

UF

TOGETHER

FOR THE

**GATOR
GOOD**

2013-2014 **ANNUAL FINANCIAL REPORT**

UNIVERSITY *of*
FLORIDA

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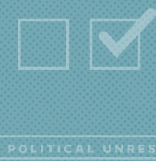
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Seven billion people share this planet.

And directly or indirectly, issues like pollution, childhood malnutrition, post-traumatic stress disorder, cancer and poverty – to name a few – affect all 7 billion of us. They are big challenges, to be sure, but they are not insurmountable. Especially when we all work together.



WATER POLLUTION



ECONOMIC STABILITY



NATURAL DISASTERS

**Our purpose is greater
than our own individual
achievements.**



We come to UF as individuals with

BIG DREAMS AND AMBITIOUS GOALS,

and here, we are afforded the opportunity to make them a reality.

But that's only the beginning.

We come together and push each other every day, not only to improve our community and our State, but also the lives of people in every part of the world.

Even if just the individuals who read these words decided to help, we could make a huge impact. UF has rededicated its effort to prove that discoveries, solutions and changing the world for the better are all possible when we work together.

For the **GATOR GOOD.**

Learn more about the purposes we serve and the people whose lives we positively affect at GatorGood.ufl.edu.

PRESIDENT'S

MESSAGE



As the year draws to a close, the University of Florida is on sound financial footing – well-prepared to move forward while deepening its positive impact on the community, country and world.

With the economic downturn in the rearview mirror, the Florida Legislature this spring provided more than \$100 million in additional funding to UF. This came on the heels of the Legislature's 2013 restoration of \$300 million to State universities' budget cut in the previous year.

What's more, the University broke its annual fundraising record for the second year in a row, netting \$215.3 million for the 2013-14 fiscal year.

In the future, we will need to raise our tuition to generate the revenue enjoyed by our peer universities, most of which have far higher tuitions. Still, these positive financial trends are already having benefits throughout the University.

This may be most visible in the Preeminence Plan, our effort to rise among the nation's top public universities through advancing UF research and scholarship.

At the heart of this plan is our ongoing campaign to hire midcareer and highly accomplished research faculty in areas of particular promise – or who have the potential to elevate current UF strengths to the next level.

By early November 2014, UF had brought on board 60 of these accomplished new faculty, about half of the University's expected total preeminence hires. Hailing from institutions as diverse as the University of Pennsylvania, UNC-Chapel Hill and Utrecht University in the Netherlands, their expertise ranges from food security to early childhood education to creative writing to archaeology to biomedicine.

With the State continuing to back UF as Florida's online university, we also broadened our efforts in online education.

UF Online, among the nation's first fully online programs for undergraduates, began its first full academic year in fall 2014. It has 11 undergraduate degree programs, including biology, geology and sports management.

This effort remains very much a work in progress, with many unknowns, from what types of students will find online education appealing to what programs will prove most popular. But there is no question that online education offers unique opportunities to grow UF's enrollment and extend a college education to those who cannot come to our campus.

A third area of advancement came with the continued development of the core curriculum for undergraduates.

Building on the "What is the Good Life?" class required for all first-year students, UF began piloting two new core classes this fall – the first revolving around climate change; the second, data analysis. The University expects to begin offering these courses to all undergraduates next year, taking another step toward a signature undergraduate program that is both unique to UF and shared among all students.

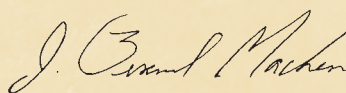
The Preeminence Plan, UF Online and the core curriculum will all help to raise UF's profile among its peer universities – but building a thriving creative community surrounding the University is also central to this goal.

As a result, UF continued to focus on developing Innovation Square, the public-private partnership created in 2009 to nurture Gainesville's technology community and join campus with downtown.

Among other milestones from the past year:

- Signet Enterprises became the first private company to construct a bricks-and-mortar building at Innovation Square. Infinity Hall, to open in September 2015, will house more than 300 entrepreneurially minded undergraduates under joint UF-Signet management.
- Zeeko joined Curtco Media, Azalea Health, BioMonde, Mobiquity and Mindtree among the outside technology companies that have opened facilities in Innovation Square. Together, these companies have created more than 300 jobs. Many are both high-paying and high-skill positions.
- More than two dozen spinoffs filled the Florida Innovation Hub technology incubator, while companies that outgrew the Hub continued to expand in other locations around Gainesville.

I will step down in December after serving as UF's president for 11 years. While we have faced our share of financial challenges, especially during the downturn, I feel optimistic about our current position and our path ahead. With adequate resources, there is no limit to what our faculty can achieve in education, research and scholarship – changing students' lives and helping to bring prosperity, understanding and equity to the world. It's a great time to be a Gator, and I wish the University and the community the very best!



J. Bernard Machen
President, University of Florida

Knowledge by the Numbers

Headcount Enrollment by Colleges and Schools — Fall Terms

| College/School | 2013 | 2012 | 2011 | 2010 | 2009 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Accounting | 889 | 857 | 865 | 905 | 871 |
| Agricultural and Life Sciences | 4,828 | 4,835 | 4,955 | 4,940 | 4,640 |
| Building Construction | 345 | 383 | 391 | 499 | 581 |
| Business Administration | 5,396 | 4,985 | 4,681 | 4,728 | 4,947 |
| Dentistry | 402 | 385 | 389 | 378 | 379 |
| Design, Construction, and Planning | 883 | 855 | 896 | 899 | 899 |
| Division of Continuing Education (A) | 113 | 141 | 179 | 215 | 259 |
| Education | 1,577 | 1,732 | 1,749 | 1,886 | 1,919 |
| Engineering | 8,774 | 8,716 | 8,454 | 8,240 | 7,880 |
| Fine Arts | 1,322 | 1,294 | 1,256 | 1,309 | 1,284 |
| Forest Resources and Conservation | - | - | - | - | 222 |
| Health and Human Performance | 1,979 | 1,973 | 2,047 | 2,008 | 1,908 |
| High School | 71 | 57 | 52 | 47 | 44 |
| Interdisciplinary Ecology | 101 | 104 | 116 | 127 | 135 |
| Journalism and Communications | 2,710 | 2,693 | 2,540 | 2,516 | 2,663 |
| Law | 1,071 | 1,105 | 1,118 | 1,191 | 1,263 |
| Liberal Arts and Sciences | 12,221 | 12,514 | 12,673 | 12,817 | 13,368 |
| Medicine | 806 | 823 | 862 | 853 | 967 |
| Multiple-College Program | 2 | - | 1 | 1 | 2 |
| Natural Resources and Environment | 107 | 120 | 155 | 154 | 158 |
| Nursing | 1,045 | 1,162 | 1,170 | 1,090 | 1,188 |
| Pharmacy | 850 | 847 | 823 | 836 | 761 |
| Pharmacy Doctor | 1,545 | 1,584 | 1,686 | 1,752 | 1,891 |
| Physician Assistant Program | 121 | 119 | 119 | 119 | 119 |
| Public Health & Health Professions | 2,315 | 2,213 | 2,122 | 2,139 | 1,971 |
| Veterinary Medicine | 674 | 648 | 542 | 530 | 525 |
| SUB-TOTAL | 50,147 | 50,145 | 49,841 | 50,179 | 50,844 |
| Minus Concurrent Degree | 52 | 59 | 56 | 63 | 60 |
| TOTAL | 50,095 | 50,086 | 49,785 | 50,116 | 50,784 |

