

FLORIDA ATLANTIC UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2014



BOARD OF TRUSTEES AND PRESIDENTS

Members of the Board of Trustees and Presidents who served during the 2013-14 fiscal year are listed below:

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Thomas Workman, Jr., Vice Chair
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Patrick Callahan, from 1-15-14 to 5-8-14 (1)
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Robert S. Rubin
Robert J. Stilley
Paul C. Tanner
Dr. Julius Teske

Dennis Crudele, Acting President to 2-28-14
Dr. John W. Kelly, President from 3-1-14

Notes: (1) Student body president.
(2) Position remained vacant from July 1, 2013,
through August 19, 2013.
(3) Faculty Senate Chair.

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

The audit team leader was Ida Marie Westbrook, CPA, and the audit was supervised by Diana G. Garza, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FLORIDA ATLANTIC UNIVERSITY
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

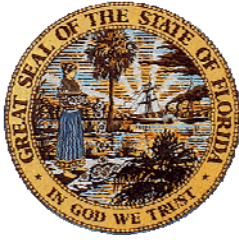
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
-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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of Florida Atlantic University College of Medicine Self-Insurance Program, a blended component unit, represents 0.21 percent, 0.24 percent, and 0.14 percent, respectively, of the assets, net position, and revenues, reported for Florida Atlantic University. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units' columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Atlantic University and of its aggregate discretely presented component units as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 18, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2014, and June 30, 2013.

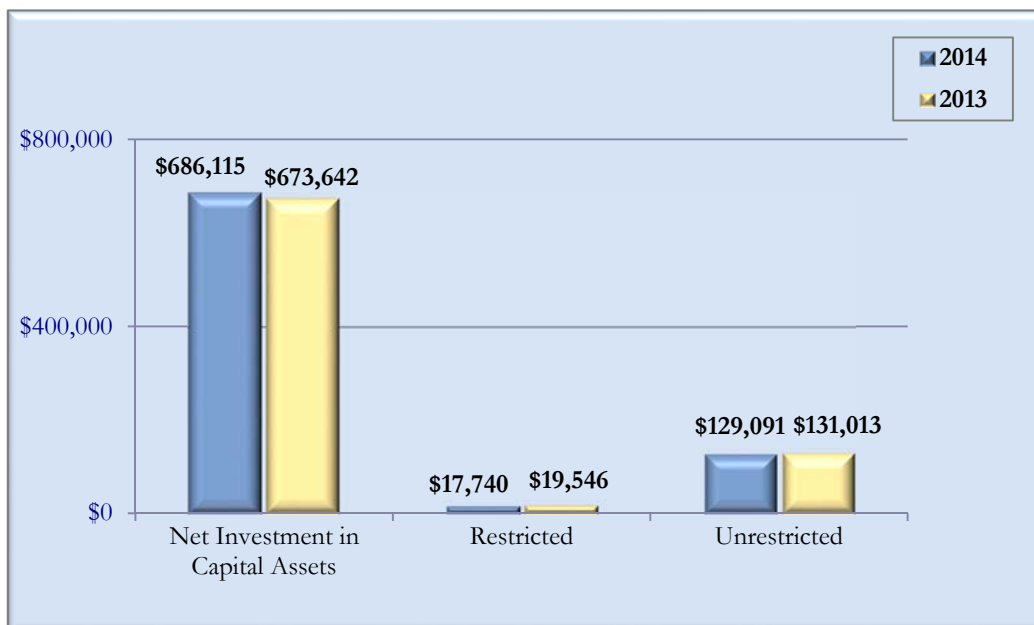
FINANCIAL HIGHLIGHTS

The University’s assets totaled \$1 billion at June 30, 2014. This balance reflects a \$19.5 million, or 1.9 percent, increase as compared to the 2012-13 fiscal year. Liabilities increased by \$10.7 million, or 5.3 percent, totaling \$211.4 million at June 30, 2014, as compared to \$200.7 million at June 30, 2013. As a result, the University’s net position increased by \$8.7 million, resulting in a year-end balance of \$832.9 million.

The University’s operating revenues totaled \$228.8 million for the 2013-14 fiscal year, representing a 0.6 percent decrease as compared to the 2012-13 fiscal year due mainly to a \$4.9 million decrease in other operating revenues offset by a \$6.8 million increase in student tuition and fees generated by an increase in enrollment and a \$2.1 million increase in tuition scholarship allowance. Operating expenses totaled \$457.9 million for the 2013-14 fiscal year, representing an increase of 3.4 percent as compared to the 2012-13 fiscal year due mainly to a \$17.3 million increase in compensation and employee benefits offset by a \$1.8 million decrease in scholarships, fellowships, and waivers.

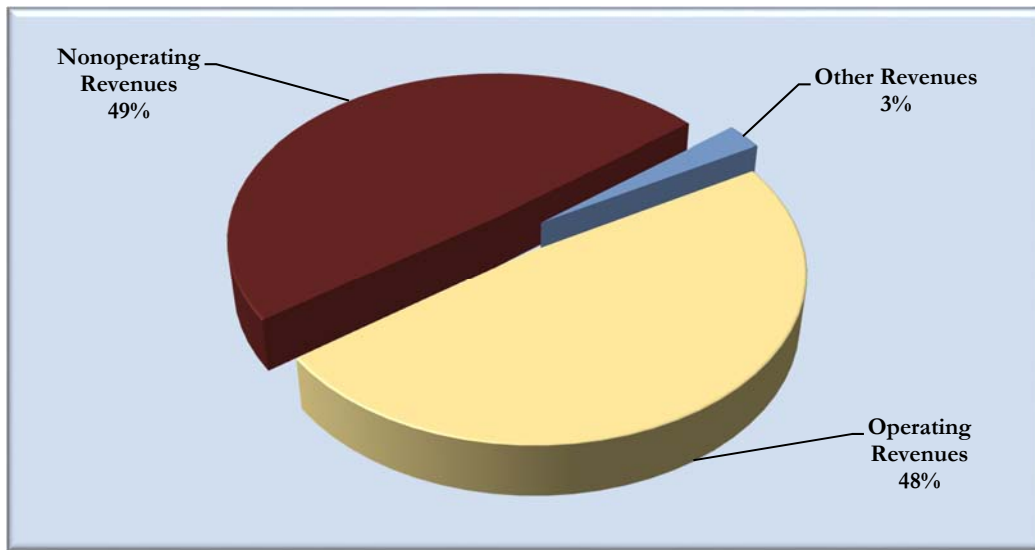
Net position represents the residual interest in the University’s assets after deducting liabilities. The University’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2013-14 fiscal year:

Total Revenues



OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

THE STATEMENT OF NET POSITION

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

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

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

	2014	2013
Assets		
Current Assets	\$ 248,367	\$ 223,870
Capital Assets, Net	793,040	784,696
Other Noncurrent Assets	2,934	16,297
	1,044,341	1,024,863
Liabilities		
Current Liabilities	45,801	40,429
Noncurrent Liabilities	165,594	160,233
	211,395	200,662
Net Position		
Net Investment in Capital Assets	686,115	673,642
Restricted	17,740	19,546
Unrestricted	129,091	131,013
	\$ 832,946	\$ 824,201

The increase in current assets is primarily caused by a net increase between the grants and aids investments and the student fee trust fund investments. The net increase in capital assets is caused by capitalizing the new parking garage buildings, in conjunction with an influx of non-depreciable historical treasures donated to the University, offset by the disposal of obsolete capital assets. The decrease in other noncurrent assets resulted from the use of the bond funds to construct the new parking garage. Current liabilities increased mainly as a result of an increase in unearned revenues from student tuition and fees paid in advance for a subsequent fiscal year. Noncurrent liabilities increased mainly as a result of the increase in compensated absences payable and other postemployment benefits payable.

