\$ 1,379	\$ 8,964	\$ 369	\$ 1,657	\$ 169,647
\$ 6,009	\$ 604	\$ 1,748	\$ 6,539	\$ 215	\$ 368	\$ 529,942
(17)	(52)	(1,422)	(354)	(29,665)	(1,459)	(227,534)
5,992	552	326	6,185	(29,450)	(1,091)	302,408
-	30	1	5	-	8	449
-	(3)	-	-	-	-	(3)
(7,059)	(2)	-	(5,523)	(14)	(89)	(405,834)
-	(600)	-	-	29,464	1,159	88,148
(1,067)	(23)	327	667	-	(13)	(14,832)
5,074	4,983	1,066	8,297	369	1,670	184,493
-	-	(14)	-	-	-	(14)
5,074	4,983	1,052	8,297	369	1,670	184,479
\$ 4,007	\$ 4,960	\$ 1,379	\$ 8,964	\$ 369	\$ 1,657	\$ 169,647

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

	Shands Teaching Hospital & Clinics, Inc. 6/30/2012	Shands Jacksonville HealthCare, Inc. 6/30/2012	University Village Apartments, Inc. 6/30/2012	Total Shands Hospital and Others
CONDENSED STATEMENT OF NET ASSETS				
Assets				
Due from Component Units/University	\$ 5,699	\$ -	\$ 112	\$ 5,811
Other Current Assets	377,805	195,331	97	573,233
Capital Assets, Net	721,169	179,426	560	901,155
Other Noncurrent Assets	452,402	42,974	466	495,842
Total Assets	1,557,075	417,731	1,235	1,976,041
Liabilities				
Due to Component Units/University	9,387	-	-	9,387
Other Current Liabilities	176,498	105,586	1,275	283,359
Noncurrent Liabilities	555,868	139,936	-	695,804
Total Liabilities	741,753	245,522	1,275	988,550
Net Assets				
Invested in Capital Assets, Net of Related Debt	234,390	86,439	528	321,357
Restricted-Nonexpendable Endowment	97	-	-	97
Restricted-Other	8,750	3,843	-	12,593
Unrestricted	572,085	81,927	(568)	653,444
Total Net Assets	\$ 815,322	\$ 172,209	\$ (40)	\$ 987,491
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS				
Operating Revenues	\$ 1,086,166	\$ 516,145	\$ 1,395	\$ 1,603,706
Operating Expenses	(918,553)	(508,458)	(1,870)	(1,428,881)
Operating Income (Loss)	167,613	7,687	(475)	174,825
Nonoperating Revenues (Expenses)				
Investment Income	11,424	2,490	1	13,915
Net Increase in the Fair Value of Investments	180	-	-	180
Other	(41,576)	(31,357)	(3)	(72,936)
Transfers from/(to) Component Units	(53,290)	-	-	(53,290)
Change in Net Assets	84,351	(21,180)	(477)	62,694
Net Assets, Beginning of Year	730,971	193,389	214	924,574
Adjustments to Beginning Net Assets	-	-	223	223
Net Assets, Beginning of Year, as Restated	730,971	193,389	437	924,797
Net Assets, End of Year	\$ 815,322	\$ 172,209	\$ (40)	\$ 987,491