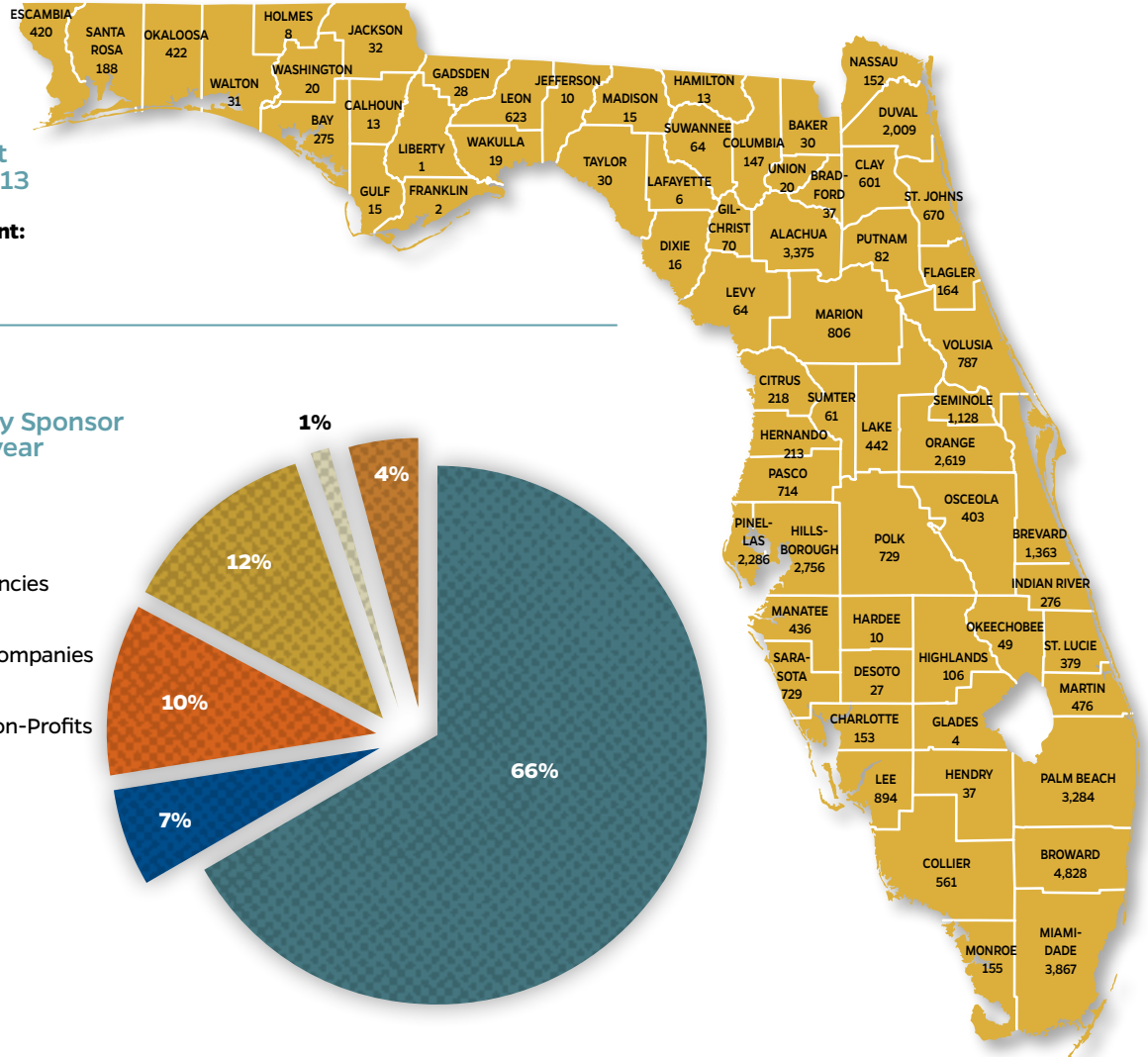
(A) Includes Continuing Education and correspondence courses for students not enrolled in a college.

Source: UF Facts - UF Office of Institutional Planning and Research

Degrees Awarded by Type of Degree

| Degree | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Bachelor's | 8,515 | 8,245 | 8,600 | 8,685 | 9,302 |
| Master's | 4,174 | 3,929 | 3,924 | 3,878 | 3,751 |
| Doctor of Philosophy | 950 | 880 | 859 | 936 | 957 |
| Doctor of Pharmacy | 430 | 427 | 461 | 484 | 483 |
| Juris Doctor | 304 | 361 | 334 | 410 | 377 |
| Doctor of Medicine | 129 | 131 | 134 | 127 | 130 |
| Doctor of Dental Medicine | 83 | 79 | 82 | 83 | 91 |
| Doctor of Veterinary Medicine | 98 | 86 | 84 | 87 | 89 |
| Specialist in Education | 73 | 88 | 71 | 70 | 111 |
| TOTAL | 14,756 | 14,226 | 14,549 | 14,760 | 15,291 |

Source: Final degree information from the Degrees Awarded File - UF Office of Institutional Planning and Research

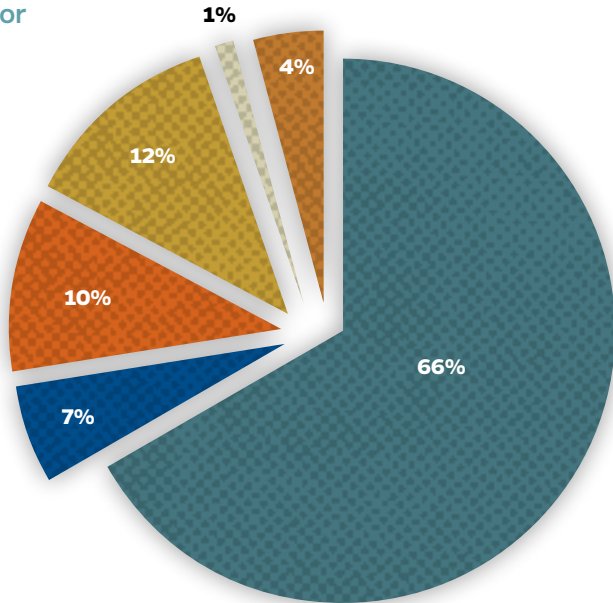


In-State Enrollment by County - Fall 2013

Total In-State Enrollment: 40,468

Research Awards by Sponsor for 2013-14 fiscal year

- Federal Agencies
\$465,296,894
- Florida State Agencies
\$44,842,935
- Corporations & Companies
\$72,150,763
- Foundations & Non-Profits
\$86,071,558
- Local & Regional
\$7,232,063
- All Other Sources
\$26,102,832