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

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

The following summarizes the University's activity for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
Operating Revenues	\$ 228,803	\$ 230,240
Less, Operating Expenses	457,921	443,054
Operating Loss	(229,118)	(212,814)
Net Nonoperating Revenues	226,860	183,070
Loss Before Other Revenues, Expenses, Gains, or Losses	(2,258)	(29,744)
Other Revenues, Expenses, Gains, or Losses	11,689	3,828
Net Increase (Decrease) In Net Position	9,431	(25,916)
Net Position, Beginning of Year	824,201	850,117
Adjustments to Beginning Net Position (1)	(686)	
Net Position, Beginning of Year, as Restated	823,515	850,117
Net Position, End of Year	\$ 832,946	\$ 824,201

Note: (1) Adjustment to beginning net position resulting from the implementation of GASB Statement No. 65, which required bond issuance costs that were previously deferred and amortized to be expensed when incurred. See note 2 to the financial statements.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

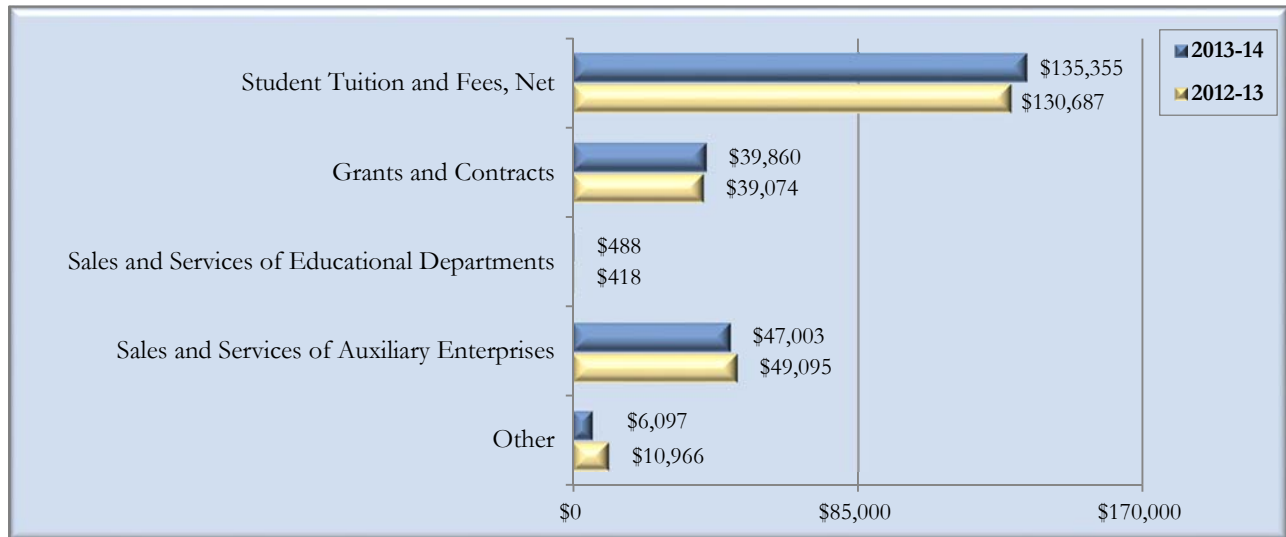
The following summarizes the operating revenues by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

**Operating Revenues
(In Thousands)**

	2013-14	2012-13
Student Tuition and Fees, Net	\$ 135,355	\$ 130,687
Grants and Contracts	39,860	39,074
Sales and Services of Educational Departments	488	418
Sales and Services of Auxiliary Enterprises	47,003	49,095
Other	6,097	10,966
Total Operating Revenues	\$ 228,803	\$ 230,240

The following chart presents the University’s operating revenues for the 2013-14 and 2012-13 fiscal years:

**Operating Revenues
(In Thousands)**



University operating revenues were impacted by a \$4.7 million increase in net student tuition and fees due to an increase in enrollment and a \$2.1 million increase in student scholarship allowance. The \$4.9 million decrease in other operating revenues was primarily due to the timing of payments received from a broadband lease contract and a reduction in transportation and parking services revenues.

Operating Expenses

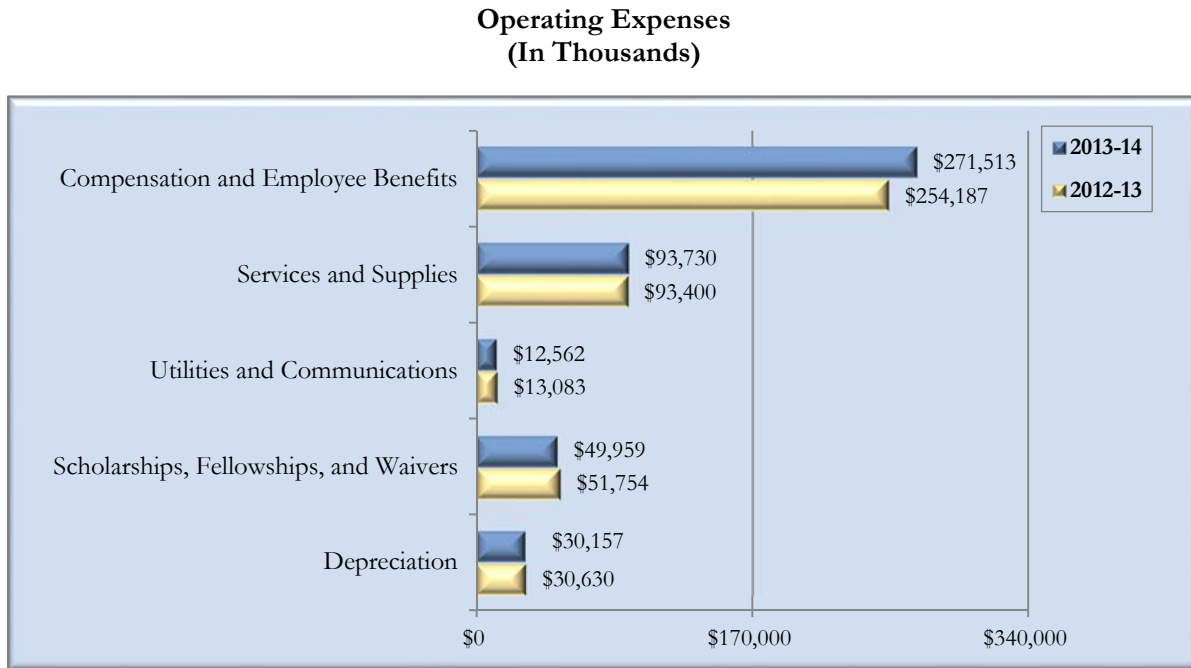
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University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