Table 26. Segment Information

	Transportation and Parking Services 6/30/2012	Department of Housing and Residence Education 6/30/2012
CONDENSED STATEMENT OF NET ASSETS		
Assets		
Current Assets	\$ 8,042,565	\$ 9,862,165
Capital Assets, Net	41,794,548	93,518,829
Other Noncurrent Assets	7,504,075	30,339,232
Total Assets	57,341,188	133,720,226
Liabilities		
Current Liabilities	1,162,398	10,203,987
Noncurrent Liabilities	24,817,847	71,068,252
Total Liabilities	25,980,245	81,272,239
Net Assets		
Invested in Capital Assets, Net of Related Debt	17,242,404	45,827,785
Restricted	7,014,243	2,939,347
Unrestricted	7,104,296	3,680,855
Total Net Assets	\$ 31,360,943	\$ 52,447,987
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating Revenues (Expenses):		
Operating Revenues	\$ 20,840,292	\$ 45,225,966
Depreciation Expense	(2,316,819)	(4,497,803)
Other Operating Expenses	(13,104,635)	(37,798,289)
Operating Income	5,418,838	2,929,874
Nonoperating Revenues (Expenses):		
Investment Income	307,332	1,042,348
Interest on Capital Asset-Related Debt	(1,321,708)	(2,265,217)
Other	(1,018,316)	(3,845,576)
Transfers	851,899	7,943,096
Net Nonoperating Revenues (Expenses)	(1,180,793)	2,874,651
Change in Net Assets	4,238,045	5,804,525
Net Assets, Beginning of Year	27,122,898	46,643,462
Net Assets, End of Year	\$ 31,360,943	\$ 52,447,987
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,060,656	\$ 5,489,005
Noncapital Financing Activities	(348,064)	(8,998,774)
Capital and Related Financing Activities	(3,875,793)	18,319,730
Investing Activities	(1,836,756)	(21,118,776)
Net Increase (Decrease) in Cash and Cash Equivalents	43	(6,308,815)
Cash and Cash Equivalents, Beginning of Year	43	14,439,027
Cash and Cash Equivalents, End of Year	\$ 86	\$ 8,130,212

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

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (2) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 269,126	\$ 269,126	0%	\$ 788,732	34%
7/1/2009	-	455,677	455,677	0%	948,375	48%
7/1/2011	-	643,742	643,742	0%	996,686	65%

(1) 7/1/2007 was the first year the Postemployment Benefit was accrued.

(2) The entry age cost actuarial method is used by the University.

Notes to Required Supplementary Information:

Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2011, unfunded actuarial liability of \$643.7 million was significantly higher than the July 1, 2009, liability of \$455.7 million 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 the passage of the Patient Protection and Affordable Care Act.

Financial Aid Administered for the Year Ended June 30, 2012 *(unaudited)*

	Number of Recipients	Aid Disbursed
Federal Programs		
Pell Grants	12,383	\$ 46,556,249
Supplemental Educational Opportunity Grants	3,318	2,114,449
National SMART Grant	238	203,437
Academic Competitiveness Grants	589	129,892
TEACH Grant	12	39,500
Perkins Student Loans	1,339	3,814,365
Health Professions Student Loans (PCL, LDS, HPSL)	62	567,466
Direct Loans	20,284	245,794,280
TOTAL FEDERAL FINANCIAL AID ADMINISTERED	38,225	\$ 299,219,638
State Programs		
Loans:		
University of Florida Short-Term Loans	656	\$ 771,088
Student Aid For Education (SAFE) Loans	82	178,750
University of Florida Long-Term Loans	177	681,255
Total Loans Administered	915	1,631,093
Scholarships and Grants:		
State of Florida Financial Aid Program	30,542	66,363,995
Lottery Trust Grant Funded Waivers	396	1,410,373
Total State Scholarships and Grants Administered	30,938	67,774,368
TOTAL STATE FINANCIAL AID ADMINISTERED	31,853	\$ 69,405,461
Other Scholarships and Grants		
Institutional Grants:		
College Awarded Scholarships	12,316	\$ 39,489,728
Graduate Tuition Remission Waivers	2,990	20,574,986
General Scholarships	8,058	12,085,789
Total Institutional Scholarships and Grants	23,364	72,150,503
Custodial Scholarships:		
Tuition, Trusts, Clubs, Service Organizations, etc.	4,829	10,876,596
TOTAL OTHER SCHOLARSHIPS AND GRANTS	28,193	\$ 83,027,099
Fee Waivers		
Non-Resident Tuition Waivers	406	\$ 5,106,636
Other Waivers	5,421	37,200,927
TOTAL FEE WAIVERS ADMINISTERED	5,827	\$ 42,307,563
TOTAL FINANCIAL AID ADMINISTERED		\$ 493,959,761



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

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

We have audited the 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, 2012, 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.

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. 2013-027.

This **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is 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
December 13, 2012
Audit Report No. 2013-063

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