Total \$701,697,045



Visit GatorGood.ufl.edu to learn about the issues we're tackling:

- | | | | |
|------------------|---------------------|--------------------|------------------|
| SOCIAL ADVOCACY | POVERTY | WATER POLLUTION | MENTAL ILLNESS |
| TRAUMATIC INJURY | AUTISM | ECONOMIC STABILITY | DIABETES |
| PARKINSON'S | SOCIAL SERVICES | NATURAL DISASTERS | POLITICAL UNREST |
| CANCER | PHYSICAL INACTIVITY | | |

Introduction from the Vice President and Chief Financial Officer

I am pleased to present the University of Florida Annual Financial Report for the fiscal year ended June 30, 2014. This report provides useful information concerning the University's financial position and activities for the year. The University had a strong financial year as evidenced by a net position of more than \$2.49 billion, a 5.1% increase when compared to the 2012-13 fiscal year. Management's Discussion and Analysis, financial statements, and notes to the financial statements document the University's financial success and health for this fiscal year.

During the 2013-14 fiscal year, Noncapital State Appropriations increased by 24.8%, or \$120.4 million with \$30 million received to advance the goal of reaching national preeminence and to implement the State's online university program. Tuition revenue increased a modest \$6.3 million, or 1.8% for the fiscal year. The University continues to have one of the lowest costs of attendance of all public research universities nationwide and continues to be an excellent value for the investment.

Capital State Appropriations totaled \$43.6 million, a \$34.1 million increase over the prior fiscal year of \$9.5 million. The increase in Capital State Appropriations provided needed funds to address a number of deferred maintenance projects and enable the University to continue to maintain its beautiful and historic campus.

Heavener Hall, completed in November 2014, houses, for the first time, the undergraduate program of the Warrington College of Business under one roof and provides 24/7 access for its students. This 57,000 square foot building features state-of-the-art technology, study rooms and professional development centers. The Heavener Hall project also allowed for the creation of a new, more prominent and pedestrian-friendly gateway into the University.

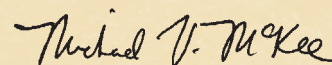
Of special note, April 5, 2014, marked the dedication and celebration of the newly built

Austin Cary Learning Center, replacing the Austin Cary Conference Center that burned down in 2011. Other construction projects completed during the 2013-14 fiscal year included the Government House Renovation and Museum Exhibit projects located in historic St. Augustine.

Designed for undergraduate students and students with disabilities, Cypress Hall, a new single student residence building, is expected to be substantially complete in April 2015. The University's 25th residence hall, will add 255 bed spaces with rooms on the first floor to accommodate students with significant mobility impairments.

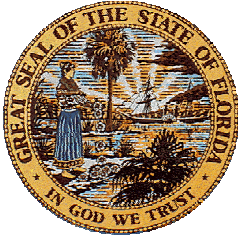
On June 2, 2014, Governor Scott signed the State University System budget for the 2014-15 fiscal year. This budget includes a significant increase in funding for higher education – including \$200 million for performance funding, of which the University of Florida will receive \$39.8 million. The investment in performance funding marks the first time such a significant portion of funding has been directed toward rewarding excellence and improvement. The budget also includes nearly \$16 million for the UF Health Cancer Center to support an effort to obtain the National Cancer Institute (NCI) designation. We are encouraged by this additional funding to obtain the NCI designation and to help our State become a national leader in cancer care.

The Office of the Vice President and Chief Financial Officer is committed to effectively manage the University's assets and facilitate the comprehensive business needs as the University rises to being a top ten public research university.



Michael V. McKee
Interim Vice President and
Chief Financial Officer





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 the University of Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 the aggregate discretely presented component units. The financial statements of the University of Florida Self-Insurance Program and the University of Florida Healthcare Education Insurance Company, blended component units, represent 5.7 percent, 5.6 percent, and 1.1 percent, respectively, of the assets, net position, and revenues reported for the University of Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. The financial statements of the blended and the aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are 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 the University of Florida 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.

Report on Partial Comparative Information

We have previously audited the University of Florida's 2012-13 fiscal year financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2013. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Florida's basic financial statements. The University of Florida Overview, President's Message, Knowledge by the Numbers, Introduction from the Vice President and Chief Financial Officer, and Supplemental Information for Financial Aid Administered, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The University of Florida Overview, President's Message, Knowledge by the Numbers, Introduction from the Vice President and Chief Financial Officer, and Supplemental Information for Financial Aid Administered have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
December 16, 2014
Audit Report No. 2015-074



MANAGEMENT'S DISCUSSION AND ANALYSIS

From the Vice President and Chief Financial Officer

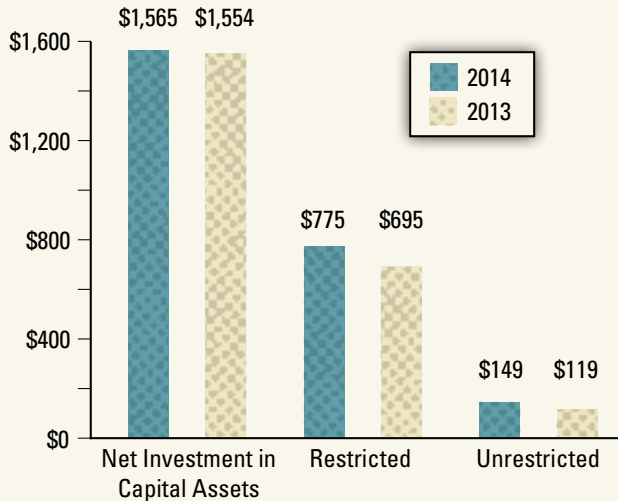
Introduction And Background

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

Financial Highlights

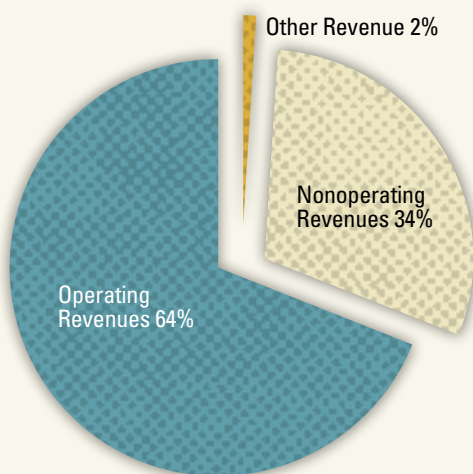
The University's assets totaled \$3.2 billion at June 30, 2014. This balance reflects a \$201.5 million, or 6.6%, increase from the 2012-13 fiscal year. The increase in assets resulted primarily from a significant increase in construction projects as well as temporary investments of proceeds from new bonds. While total assets increased, liabilities also increased by \$81.7 million or 12.2%, totaling \$754.0 million at June 30, 2014, primarily as a result of a \$62.2 million increase in Capital Improvement Debt Payable and a \$40.9 million increase in Other Postemployment Benefits Payable. The University's net position increased by \$119.8 million, or 5.1%, resulting in

a year-end balance of \$2.49 billion. 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 2013, are shown in the following chart:



The University's operating revenues totaled \$1.7 billion for the 2013-14 fiscal year, representing a 2.5% increase over the 2012-13 fiscal year. Major components of operating revenues are Student Tuition and Fees and Grants and Contracts. While Student Tuition and Fees, Net of Scholarship Allowances, increased \$6.3 million or 1.8%, Nongovernmental Grants and Contracts revenue increased by \$61.1 million, or 9.5%, because of increased transfers from the component units.

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



Operating expenses totaled \$2.5 billion for the 2013-14 fiscal year, representing a \$109.3 million or 4.7% increase compared to the 2012-13 fiscal year. The two largest categories contributing to this increase were Employee Compensation and Benefits, reflecting the increase in Other Postemployment Benefits Payable, and Services and Supplies.

Net nonoperating revenues and expenses in the 2013-14 fiscal year increased \$167.4 million. Noncapital State Appropriations; Investment Income, Net of Expenses; and Fair Value of Investments increased by \$163.3 million due to increased appropriations and an improving investment market.

The University had significant construction activity during the year. Construction began or continues on several major projects, including four that, when completed, will be capitalized at over \$203.4 million: (1) Reitz Union Expansion and Renovation; (2) Chemical Biology Building - Chemistry; (3) Harrell Medical Education Building; and (4) Heavener Hall - School of Business Building.

Overview Of Financial Statements

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the Statement of Net 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.

Based upon the application of criteria for determining component units, the University of Florida Self-Insurance Program (the Program), and the University of Florida Healthcare Education Insurance Company (HEIC), are included within the University reporting entity as blended component units. Additional information regarding the blended component units is presented in Notes 1 and 19 to the financial statements.

In addition, the University's basic financial statements include discretely presented component units categorized as follows:

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

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

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

Information regarding the discretely presented component units, including summaries of their separately issued financial statements, is presented in Notes 1, 2, 3, 6, 9, 12, and 19 to the financial statements. This MD&A focuses on the University,

excluding the discretely presented component units. MD&A information regarding the component units is included in their separately issued audit reports, if reporting under GASB standards. Component units reporting under Financial Accounting Standards Board (FASB) standards do not include an MD&A in their audit reports.

The financial statements characterize revenues and expenses as either operating or nonoperating. The principal component of operating revenues is Grants and Contracts (\$1.1 billion). The principal component of operating expenses is Employee Compensation and Benefits (\$1.7 billion). A significant portion of the University's anticipated, recurring resources is considered nonoperating as defined by GASB Statement No. 35. The principal component of nonoperating revenues for the fiscal year ended June 30, 2014, is Noncapital State Appropriations (\$605.9 million). Recurring nonoperating expenses consist primarily of Interest on Capital Asset-Related Debt.

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. Net position, the difference between total assets and total liabilities, 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 table summarizes the University's assets, liabilities, and net position at June 30:

| Condensed Statement of Net Position (in millions) | | |
|---|-------------------|-------------------|
| | 2014 | 2013 |
| Assets: | | |
| Current Assets | \$ 1,338.5 | \$ 1,213.4 |
| Capital Assets, Net | 1,714.7 | 1,686.3 |
| Other Noncurrent Assets | 189.6 | 141.6 |
| Total Assets | 3,242.8 | 3,041.3 |
| Liabilities: | | |
| Current Liabilities | 214.9 | 244.1 |
| Noncurrent Liabilities | 539.1 | 428.2 |
| Total Liabilities | 754.0 | 672.3 |
| Net Position: | | |
| Net Investment in Capital Assets | 1,565.3 | 1,554.4 |
| Restricted | 774.9 | 695.3 |
| Unrestricted | 148.6 | 119.3 |
| Total Net Position | \$ 2,488.8 | \$ 2,369.0 |

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

| Condensed Statement of Revenues, Expenses, and Changes in Net Position (in millions) | | |
|--|-------------------|-------------------|
| | 2013-14 | 2012-13 |
| Operating Revenues | \$ 1,659.9 | \$ 1,618.8 |
| Operating Expenses | (2,455.9) | (2,346.6) |
| Operating Loss | (796.0) | (727.8) |
| Net Nonoperating Revenues | 854.5 | 687.1 |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | 58.5 | (40.7) |
| Other Revenues, Expenses, Gains, or Losses | 61.3 | 23.4 |
| Increase (Decrease) in Net Position | 119.8 | (17.3) |
| Net Position, Beginning of Year | 2,369.0 | 2,386.3 |
| Net Position, End of Year | \$ 2,488.8 | \$ 2,369.0 |

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value. The following table summarizes the operating revenues by source that were used to fund operating activities during the 2013-14 and 2012-13 fiscal years:

| Operating Revenues (in millions) | | |
|---|-------------------|-------------------|
| | 2013-14 | 2012-13 |
| Grants and Contracts | \$ 1,115.7 | \$ 1,079.9 |
| Student Tuition and Fees, Net of Scholarship Allowances | 358.7 | 352.4 |
| Sales and Services of Auxiliary Enterprises | 129.9 | 131.4 |
| Sales and Services of Educational Departments | 52.0 | 51.6 |
| Other | 3.6 | 3.5 |
| Total Operating Revenues | \$ 1,659.9 | \$ 1,618.8 |

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or the natural classifications. The University has chosen to report the expenses in their natural classifications

on the Statement of Revenues, Expenses, and Changes in Net Position and has displayed the functional classifications below and in the notes to the financial statements. The following table summarizes the operating expenses for each method of classification for the 2013-14 and 2012-13 fiscal years:

Operating Expenses (in millions)

| Natural Classifications | 2013-14 | 2012-13 |
|---|-------------------|-------------------|
| Employee Compensation and Benefits | \$ 1,724.9 | \$ 1,619.9 |
| Services and Supplies | 472.5 | 460.8 |
| Depreciation | 123.1 | 121.4 |
| Scholarships, Fellowships and Waivers * | 78.4 | 82.0 |
| Utilities and Communications | 62.8 | 64.7 |
| Self-Insured Claims and Expenses | (5.8) | (2.2) |
| Total Operating Expenses | \$ 2,455.9 | \$ 2,346.6 |

| Functional Classifications | 2013-14 | 2012-13 |
|---|-------------------|-------------------|
| Instruction | \$ 686.8 | \$ 650.9 |
| Research | 584.7 | 562.4 |
| Public Service | 432.1 | 429.1 |
| Academic Support | 167.2 | 154.3 |
| Institutional Support | 162.3 | 130.6 |
| Depreciation | 123.1 | 121.4 |
| Auxiliary Operations | 112.3 | 108.6 |
| Operation and Maintenance of Plant | 94.9 | 96.5 |
| Scholarships, Fellowships and Waivers * | 56.7 | 57.1 |
| Student Services | 35.8 | 35.7 |
| Total Operating Expenses | \$ 2,455.9 | \$ 2,346.6 |

* Net of Scholarship Allowances of \$149.8 million in the 2013-14 fiscal year and \$148.1 million in the 2012-13 fiscal year.

Nonoperating Revenues And Expenses

Certain revenue sources that the University relies on to provide funding for operations, including Noncapital State Appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs, other costs related to capital assets, and transfers to component units.

The University experienced an increase in State Appropriations revenue and investment income, while interest on capital asset-related debt increased. Noncapital Grants, Contracts, and Gifts decreased slightly and the net effect of these changes increased net nonoperating revenues by \$167.4 million. The following summarizes the University's nonoperating revenues and expenses for the 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses) (in millions)

| | 2013-14 | 2012-13 |
|--|-----------------|-----------------|
| Noncapital State Appropriations | \$ 605.9 | \$ 485.5 |
| Federal and State Student Financial Aid | 117.0 | 114.1 |
| Noncapital Grants, Contracts, and Gifts | 82.0 | 84.1 |
| Investment Income, Net of Expenses | 33.9 | 19.2 |
| Increase in Fair Market Value of Investments | 32.5 | 4.3 |
| Loss on Disposal of Capital Assets | (2.7) | (3.9) |
| Interest on Capital Asset-Related Debt | (8.0) | (6.1) |
| Other Net Nonoperating Expenses | (6.1) | (10.1) |
| Net Nonoperating Revenues | \$ 854.5 | \$ 687.1 |



Other Revenues, Expenses, Gains, Or Losses

This category is composed of Capital State Appropriations and Capital Grants, Contracts, Donations, and Student Fees. The University received more in both of these categories due to increases in State construction budgets and other capital gifts. 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 <i>(in millions)</i> | | |
|---|----------------|----------------|
| | 2013-14 | 2012-13 |
| Capital State Appropriations | \$ 43.6 | \$ 9.5 |
| Capital Grants, Contracts, Donations, and Student Fees | 17.7 | 13.9 |
| Total Other Revenues, Expenses, Gains, or Losses | \$ 61.3 | \$ 23.4 |

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 reflect the net cash used by the operating

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

Major sources of funds came from Noncapital State Appropriations (\$605.9 million), Student Tuition and Fees, Net (\$361.7 million), Grants and Contracts (\$1,113.8 million), and Sales and Services of Auxiliary Enterprises (\$130.7 million). Major uses of funds were for Payments to Employees (\$1,666.5 million), Payments to Suppliers for Goods and Services (\$543.9 million), and the Purchase or Construction of Capital Assets (\$145.1 million). The following table summarizes cash flows for the 2013-14 and 2012-13 fiscal years:

| Condensed Statement of Cash Flows <i>(in millions)</i> | | |
|--|---------------|---------------|
| | 2013-14 | 2012-13 |
| Cash Provided (Used) by: | | |
| Operating Activities | \$ (633.0) | \$ (557.0) |
| Noncapital Financing Activities | 770.0 | 734.3 |
| Capital and Related Financing Activities | (58.3) | (112.6) |
| Investing Activities | (78.8) | (64.9) |
| Net Decrease in Cash and Cash Equivalents | (0.1) | (0.2) |
| Cash and Cash Equivalents, Beginning of Year | 0.3 | 0.5 |
| Cash and Cash Equivalents, End of Year | \$ 0.2 | \$ 0.3 |



Capital Assets, Capital Expenses And Commitments, And Debt Administration

CAPITAL ASSETS

At June 30, 2014, the University had approximately \$3.4 billion in capital assets, less accumulated depreciation of \$1.7 billion, for net capital assets of \$1.7 billion. Depreciation charges for the current fiscal year totaled \$123.1 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

| Total Capital Assets, Net (in millions) | | |
|---|-------------------|-------------------|
| | 2014 | 2013 |
| Land | \$ 11.3 | \$ 10.8 |
| Buildings | 1,277.0 | 1,339.5 |
| Infrastructure and Other Improvements | 47.0 | 46.1 |
| Furniture and Equipment | 182.9 | 185.1 |
| Library Resources | 53.9 | 56.4 |
| Property Under Capital Lease and Leasehold Improvements | 7.9 | 6.0 |
| Other Capital Assets | 4.3 | 4.2 |
| Construction in Progress | 130.4 | 38.2 |
| Total Capital Assets (Nondepreciable and Depreciable, Net) | \$ 1,714.7 | \$ 1,686.3 |

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses were incurred on the following ongoing projects for the fiscal year ending June 30, 2014: Reitz Union Expansion and Renovation (\$18.7 million); Heavener Hall – School of Business (\$13.2 million); and Harrell Medical Education Building (\$8.3 million).

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

| Construction Commitments (in millions) | |
|--|-----------------|
| | Amount |
| Total Commitments Completed to Date | \$ 402.5 |
| | 130.4 |
| Balance Committed | \$ 272.1 |

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

DEBT ADMINISTRATION

At June 30, 2014, the University had \$199.4 million in outstanding Capital Improvement Debt Payable, Loans and Notes Payable, Capital Leases Payable, and Installment Purchase Agreements Payable, representing an increase of \$70.3 million, or 54.5%, from the prior fiscal year. The following table summarizes the outstanding capital asset-related debt by type of debt at June 30:

Capital Asset-Related Debt (in millions)

| | 2014 | 2013 |
|---|-----------------|-----------------|
| Capital Improvement Debt | \$ 181.6 | \$ 119.4 |
| Loans and Notes | 11.5 | 5.0 |
| Installment Purchase Agreements | 3.4 | 1.6 |
| Capital Leases | 2.9 | 3.1 |
| Total Capital Asset-Related Debt | \$ 199.4 | \$ 129.1 |

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

Economic Factors That Will Affect The Future

The recovery in the national economy is well underway and the State's growth rates are returning to more typical levels and continue to show progress. By the close of the 2013-14 fiscal year, several key measures of the Florida economy had returned to or surpassed their prior peaks. These favorable economic outlooks are echoed in the State budget for the coming fiscal year which includes more than \$100 million in new funding for the University of Florida. This reflects an extraordinary level of support from the Legislature and the Governor for the University of Florida and the goal to become one of the nation's top ten public research universities.