The following summarizes the operating expenses by natural classifications for the 2013-14 and 2012-13 fiscal years:

**Operating Expenses
For the Fiscal Years
(In Thousands)**

	2013-14	2012-13
Compensation and Employee Benefits	\$ 271,513	\$ 254,187
Services and Supplies	93,730	93,400
Utilities and Communications	12,562	13,083
Scholarships, Fellowships, and Waivers	49,959	51,754
Depreciation	30,157	30,630
Total Operating Expenses	\$ 457,921	\$ 443,054

The following chart presents the University’s operating expenses for the 2013-14 and 2012-13 fiscal years:



The \$17.3 million increase in compensation and employee benefits was primarily due to salary and merit increases. The \$1.8 million decrease in scholarships, fellowships, and waivers was primarily due to a decrease in exemptions to students.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University’s nonoperating revenues and expenses for the 2013-14 and 2012-13 fiscal years:

**Nonoperating Revenues (Expenses)
(In Thousands)**

	2013-14	2012-13
State Noncapital Appropriations	\$ 158,928	\$ 117,189
Federal and State Student Financial Aid	59,081	59,683
Investment Income (Loss)	4,104	(509)
Other Nonoperating Revenues	10,848	14,154
Loss on Disposal of Capital Assets	(1,059)	(896)
Interest on Capital Asset-Related Debt	(3,627)	(3,964)
Other Nonoperating Expenses	(1,415)	(2,587)
Net Nonoperating Revenues	\$ 226,860	\$ 183,070

The \$41.7 million increase in State noncapital appropriations impacted the funding available for the operations of the University. The \$4.6 million increase in investment income resulted from higher returns on investments during the current fiscal year. The \$3.3 million decrease in other nonoperating revenues resulted from funds received from the

Harbor Branch Oceanographic Institute Foundation being recorded as unearned revenues due to a change in the billing process.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

Other Revenues, Expenses, Gains, or Losses (In Thousands)		
	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 5,628	\$ 1,211
Capital Grants, Contracts, Donations, and Fees	5,730	2,250
Other Revenues	331	367
Total	\$ 11,689	\$ 3,828

Capital appropriations increased by \$4.4 million primarily due to an increase in Public Education Capital Outlay appropriations and capital improvement funding from the State. Capital grants, contracts, donations, and fees increased by \$3.5 million primarily due to the donation of capital assets from the Florida Atlantic University Foundation, Inc.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows (In Thousands)		
	<u>2013-14</u>	<u>2012-13</u>
Cash Provided (Used) by:		
Operating Activities	\$ (187,706)	\$ (167,340)
Noncapital Financing Activities	231,370	193,057
Capital and Related Financing Activities	(37,774)	(6,214)
Investing Activities	(11,123)	(14,287)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,233)	5,216
Cash and Cash Equivalents, Beginning of Year	15,074	9,858
Cash and Cash Equivalents, End of Year	\$ 9,841	\$ 15,074

Major sources of cash inflows came from proceeds from sales and maturities of investments of \$287.5 million, State noncapital appropriations of \$158.9 million, net of student tuition and fees of \$135.4 million, Federal direct loan program receipts of \$129.1 million, Federal and State student financial aid of \$60.9 million, sales and services of auxiliary enterprises of \$44.2 million, grants and contracts of \$34.3 million, and other operating receipts of \$15.4 million. Major cash outflows were for purchase of investments of \$300.6 million, payments made to and on behalf of employees totaling \$260.8 million, Federal Direct loan program disbursements of \$129.1 million, payments to suppliers totaling \$106.7 million, payments to and on behalf of students for scholarships totaling \$50 million, and payments for the purchase or construction of capital assets totaling \$35.2 million.

Changes in cash and cash equivalents were the result of the following factors:

- The increase in cash used by operating activities was due primarily to an increase in payments to employees.
- The increase in cash provided by noncapital financing activities was primarily due to the increase in State noncapital appropriations.
- The increase in cash used by capital and related financing activities was primarily due to the increase in the purchase or construction of capital assets.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the University had \$1.2 billion in capital assets, less accumulated depreciation of \$361.3 million, for net capital assets of \$793 million. Depreciation charges for the current fiscal year totaled \$30.2 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30 (In Thousands)

	2014	2013
Land	\$ 11,204	\$ 11,204
Construction in Progress	1,885	2,250
Buildings	628,762	618,225
Infrastructure and Other Improvements	57,793	59,821
Furniture and Equipment	39,473	40,845
Library Resources	11,153	12,529
Property Under Capital Leases and Leasehold Improvements	36,963	38,096
Works of Art and Historical Treasures	5,153	1,056
Computer Software	654	670
Capital Assets, Net	\$ 793,040	\$ 784,696

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

CAPITAL EXPENSES AND COMMITMENTS

Capital expenses through June 30, 2014, were primarily incurred on renovations to the Treasure Coast Residence Hall and Parking Lot No. 7 on the Boca Raton Campus. The University’s construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	\$ 3,462
Completed to Date	<u>(1,885)</u>
Balance Committed	<u>\$ 1,577</u>

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

DEBT ADMINISTRATION

As of June 30, 2014, the University had \$93.8 million in outstanding capital improvement debt payable and capital leases payable, representing a decrease of \$4.8 million, or 4.9 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

	Long-Term Debt, at June 30 (In Thousands)	
	<u>2014</u>	<u>2013</u>
Capital Improvement Debt	\$ 84,974	\$ 89,070
Capital Leases	<u>8,852</u>	<u>9,540</u>
Total	<u>\$ 93,826</u>	<u>\$ 98,610</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University experienced an increase in revenue received from State funding due to an upturn in the overall budget for the State of Florida. The Florida Legislature adopted an 8 percent increase in the Educational and General Budget allocation for State universities for 2014-15. Florida Atlantic University’s share of that increase translated to an increase of \$5.4 million in the Educational and General fund. Funding priorities for higher education continued to focus on efforts to maintain a stable funding environment including enrollment increase support and recognition of specific programmatic initiatives.