The budget for the 2014-15 fiscal year includes an additional \$25.9 million in recurring dollars for meeting the performance metrics developed by the Board of Governors. An additional \$5 million was added to the preeminence initiative, bringing the total to \$20 million per year. In addition, the budget includes approximately \$16 million for the UF Health Cancer Center to support an effort to obtain the National Cancer Institute (NCI) designation. The NCI designation will provide additional State and Federal funding and access to more clinical trials. Major Capital State Appropriations include \$20 million to complete a new chemistry building; \$13.5 million for facilities maintenance and repairs, with another \$3 million for critical deferred maintenance; and \$10 million to renovate the historic Newell Hall into a student study center.

The 2014-15 fiscal year budget provides the University with the resources necessary to continue the advance to the top ten public research universities, serve the State of Florida, and address critical facility needs on campus.

Requests For Information

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



STATEMENT OF NET POSITION as of June 30, 2014 (amounts expressed in thousands)

| | University of Florida | | Component Units | | |
|---|-----------------------|---------------------|------------------------------|----------------------------------|----------------------------|
| | 2014 | 2013 | Direct-Support Organizations | Health Science Center Affiliates | Shands Hospital and Others |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents (Note 1) | \$ 152 | \$ 285 | \$ 26,604 | \$ 55,716 | \$ 60,944 |
| Investments (Note 3) | 1,161,021 | 1,071,694 | 192,289 | 6,218 | 176,322 |
| Accounts Receivable, Net (Note 4) | 96,630 | 90,802 | 112,858 | 83,406 | 263,318 |
| Loans and Notes Receivable, Net (Note 4) | 2,787 | 2,821 | - | - | - |
| Due From State (Note 5) | 45,977 | 14,795 | - | - | 15,781 |
| Due From Component Units/University (Note 6) | 25,138 | 26,503 | 46,538 | 16,170 | 60,318 |
| Inventories (Note 7) | 4,690 | 4,570 | 42 | - | 24,446 |
| Other Current Assets | 2,130 | 1,964 | 6,197 | 2,495 | 40,558 |
| Total Current Assets | 1,338,525 | 1,213,434 | 384,528 | 164,005 | 641,687 |
| Noncurrent Assets: | | | | | |
| Restricted Cash and Cash Equivalents (Note 1) | 14 | 21 | 9,681 | - | 19,500 |
| Restricted Investments (Note 3) | 152,510 | 104,053 | 1,829,863 | 19,513 | 343,685 |
| Loans and Notes Receivable, Net (Note 4) | 36,975 | 36,375 | - | - | - |
| Depreciable Capital Assets, Net (Note 8) | 1,568,905 | 1,633,266 | 178,725 | 59,745 | 768,822 |
| Nondepreciable Capital Assets (Note 8) | 145,860 | 53,072 | 77,624 | 8,744 | 130,554 |
| Other Noncurrent Assets | 63 | 1,040 | 108 | 4,745 | 218,550 |
| Total Noncurrent Assets | 1,904,327 | 1,827,827 | 2,096,001 | 92,747 | 1,481,111 |
| TOTAL ASSETS | 3,242,852 | 3,041,261 | 2,480,529 | 256,752 | 2,122,798 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Accumulated Decrease in Fair Value of Interest Rate Swap Agreements | - | - | - | - | 42,052 |
| Losses on Debt Refunding | - | - | - | - | 631 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - | 42,683 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 3,242,852 | \$ 3,041,261 | \$ 2,480,529 | \$ 256,752 | \$ 2,165,481 |
| LIABILITIES | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | \$ 64,133 | \$ 66,992 | \$ 14,429 | \$ 20,386 | \$ 152,584 |
| Salaries and Wages Payable | 24,304 | 19,252 | 3,850 | 7,090 | 71,141 |
| Due To Component Units/University (Note 6) | 46,547 | 80,174 | 66,598 | 12,827 | 47,471 |
| Unearned Revenue (Note 10) | 29,536 | 25,430 | 62,014 | 1,704 | - |
| Deposits Held in Custody | 19,055 | 16,086 | - | 81 | - |
| Other Current Liabilities (Note 11) | 201 | 7,133 | 2,885 | - | - |
| Long-Term Liabilities - Current Portion: (Note 12) | | | | | |
| Capital Improvement Debt Payable | 8,605 | 7,307 | - | - | - |
| Bonds Payable | - | - | 10,580 | 2,011 | 23,687 |
| Loans and Notes Payable | 281 | - | 14,430 | - | - |
| Installment Purchase Agreements Payable | 1,263 | 846 | - | - | - |
| Capital Leases Payable | 137 | 129 | - | 193 | 2,339 |
| Compensated Absences Payable | 11,658 | 9,143 | 244 | - | - |
| Liability for Self-Insured Claims | 9,196 | 11,596 | 26,240 | - | - |
| Total Current Liabilities | 214,916 | 244,088 | 201,270 | 44,292 | 297,222 |

STATEMENT OF NET POSITION (continued)

| | University of Florida | | Component Units | | |
|---|-----------------------|---------------------|------------------------------|----------------------------------|----------------------------|
| | 2014 | 2013 | Direct-Support Organizations | Health Science Center Affiliates | Shands Hospital and Others |
| Noncurrent Liabilities: (Note 12) | | | | | |
| Capital Improvement Debt Payable | \$ 172,974 | \$ 112,094 | \$ - | \$ - | \$ - |
| Bonds Payable | - | - | 80,630 | 33,036 | 672,205 |
| Loans and Notes Payable | 11,192 | 5,000 | 1,472 | 8,000 | - |
| Installment Purchase Agreements Payable | 2,097 | 772 | - | - | - |
| Capital Leases Payable | 2,810 | 2,947 | - | 349 | 5,260 |
| Compensated Absences Payable | 114,293 | 104,305 | 3,119 | - | - |
| Other Postemployment Benefits Payable | 180,690 | 139,775 | - | - | 2,386 |
| Liability for Self-Insured Claims | 36,606 | 44,551 | - | - | - |
| Other Noncurrent Liabilities | 18,482 | 18,768 | 22,392 | - | 71,028 |
| Total Noncurrent Liabilities | 539,144 | 428,212 | 107,613 | 41,385 | 750,879 |
| TOTAL LIABILITIES | 754,060 | 672,300 | 308,883 | 85,677 | 1,048,101 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Gains on Debt Refunding | - | - | - | - | 11,668 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 754,060 | 672,300 | 308,883 | 85,677 | 1,059,769 |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | 1,565,313 | 1,554,445 | 117,560 | 24,901 | 195,225 |
| Restricted: | | | | | |
| Nonexpendable: | | | | | |
| Endowment | - | - | 1,196,686 | - | 97 |
| Expendable: | | | | | |
| Endowment | - | - | 380,075 | - | 11,931 |
| Loans | 36,317 | 35,853 | - | - | - |
| Capital Projects | 79,294 | 64,217 | - | - | - |
| Debt Service | 4,433 | 5,453 | - | - | - |
| Other | 654,866 | 589,690 | 326,610 | - | - |
| Unrestricted | 148,569 | 119,303 | 150,715 | 146,174 | 898,459 |
| TOTAL NET POSITION | 2,488,792 | 2,368,961 | 2,171,646 | 171,075 | 1,105,712 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | \$ 3,242,852 | \$ 3,041,261 | \$ 2,480,529 | \$ 256,752 | \$ 2,165,481 |