The University has experienced an increase in revenue from student tuition and fees because of an increase in planned non-resident students’ growth. Base funding initiatives to strengthen graduation rates, enhance recruitment/retention efforts and growing academic program offerings continue to be the priorities of the campus for the 2014-15 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2014**

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,836,128	\$ 26,789,132
Cash with Fiscal Agent		25,775,629
Investments	206,769,689	135,632,604
Accounts Receivable, Net	19,241,680	2,076,216
Loans and Notes Receivable, Net	2,527,716	
Due from State	5,733,503	
Due from Component Units/University	1,830,654	2,292,069
Inventories	59,113	10,294
Net Investment in Direct Financing-Type Leases		486,000
Other Current Assets	2,368,608	234,929
Total Current Assets	<u>248,367,091</u>	<u>193,296,873</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,551	20,803,775
Restricted Investments	1,265,519	147,048,274
Net Investment in Direct Financing-Type Leases		7,385,719
Accounts Receivable, Net		2,457,616
Loans and Notes Receivable, Net	1,662,150	
Depreciable Capital Assets, Net	775,607,904	133,674,081
Nondepreciable Capital Assets	17,432,488	12,420,081
Other Noncurrent Assets		10,266,667
Total Noncurrent Assets	<u>795,973,612</u>	<u>334,056,213</u>
Total Assets	<u>1,044,340,703</u>	<u>527,353,086</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,922,523	1,328,564
Construction Contracts Payable	105,900	
Salaries and Wages Payable	3,275,292	
Deposits Payable	6,237,527	
Due to Component Units/University	2,292,069	1,830,654
Unearned Revenue	18,933,068	3,054,678
Other Current Liabilities		6,750,993
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	4,226,666	
Bonds Payable		4,005,000
Certificates of Participation Payable		486,000
Capital Leases Payable	706,242	
Unearned Lease Revenue	400,000	
Compensated Absences Payable	1,701,307	13,153
Total Current Liabilities	<u>45,800,594</u>	<u>17,469,042</u>

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	\$ 80,747,032	\$
Bonds Payable		209,707,803
Certificates of Participation Payable		8,189,000
Capital Leases Payable	8,145,710	
Unearned Lease Revenue	9,866,667	
Federal Advance Payable	1,833,748	
Compensated Absences Payable	27,408,304	197,641
Other Postemployment Benefits Payable	37,593,000	
Other Noncurrent Liabilities		254,751
	165,594,461	218,349,195
Total Noncurrent Liabilities		
	211,395,055	235,818,237
Total Liabilities		
NET POSITION		
Net Investment in Capital Assets	686,114,869	(21,899,000)
Restricted for Nonexpendable:		
Endowment		146,198,261
Restricted for Expendable:		
Loans	3,703,563	
Other	14,036,481	171,874,172
Unrestricted	129,090,735	(4,638,584)
	\$ 832,945,648	\$ 291,534,849

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$52,942,795	\$ 135,355,510	\$
Federal Grants and Contracts	24,320,929	
State and Local Grants and Contracts	8,725,020	2,734,406
Nongovernmental Grants and Contracts	6,813,715	1,252,807
Sales and Services of Educational Departments	487,612	
Sales and Services of Auxiliary Enterprises (\$7,324,624 Pledged for Housing Facility Revenue Bonds and \$6,911,278 Pledged for the Parking System Revenue Bonds)	47,003,235	
Sales and Services of Component Units		25,582,558
Gifts and Donations		7,308,887
Interest on Loans and Notes Receivable	92,303	
Other Operating Revenues	6,004,845	2,535,590
Total Operating Revenues	<u>228,803,169</u>	<u>39,414,248</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	271,513,382	10,193,915
Services and Supplies	93,730,221	13,472,953
Utilities and Communications	12,561,324	3,208,855
Scholarships, Fellowships, and Waivers	49,959,378	4,250,414
Depreciation	30,156,634	5,104,186
Other Operating Expenses		1,761,945
Total Operating Expenses	<u>457,920,939</u>	<u>37,992,268</u>
Operating Income (Loss)	<u>(229,117,770)</u>	<u>1,421,980</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	158,928,178	
Federal and State Student Financial Aid	59,081,152	
Investment Income	2,167,873	12,851,836
Net Realized and Unrealized Gain on Investments	1,936,308	25,320,859
Other Nonoperating Revenues	10,847,539	6,461,543
Gain (Loss) on Disposal of Capital Assets	(1,058,779)	1,600
Interest on Capital Asset-Related Debt	(3,627,480)	(12,096,727)
Other Nonoperating Expenses	(1,415,365)	(1,612,779)
Net Nonoperating Revenues	<u>226,859,426</u>	<u>30,926,332</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(2,258,344)</u>	<u>32,348,312</u>
State Capital Appropriations	5,627,602	
Capital Grants, Contracts, Donations, and Fees	5,730,397	1,710,175
Other Revenues (Expenses)	331,313	(1,321,088)
Increase in Net Position	<u>9,430,968</u>	<u>32,737,399</u>
Net Position, Beginning of Year	824,201,475	260,720,620
Adjustment to Beginning Net Position	(686,795)	(1,923,170)
Net Position, Beginning of Year, as Restated	<u>823,514,680</u>	<u>258,797,450</u>
Net Position, End of Year	<u>\$ 832,945,648</u>	<u>\$ 291,534,849</u>

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 135,364,566
Grants and Contracts	34,267,257
Sales and Services of Educational Departments	487,612
Sales and Services of Auxiliary Enterprises	44,162,097
Interest on Loans and Notes Receivable	92,303
Payments to Employees	(260,759,777)
Payments to Suppliers for Goods and Services	(106,681,694)
Payments to Students for Scholarships and Fellowships	(49,959,378)
Loans Issued to Students	(612,954)
Collection on Loans to Students	509,264
Other Operating Receipts	15,424,612
	(187,706,092)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	158,928,178
Federal and State Student Financial Aid	60,876,737
Operating Subsidies and Transfers	331,313
Federal Direct Loan Program Receipts	129,088,534
Federal Direct Loan Program Disbursements	(129,107,244)
Net Change in Funds Held for Others	893,894
Other Nonoperating Receipts	10,358,878
	231,370,290
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,310,895
Capital Grants, Contracts, Donations, and Fees	1,565,373
Capital Subsidies and Transfers	1,306,595
Other Receipts for Capital Projects	651,818
Purchase or Construction of Capital Assets	(35,196,315)
Principal Paid on Capital Debt and Leases	(4,784,980)
Interest Paid on Capital Debt and Leases	(3,627,480)
	(37,774,094)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	287,535,217
Purchase of Investments	(300,632,228)
Investment Income	1,973,847
	(11,123,164)
Net Decrease in Cash and Cash Equivalents	(5,233,060)
Cash and Cash Equivalents, Beginning of Year	15,074,739
Cash and Cash Equivalents, End of Year	\$ 9,841,679

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014**

	<u>University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (229,117,770)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	30,156,634
Change in Assets and Liabilities:	
Accounts Receivables, Net	(2,680,218)
Loans and Notes Receivable	(100,612)
Inventories	2,081
Other Current Assets	(1,747,834)
Accounts Payable	328,343
Deposits Payable	337,799
Unearned Revenue	4,361,880
Compensated Absences Payable	2,646,605
Other Postemployment Benefits Payable	8,107,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (187,706,092)

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
CAPITAL AND RELATED FINANCING ACTIVITIES**

Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 1,936,308
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (1,058,779)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 4,361,552

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

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

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

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Two of the University's component units, Florida Atlantic University Research Corporation, Inc., and Florida Atlantic University Finance Corporation reported cash, cash equivalents, and cash with fiscal agent at fair value of \$46,211,169 at June 30, 2014, invested in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.57 years and a fair value factor of 1.0074 at June 30, 2014. The component units rely on policies developed by the State Treasury for managing interest risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Capital Assets. University capital assets consist of land; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; property under capital leases and leasehold improvements; computer software; and works of art and historical treasures. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The University has a capitalization threshold of \$5,000 for tangible personal property, new buildings, and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, capital leases payable, unearned lease revenue, Federal advances payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

2. ADJUSTMENTS TO BEGINNING NET POSITION

The beginning net position of the University was decreased by \$686,795 due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires bond issuance costs, which were previously deferred and amortized to be expensed when incurred. Previously deferred bond issuance costs totaled \$686,795.

Component Unit

The beginning net position of the Florida Atlantic University Finance Corporation, Inc., a discretely presented component unit, was decreased by \$1,923,170 due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires bond issuance costs, which were previously deferred and amortized to be expensed when incurred. Previously deferred bond issuance costs totaled \$1,923,170.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University’s Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

External Investment Pool. The University reported investments at fair value totaling \$208,035,208 at June 30, 2014, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor’s, had an effective duration of 2.57 years and fair value factor of 1.0074 at June 30, 2014. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

Component Units Investments

Investments reported by the University’s component units at June 30, 2014, are those held by Florida Atlantic University Foundation, Inc., and the Harbor Branch Oceanographic Institution Foundation, Inc., and are reported at fair value, as follows:

Investment Type	Amount
United States Stocks and Bonds	\$ 55,792,430
International Stocks and Bonds	40,083,650
Fixed Income Securities	42,435,794
Hedge Funds	56,740,093
Other Investments	84,230,648
Subtotal	279,282,615
Funds Held in Trust by Others	3,398,263
Total Investments	\$ 282,680,878

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2014, the University reported the following amounts as accounts receivable:

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Description	Amount
Contracts and Grants	\$ 5,880,741
Student Tuition and Fees	12,716,712
Other	644,227
Total Accounts Receivable	\$ 19,241,680

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management’s best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$11,340,248 and \$462,932, respectively, at June 30, 2014.

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

5. DUE FROM STATE

This amount consists of \$5,733,503 of Public Education Capital Outlay (PECO) due from the State to the University for construction of University facilities.

6. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The \$1,830,654 reported as due from component units consists of amounts owed to the University by the Florida Atlantic University Foundation, Inc. (Foundation) for scholarships and student aid; by the Florida Atlantic University Finance Corporation (Finance Corporation) for construction related costs; by the Florida Atlantic University Research Corporation Inc. (Research Corporation), for University research projects performed on behalf of the Research Corporation and costs incurred by the University related to patenting technologies; and by the Florida Atlantic University Clinical Practice Organization, Inc. (CPO) for reimbursement of expenses paid by the University on behalf of the CPO. The \$2,292,069 reported as due to component units consists of amounts owed by the University to the Foundation, pursuant to an agreement to support the Foundation’s operations; to the Finance Corporation pursuant to a management agreement for student housing operations; and to the CPO for revenue/deposits pending transfer.

7. INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net position.

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net position, and are valued at cost using either the moving average method or the first-in, first-out method.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 11,203,803	\$	\$	\$	\$ 11,203,803
Works of Art and Historical Treasures	259,195		4,084,625		4,343,820
Construction in Progress	2,250,388		22,900,213	23,265,736	1,884,865
Total Nondepreciable Capital Assets	\$ 13,713,386	\$	\$ 26,984,838	\$ 23,265,736	\$ 17,432,488
Depreciable Capital Assets:					
Buildings	\$ 813,574,182	\$ 26,550	\$ 26,717,780	\$ 2,114,930	\$ 838,203,582
Infrastructure and Other Improvements	88,750,312	33,516	811,618	212,605	89,382,841
Furniture and Equipment	86,832,026	233,434	7,567,916	5,592,886	89,040,490
Library Resources	74,933,654		2,140,107	4,397,156	72,676,605
Property Under Capital Leases and Leasehold Improvements	44,820,943		41,542	4,073	44,858,412
Works of Art and Historical Treasures	930,318		56,300	20,615	966,003
Computer Software	1,760,984	(10,192)	1,051,175	980,880	1,821,087
Total Depreciable Capital Assets	1,111,602,419	283,308	38,386,438	13,323,145	1,136,949,020
Less, Accumulated Depreciation:					
Buildings	195,349,439	(2,242,076)	17,722,170	1,388,293	209,441,240
Infrastructure and Other Improvements	28,929,631	220,114	2,560,674	120,875	31,589,544
Furniture and Equipment	45,986,419	2,081,015	5,106,375	3,606,877	49,566,932
Library Resources	62,404,232		3,069,318	3,949,780	61,523,770
Property Under Capital Leases and Leasehold Improvements	6,724,609	(164,558)	1,335,387	169	7,895,269
Works of Art and Historical Treasures	133,753		23,594	149	157,198
Computer Software	1,091,297	25,804	339,116	289,054	1,167,163
Total Accumulated Depreciation	340,619,380	(79,701)	30,156,634	9,355,197	361,341,116
Total Depreciable Capital Assets, Net	\$ 770,983,039	\$ 363,009	\$ 8,229,804	\$ 3,967,948	\$ 775,607,904

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

9. UNEARNED REVENUE

Unearned revenue consists mainly of student tuition and fees received prior to fiscal year-end related to subsequent accounting periods and PECO appropriations for which the University had not received approval from the Florida Department of Education to spend. Unearned revenue also includes contracts and grants funds received that have not yet been expended, and athletic and housing fees that relate to subsequent accounting periods. As of June 30, 2014, the University reported the following amounts as unearned revenue:

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Description	Amount
Student Tuition and Fees	\$ 12,329,569
Capital Appropriations	3,418,375
Contracts and Grants	1,151,931
Athletic	1,438,262
Housing	594,931
Total Unearned Revenue	\$ 18,933,068

10. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2014, include capital improvement debt payable, capital leases payable, unearned lease revenue, Federal advances payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 89,070,365	\$	\$ 4,096,667	\$ 84,973,698	\$ 4,226,666
Capital Leases Payable	9,540,265		688,313	8,851,952	706,242
Unearned Lease Revenue	10,666,667		400,000	10,266,667	400,000
Federal Advance Payable	1,833,748			1,833,748	
Compensated Absences Payable	26,463,006	4,125,011	1,478,406	29,109,611	1,701,307
Other Postemployment Benefits Payable	29,486,000	9,247,000	1,140,000	37,593,000	
Total Long-Term Liabilities	\$ 167,060,051	\$ 13,372,011	\$ 7,803,386	\$ 172,628,676	\$ 7,034,215