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION for the Fiscal Year Ended June 30, 2014
(amounts expressed in thousands)

| | University of Florida | | Component Units | | |
|--|-----------------------|---------------------|------------------------------|----------------------------------|----------------------------|
| | 2013-14 | 2012-13 | Direct-Support Organizations | Health Science Center Affiliates | Shands Hospital and Others |
| OPERATING REVENUES | | | | | |
| Student Tuition and Fees | \$ 508,448 | \$ 500,508 | \$ - | \$ - | \$ - |
| Scholarship Allowances | (149,793) | (148,064) | - | - | - |
| Student Tuition and Fees, Net of Scholarship Allowances | 358,655 | 352,444 | - | - | - |
| Federal Grants and Contracts | 366,315 | 391,536 | - | - | - |
| State and Local Grants and Contracts | 44,638 | 44,783 | - | - | - |
| Nongovernmental Grants and Contracts | 704,749 | 643,612 | - | - | - |
| Sales and Services of Auxiliary Enterprises (Note 13) | 129,942 | 131,350 | - | - | - |
| Sales and Services of Educational Departments | 52,012 | 51,555 | - | - | - |
| Sales and Services of Component Units | - | - | 108,566 | - | - |
| Hospital Revenues | - | - | - | 663,083 | 1,695,988 |
| Gifts and Donations - Component Units | - | - | 102,598 | - | - |
| Royalties and Licensing Fees - Component Units | - | - | 29,958 | - | - |
| Interest on Loans and Notes Receivable | 1,178 | 976 | - | - | - |
| Other Operating Revenues | 2,381 | 2,524 | 8,651 | 76,003 | 44,868 |
| Total Operating Revenues | 1,659,870 | 1,618,780 | 249,773 | 739,086 | 1,740,856 |
| OPERATING EXPENSES | | | | | |
| Employee Compensation and Benefits | 1,724,914 | 1,619,868 | 1,512 | 79,505 | 793,749 |
| Services and Supplies | 472,507 | 460,776 | 305,049 | 178,970 | 754,548 |
| Utilities and Communications | 62,761 | 64,748 | - | - | - |
| Scholarships, Fellowships and Waivers, Net | 78,418 | 82,024 | - | - | - |
| Depreciation | 123,114 | 121,356 | 9,944 | 7,803 | 77,220 |
| Self-Insured Claims and Expenses (Note 16) | (5,784) | (2,183) | - | - | - |
| Total Operating Expenses (Note 18) | 2,455,930 | 2,346,589 | 316,505 | 266,278 | 1,625,517 |
| Operating Income (Loss) | (796,060) | (727,809) | (66,732) | 472,808 | 115,339 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Noncapital State Appropriations | 605,890 | 485,479 | 6,912 | - | 7,050 |
| Federal and State Student Financial Aid | 116,994 | 114,094 | - | - | - |
| Noncapital Grants, Contracts, and Gifts | 82,041 | 84,091 | - | - | - |
| Investment Income | 37,474 | 21,850 | 202,792 | 583 | 37,587 |
| Net Increase (Decrease) in the Fair Value of Investments | 32,524 | 4,304 | 12,736 | (412) | 3,452 |
| Investment Expenses | (3,598) | (2,566) | (793) | (876) | (7,586) |
| Other Nonoperating Revenues | 422 | - | 48,510 | 31,655 | 4,858 |
| Gain (Loss) on Disposal of Capital Assets | (2,699) | (3,898) | 1,219 | (655) | (2,047) |
| Interest on Capital Asset-Related Debt | (8,048) | (6,134) | (2,349) | - | (20,372) |
| Other Nonoperating Expenses | (6,483) | (10,128) | (42,262) | (490,544) | (68,803) |
| Net Nonoperating Revenues (Expenses) | 854,517 | 687,092 | 226,765 | (460,249) | (45,861) |
| Income (Loss) Before Other Revenues, Expenses, Gains, or Losses | 58,457 | (40,717) | 160,033 | 12,559 | 69,478 |
| Capital State Appropriations | 43,667 | 9,464 | - | - | - |
| Capital Grants, Contracts, Donations, and Student Fees | 17,707 | 13,922 | - | - | - |
| Additions to Permanent Endowments | - | - | 31,583 | - | - |
| Total Other Revenues, Expenses, Gains, or Losses | 61,374 | 23,386 | 31,583 | - | - |
| Increase (Decrease) in Net Position | 119,831 | (17,331) | 191,616 | 12,559 | 69,478 |
| Net Position, Beginning of Year | 2,368,961 | 2,386,292 | 1,980,030 | 158,873 | 1,036,234 |
| Adjustment to Beginning Net Position (Note 2) | - | - | - | (357) | - |
| Adjusted Net Position, Beginning of Year, as Restated | 2,368,961 | 2,386,292 | 1,980,030 | 158,516 | 1,036,234 |
| Net Position, End of Year | \$ 2,488,792 | \$ 2,368,961 | \$ 2,171,646 | \$ 171,075 | \$ 1,105,712 |