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2014:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2003 Student Housing	\$ 35,285,000	\$ 22,590,247	4.0 - 4.875	2033
2006A Student Housing	27,640,000	23,244,061	4.0 - 4.625	2036
2006B Student Housing	21,775,000	17,468,827	4.0 - 4.375	2030
Total Student Housing Debt	84,700,000	63,303,135		
Parking Garage Debt:				
2013A Parking Facility	21,490,000	21,670,563	2.375 - 5.0	2032
Total Capital Improvement Debt	\$ 106,190,000	\$ 84,973,698		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

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The University has pledged a portion of future housing rental revenues, traffic and parking fees, and various student fee assessments to repay \$84,973,698 in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and student housing facilities. The bonds are payable solely from housing rental income, traffic and parking fees, and special student fee assessments and are payable through 2036. The University has committed to appropriate each year from the housing rental income, traffic and parking fees, and special student fee assessments, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$122,331,388, and principal and interest paid for the current year totaled \$7,844,597. During the 2013-14 fiscal year, housing rental income, traffic and parking fees, special student fee assessments, and other fines and fees totaled \$7,324,624, \$3,042,512, \$2,725,532, and \$1,143,234, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,225,000	\$ 3,614,779	\$ 7,839,779
2016	4,385,000	3,459,029	7,844,029
2017	4,555,000	3,295,441	7,850,441
2018	4,740,000	3,108,491	7,848,491
2019	4,930,000	2,911,372	7,841,372
2020-2024	22,315,000	11,257,994	33,572,994
2025-2029	20,870,000	6,943,744	27,813,744
2030-2034	15,740,000	2,546,225	18,286,225
2035-2036	3,210,000	224,313	3,434,313
Subtotal	84,970,000	37,361,388	122,331,388
Net Discounts and Premiums	3,698		3,698
Total	\$ 84,973,698	\$ 37,361,388	\$ 122,335,086

Bonds Payable – Component Unit. The Florida Atlantic University Finance Corporation had the following bonds payable outstanding at June 30, 2014:

<u>Bonds Payable</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding (1)</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Series 2010A, Tax Exempt	\$ 8,475,000	\$ 7,564,921	4.0 - 5.0	2016
Series 2010A, Taxable BAB Bonds	112,455,000	112,455,000	5.48 - 7.64	2040
Series 2010, Taxable Bonds	44,500,000	43,575,000	5.78	2040
2012B, Capital Improvement Revenue Bond	3,440,000	3,275,000	2.17	2025
2012A, Taxable Capital Improvement Revenue Bonds	46,205,000	46,842,882	3.0 - 5.0	2042
Total Bonds Payable	\$ 215,075,000	\$ 213,712,803		

Note: (1) Amount outstanding includes unamortized premiums.

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Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 4,005,000	\$ 13,025,905	\$ 17,030,905
2016	4,530,000	12,819,771	17,349,771
2017	4,795,000	12,596,182	17,391,182
2018	5,000,000	12,346,110	17,346,110
2019	5,180,000	12,085,352	17,265,352
2020-2024	29,065,000	55,799,703	84,864,703
2025-2029	34,680,000	46,214,531	80,894,531
2030-2034	42,315,000	34,035,377	76,350,377
2035-2039	52,845,000	18,516,631	71,361,631
2040-2043	30,015,000	2,395,957	32,410,957
Subtotal	212,430,000	219,835,519	432,265,519
Add: Unamortized Premium	1,282,803		1,282,803
Total	\$ 213,712,803	\$ 219,835,519	\$ 433,548,322

Capital Leases Payable. During the 2011-12 fiscal year, the University entered into capital lease agreements for energy equipment in the amount of \$1,082,030 with a stated interest rate of 3.28 percent and computer equipment in the amount of \$453,176 with a stated interest rate of 1.96 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 248,896
2016	248,895
2017	177,711
2018	153,982
2019	153,982
2020	141,149
Total Minimum Payments	1,124,615
Less, Amount Representing Interest	(89,220)
Present Value of Minimum Payments	\$ 1,035,395

The University entered into a capital lease agreement in connection with Certificates of Participation issued by Florida Atlantic University Foundation, Inc., to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The University, in exchange for use of the buildings, makes lease payments sufficient to cover all amounts due under the Certificates of Participation. At June 30, 2014, the amount reported by the University as capital leases payable included \$7,816,557, representing the total future minimum payments remaining under the Certificates of Participation.

Certificates of Participation – Component Unit. The Florida Atlantic University Foundation, Inc., refunded its 1999 and 2000 Certificates of Participation through the issuance of Series 2012 Certificate of Participation for

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\$9,540,000. These funds were used to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The stated interest rate on the 2012 certificates is 2.41 percent. At June 30, 2014, Certificates of Participation payable are as follows:

<u>COP Series</u>	<u>Amount of Issues</u>	<u>Total Retired</u>	<u>Outstanding Principal</u>	<u>Outstanding Interest</u>	<u>Interest Rates</u>	<u>Maturity Date</u>
2012	\$ 9,540,000	\$ 1,723,443	\$ 7,816,557	\$ 1,779,158	2.41	2030

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

Unearned Lease Revenue. The University leased land to the Florida Atlantic University Finance Corporation (Finance Corporation) under a noncancelable agreement dated March 4, 2010, with terms extending through July 2040. The lease was prepaid in March 2010 by the Finance Corporation to the University for the sum of \$12,000,000, which is being amortized over the life of the agreement. The unearned lease revenue amount held by the University totaled \$10,266,667 at June 30, 2014, of which \$400,000 was reported as current.

Federal Advance Payable. Represents the University’s liability for the Federal Capital Contribution (advance) provided to fund the University’s Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or has excess cash in the loan program. Federal capital contributions held by the University totaled \$1,833,748 at June 30, 2014.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$29,109,611. The current portion of the compensated absences liability, \$1,701,307, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those fiscal years’ total compensated absences liability.

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

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 355 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,140,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$2,182,000, which represents 1.25 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 5,229,000
Amortization of Unfunded Actuarial Accrued Liability	3,511,000
Interest on Normal Cost and Amortization	<u>350,000</u>
Annual Required Contribution	9,090,000
Interest on Net OPEB Obligation	1,179,000
Adjustment to Annual Required Contribution	<u>(1,022,000)</u>
Annual OPEB Cost (Expense)	9,247,000
Contribution Toward the OPEB Cost	<u>(1,140,000)</u>
Increase in Net OPEB Obligation	8,107,000
Net OPEB Obligation, Beginning of Year	<u>29,486,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 37,593,000</u></u>

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The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 9,578,000	16.2%	\$ 21,609,000
2012-13	9,554,000	17.6%	29,486,000
2013-14	9,247,000	12.3%	37,593,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$105,330,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$105,330,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$175,000,000 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.2 percent.

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

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

The University’s OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the University’s 2013-14 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University’s expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.4 percent, 7 percent, and 8.2 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.9 percent, 7.8 percent, and 8.3 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare

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trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

11. RETIREMENT PROGRAMS

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

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

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

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

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balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

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

The University’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University’s contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$4,150,750, \$4,101,356, and \$5,428,146, respectively, which were equal to the required contributions for each fiscal year.

There were 337 University participants in the Investment Plan during the 2013-14 fiscal year. The University’s contributions including employee contributions to the Investment Plan totaled \$1,386,895, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services’ Web site (www.myfloridacfo.com). 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 Division of Retirement’s Web site (www.frs.myflorida.com).

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

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The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 7.34 percent of the participant’s salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 1,519 University participants during the 2013-14 fiscal year. The University’s contributions to the Program totaled \$7,763,422 and employee contributions totaled \$5,926,646 for the 2013-14 fiscal year.

12. CONSTRUCTION COMMITMENTS

The University’s construction commitments at June 30, 2014, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Treasure Coast Residence Hall	\$ 714,475	\$ 271,433	\$ 443,042
Breezeway Renovation A/E Contract	282,500	14,330	268,170
College of Medicine Office Bldg A/E Contract	218,455	90,500	127,955
College of Medicine Office Bldg G/C Contract	20,545		20,545
Parking Lot #7 G/C Contract	2,099,873	1,393,215	706,658
Indoor Mass Notification System	49,137	38,856	10,281
Subtotal	3,384,985	1,808,334	1,576,651
Other Projects (1)	76,531	76,531	
Total	\$ 3,461,516	\$ 1,884,865	\$ 1,576,651

Note: (1) These costs consist of construction accruals for Parking Lot #7 of \$71,231 and HBOI Link Bldg Art Work of \$5,300.

13. OPERATING LEASE COMMITMENTS

The University leased the Biomed Research and Development Park under an operating lease, which expires in 2020. During the 2013-14 fiscal year, the University entered into a lease for land on which a University building is located, which will expire in 2086. In addition, the University leased various vehicles under operating leases, which expire in 2016 and 2017. These leased assets and the related commitments are not reported on the University’s statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

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<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 245,712
2016	239,697
2017	235,488
2018	185,362
2019	182,049
2020-2024	260,046
2025-2029	142,278
2030-2034	142,278
2035-2039	142,278
2040-2044	142,278
2045-2049	142,278
2050-2054	142,278
2055-2059	142,278
2060-2064	142,278
2065-2069	142,278
2070-2074	142,278
2075-2079	142,278
2080-2084	142,278
2085-2086	56,911
Total Minimum Payments Required	<u>\$ 3,112,601</u>

14. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2013-14 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named windstorm and flood losses through February 15, 2014, and increased to \$54 million starting February 16, 2014. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers’ compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance

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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.

University Self-Insurance Program

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

The Program provides the Board of Trustees with protection of \$200,000 per claim and \$300,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising for the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and student coverage may be increased subject to a \$1 million limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; \$250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.29(9), Florida Statutes, is inapplicable as to an employee or agent of the Board of Trustees which such employee or agent functions within the course and scope of his or her employment or agency; and \$250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. On May 14, 2014, the limits of student coverage were revised to \$1 million limit per occurrence. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

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

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilities End of Year
June 30, 2013	\$ 23,618	\$ (13,418)	\$	\$ 10,200
June 30, 2014	10,200	220,950	(2,299)	228,851

15. 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.

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For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 145,589,428
Research	21,233,926
Public Services	4,083,133
Academic Support	54,659,250
Student Services	16,717,593
Institutional Support	49,184,652
Operation and Maintenance of Plant	24,056,152
Scholarships, Fellowships, and Waivers	33,746,135
Depreciation	30,156,634
Auxiliary Enterprises	<u>78,494,036</u>
Total Operating Expenses	<u>\$457,920,939</u>

16. SEGMENT INFORMATION

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

Condensed Statement of Net Position

	Housing Services	Traffic and Parking Services
Assets		
Current Assets	\$ 12,691,760	\$ 13,192,184
Capital Assets, Net	<u>82,864,839</u>	<u>30,478,534</u>
Total Assets	<u>95,556,599</u>	<u>43,670,718</u>
Liabilities		
Current Liabilities	1,563,562	282,878
Noncurrent Liabilities	<u>71,119,693</u>	<u>21,670,563</u>
Total Liabilities	<u>72,683,255</u>	<u>21,953,441</u>
Net Position		
Net Investment in Capital Assets	11,745,146	8,807,971
Unrestricted	<u>11,128,198</u>	<u>12,909,306</u>
Total Net Position	<u>\$ 22,873,344</u>	<u>\$ 21,717,277</u>

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

	Housing Services	Traffic and Parking Services
Operating Revenues	\$ 7,324,624	\$ 6,911,278
Depreciation Expense	(2,594,432)	(585,333)
Other Operating Expenses	(584,544)	(3,164,493)
Operating Income	4,145,648	3,161,452
Nonoperating Revenues (Expenses):		
Nonoperating Revenue		395,598
Interest Expense	(3,281,105)	(309,786)
Other Nonoperating Expense	(130,724)	(1,820,310)
Net Nonoperating Expenses	(3,411,829)	(1,734,498)
Increase in Net Position	733,819	1,426,954
Net Position, Beginning of Year	22,683,260	20,433,383
Adjustment to Beginning Net Position (1)	(543,735)	(143,060)
Net Position, Beginning of Year, as Restated	22,139,525	20,290,323
Net Position, End of Year	\$ 22,873,344	\$ 21,717,277

Note: (1) Adjustment to beginning net position resulting from the implementation of GASB Statement No. 65, which required bond issuance costs that were previously deferred and amortized to be expensed when incurred. See note 2 to the financial statements.

Condensed Statement of Cash Flows

	Housing Services	Traffic and Parking Services
Net Cash Provided (Used) by:		
Operating Activities	\$ 7,131,854	\$ 3,801,880
Noncapital Financing Activities	(204,977)	(1,759,714)
Capital and Related Financing Activities	(6,476,540)	(14,533,039)
Investing Activities	710,718	(1,134,755)
Net Increase (Decrease) in Cash and Cash Equivalents	1,161,055	(13,625,628)
Cash and Cash Equivalents, Beginning of Year	2,148,414	13,626,228
Cash and Cash Equivalents, End of Year	\$ 3,309,469	\$ 600

17. BLENDED COMPONENT UNIT

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

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Condensed Statement of Net Position

	Blended Component Unit	University	Total
	Florida Atlantic University College of Medicine Self-Insurance Program		Primary Government
Assets:			
Other Current Assets	\$ 2,206,949	\$ 246,160,142	\$ 248,367,091
Capital Assets, Net		793,040,392	793,040,392
Other Noncurrent Assets		2,933,220	2,933,220
Total Assets	2,206,949	1,042,133,754	1,044,340,703
Liabilities:			
Other Current Liabilities	231,851	45,568,743	45,800,594
Noncurrent Liabilities		165,594,461	165,594,461
Total Liabilities	231,851	211,163,204	211,395,055
Net Position:			
Net Investment in Capital Assets		686,114,869	686,114,869
Restricted - Expendable		17,740,044	17,740,044
Unrestricted	1,975,098	127,115,637	129,090,735
Total Net Position	\$ 1,975,098	\$ 830,970,550	\$ 832,945,648

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

	Blended Component Unit	University	Total
	Florida Atlantic University College of Medicine Self-Insurance Program		Primary Government
Operating Revenues	\$ 145,795	\$ 228,657,374	\$ 228,803,169
Depreciation Expense		(30,156,634)	(30,156,634)
Other Operating Expenses	(290,640)	(427,473,665)	(427,764,305)
Operating Loss	(144,845)	(228,972,925)	(229,117,770)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue		232,961,050	232,961,050
Interest Expense		(3,627,480)	(3,627,480)
Other Nonoperating Expense		(2,474,144)	(2,474,144)
Net Nonoperating Revenues		226,859,426	226,859,426
Other Revenues, Expenses, Gains, and Losses	500,000	11,189,312	11,689,312
Increase in Net Position	355,155	9,075,813	9,430,968
Net Position, Beginning of Year	1,619,943	822,581,532	824,201,475
Adjustment to Beginning Net Position (1)		(686,795)	(686,795)
Net Position, Beginning of Year, as Restated	1,619,943	821,894,737	823,514,680
Net Position, End of Year	\$ 1,975,098	\$ 830,970,550	\$ 832,945,648

Note: (1) Adjustment to beginning net position resulting from the implementation of GASB Statement No. 65, which required bond issuance costs that were previously deferred and amortized to be expensed when incurred. See note 2 to the financial statements.

FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Cash Flows

	Blended Component Unit	University	Total
	Florida Atlantic University College of Medicine Self-Insurance Program		Primary Government
Net Cash Provided (Used) by:			
Operating Activities	\$ 76,806	\$ (187,782,898)	\$ (187,706,092)
Noncapital Financing Activities		231,370,290	231,370,290
Capital and Related Financing Activities	500,000	(38,274,094)	(37,774,094)
Investing Activities		(11,123,164)	(11,123,164)
Net Increase (Decrease) in Cash and Cash Equivalents	576,806	(5,809,866)	(5,233,060)
Cash and Cash Equivalents, Beginning of Year	1,630,143	13,444,596	15,074,739
Cash and Cash Equivalents, End of Year	\$ 2,206,949	\$ 7,634,730	\$ 9,841,679

18. DISCRETELY PRESENTED COMPONENT UNITS

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

Condensed Statement of Net Position

	Direct-Support Organizations			Health Science Center Affiliates	Total
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institution Foundation, Inc.	Florida Atlantic University Finance Corporation	Florida Atlantic University Clinical Practice Organization, Inc.
Assets:					
Current Assets	\$ 93,378,578	\$ 551,669	\$ 67,477,705	\$ 31,454,462	\$ 434,459
Capital Assets, Net	9,011,248		2,604,772	134,478,142	
Other Noncurrent Assets	157,751,372			30,210,679	
Total Assets	260,141,198	551,669	70,082,477	196,143,283	434,459
Liabilities:					
Current Liabilities	3,217,253	129,270	101,842	13,998,379	22,298
Noncurrent Liabilities	8,641,392			209,707,803	
Total Liabilities	11,858,645	129,270	101,842	223,706,182	22,298
Net Position:					
Net Investment in Capital Assets	9,011,248		2,604,772	(33,515,020)	(21,899,000)
Restricted Nonexpendable	146,198,261				146,198,261
Restricted Expendable	82,666,810		67,049,497	22,157,865	171,874,172
Unrestricted	10,406,234	422,399	326,366	(16,205,744)	412,161
Total Net Position	\$ 248,282,553	\$ 422,399	\$ 69,980,635	\$ (27,562,899)	\$ 412,161

FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

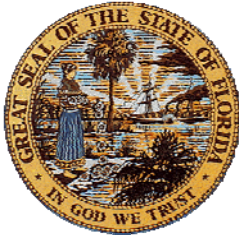
	Direct-Support Organizations				Health Science Center Affiliates	Total
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institution Foundation, Inc.	Florida Atlantic University Finance Corporation	Florida Atlantic University Clinical Practice Organization, Inc.	
Operating Revenues	\$ 10,831,388	\$ 274,444	\$ 2,725,858	\$ 24,880,456	\$ 702,102	\$ 39,414,248
Depreciation Expense	(4,816)		(5,653)	(5,093,717)		(5,104,186)
Operating Expenses	(15,966,522)	(315,785)	(4,935,235)	(11,082,350)	(588,190)	(32,888,082)
Operating Income (Loss)	(5,139,950)	(41,341)	(2,215,030)	8,704,389	113,912	1,421,980
Net Nonoperating Revenues (Expenses)						
Nonoperating Revenues	28,824,170	4,833	9,734,820	6,072,015		44,635,838
Interest Expense	(218,587)			(11,878,140)		(12,096,727)
Other Nonoperating Expenses	(1,612,779)					(1,612,779)
Net Nonoperating Revenues (Expenses)	26,992,804	4,833	9,734,820	(5,806,125)		30,926,332
Other Revenues, Expenses, Gains, and Losses	261,356			127,731		389,087
Increase (Decrease) in Net Position	22,114,210	(36,508)	7,519,790	3,025,995	113,912	32,737,399
Net Position, Beginning of Year	226,168,343	458,907	62,460,845	(28,665,724)	298,249	260,720,620
Adjustment to Beginning Net Position (1)				(1,923,170)		(1,923,170)
Net Position, Beginning of Year, as Restated	226,168,343	458,907	62,460,845	(30,588,894)	298,249	258,797,450
Net Position, End of Year	\$ 248,282,553	\$ 422,399	\$ 69,980,635	\$ (27,562,899)	\$ 412,161	\$ 291,534,849

Note: (1) Adjustment to beginning net position resulting from the implementation of GASB Statement No. 65, which required bond issuance costs that were previously deferred and amortized to be expensed when incurred. See note 2 to the financial statements.

**FLORIDA ATLANTIC UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 72,617,000	\$ 72,617,000	0%	\$157,000,000	46.3%
7/1/2011	-	105,618,000	105,618,000	0%	167,000,000	63.2%
7/1/2013	-	105,330,000	105,330,000	0%	175,000,000	60.2%

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



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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*

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 18, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 18, 2015