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

STATEMENT OF CASH FLOWS for the Fiscal Year Ended June 30, 2014 (amounts expressed in thousands)

| | University of Florida | |
|--|-----------------------|---------------------|
| | 2013-14 | 2012-13 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and Fees, Net | \$ 361,659 | \$ 355,196 |
| Grants and Contracts | 1,113,838 | 1,082,254 |
| Sales and Services of Auxiliary Enterprises | 130,706 | 138,640 |
| Sales and Services of Educational Departments | 51,328 | 51,538 |
| Repayment of Loans and Notes Receivable from Students | 5,667 | 7,755 |
| Interest on Loans Receivable | 1,158 | 1,209 |
| Other Operating Receipts | 2,247 | 3,073 |
| Payments to Employees | (1,666,456) | (1,567,072) |
| Payments to Suppliers for Goods and Services | (543,917) | (523,864) |
| Payments to Students for Scholarships and Fellowships | (78,418) | (82,024) |
| Loans Issued to Students | (6,234) | (6,305) |
| Payments on Self-Insured Claims and Expenses | (4,562) | (17,397) |
| Net Cash Used by Operating Activities | (632,984) | (556,997) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Noncapital State Appropriations | 605,890 | 485,479 |
| Federal and State Financial Aid | 116,994 | 114,094 |
| Noncapital Grants, Contracts, and Gifts | 82,041 | 84,091 |
| Direct Loan Program Receipts | 249,032 | 253,278 |
| Direct Loan Program Disbursements | (249,035) | (253,275) |
| Net Change in Funds Held for Others | (31,147) | 58,500 |
| Other Nonoperating Receipts | 422 | 948 |
| Other Nonoperating Disbursements | (4,242) | (8,834) |
| Net Cash Provided by Noncapital Financing Activities | 769,955 | 734,281 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Capital Debt | 76,647 | 5,000 |
| Capital State Appropriations | 12,485 | 26,204 |
| Capital Grants, Contracts, Donations, and Student Fees | 15,711 | 9,548 |
| Proceeds from Sales of Capital Assets | 532 | 358 |
| Other Receipts for Capital Projects | - | 17 |
| Purchase or Construction of Capital Assets | (145,059) | (139,187) |
| Principal Paid on Capital Debt and Leases | (10,595) | (8,436) |
| Interest Paid on Capital Debt and Leases | (8,048) | (6,134) |
| Net Cash Used by Capital and Related Financing Activities | (58,327) | (112,630) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of Investments | 1,688,033 | 1,564,849 |
| Purchase of Investments | (1,799,918) | (1,650,132) |
| Investment Income | 33,101 | 20,416 |
| Net Cash Used by Investing Activities | (78,784) | (64,867) |
| Net Decrease in Cash and Cash Equivalents | (140) | (213) |
| Cash and Cash Equivalents, Beginning of Year | 306 | 519 |
| Cash and Cash Equivalents, End of Year | \$ 166 | \$ 306 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating Loss | \$ (796,060) | \$ (727,809) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | | |
| Depreciation Expense | 123,114 | 121,356 |
| Change in Assets and Liabilities: | | |
| Receivables, Net | (5,607) | 54,879 |
| Due From Component Units | 1,365 | (13,183) |
| Inventories | (120) | 110 |
| Other Assets | (145) | (68) |
| Accounts Payable | (8,387) | 1,617 |
| Salaries and Wages Payable | 5,041 | (106) |
| Unearned Revenue | 4,106 | (145) |
| Deposits Held in Custody | 636 | 136 |
| Other Postemployment Benefits Payable | 40,915 | 37,317 |
| Compensated Absences Payable | 12,503 | 15,584 |
| Liability for Self-Insured Claims | (10,345) | (46,685) |
| NET CASH USED BY OPERATING ACTIVITIES | \$ (632,984) | \$ (556,997) |
| SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING, INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| The following items are recognized on the Statement of Net Position or the Statement of Revenues, Expenses and Changes in Net Position, but are not cash transactions for the Statement of Cash Flows: | | |
| Unrealized gains on investments | \$ 32,524 | |
| Acquisition of equipment under installment purchase agreements | \$ (2,920) | |
| Loss on disposal of capital assets | \$ (2,699) | |

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



NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014

1

Summary Of Significant Accounting Policies

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

A. REPORTING ENTITY

The University of Florida is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Florida 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 Florida 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 Florida Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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

B. BLENDED COMPONENT UNITS

Based on the application of the criteria for determining component units, the University of Florida Self-Insurance Program (the Program), and the University of Florida Healthcare Education Insurance Company (HEIC), are included within the University reporting entity as blended component units. Although legally separate from the University of Florida, the Program's and the HEIC's sole purpose is to assist in providing liability protection for the University and its affiliated individuals and entities, and are therefore reported as if they are part of the University. The Program was created by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes. The HEIC was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. Annual audits of the Program's and HEIC's financial statements are conducted by independent certified public accountants. See Notes 16 and 19 for more details.

C. DISCRETELY PRESENTED COMPONENT UNITS

Based on the application of the criteria for determining component units, certain affiliated organizations are required to be included within the University reporting entity as discretely presented component units because of the significance of their relationship with the University. These organizations are legally separate from the University and are governed by separate boards. The University further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Hospital and Others. An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the Office of University Relations. Condensed financial statements for the University's discretely presented component units are shown in Note 19.

However, financial activities of certain component units are not included in the University's financial statements and are denoted below with an asterisk (*). The total assets and operating revenues related to these component units are \$43 million and \$23 million, respectively. These amounts represent less than one percent of the total aggregate component units' assets and operating revenues.

D. DIRECT-SUPPORT ORGANIZATIONS

The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors' Regulation 9.011, are considered component units of the University of Florida and therefore the latest audited financial statements of these organizations are included in the financial

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

University of Florida Foundation, Inc., solicits, collects, manages, and directs contributions to the various academic departments and programs of the University, and assists the University in fund raising, public relations, and maintenance of alumni records. Their financial statements include the activities of the University of Florida Alumni Association, Inc.

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

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

GatorCare Health Management Corporation coordinates and facilitates the management of the self-insured health insurance plan of the University and its participating affiliated employers, collecting and paying employer and employee premiums.

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

University of Florida Development Corporation develops and maintains Innovation Square where the University-owned Florida Innovation Hub is located.

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

University of Florida Alumni Association, Inc., supports activities of the alumni of the University of Florida. Its financial transactions are reflected in the financial statements of the University of Florida Foundation, Inc.

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

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

Florida 4-H Club Foundation, Inc.,* promotes the educational objectives of the 4-H Youth Development Program, an official part of the Florida Cooperative Extension Service.

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

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

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

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

UF Historic St. Augustine, Inc.,* ensures the long-term preservation and interpretation of State-owned historic properties in St. Augustine.

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

E. HEALTH SCIENCE CENTER AFFILIATES

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

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

The corporations listed above, except University of Florida Jacksonville Healthcare, Inc., and Faculty Clinic, Inc., are Faculty Practice Plans, as provided for in Board of Governors' Regulation 9.017. The Faculty Practice Plans

provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, and dental care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the JHMHC.

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

F. SHANDS HOSPITAL AND OTHERS

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

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

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

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

University Village Apartments, Inc. (the Corporation), was established in 1969, for the purpose of providing housing for low- and moderate-income families, especially those affiliated with the University of Florida. Capital was contributed at inception by the University of Florida Foundation, Inc., but no capital stock was issued because the Corporation does not operate for the benefit of any special interest. The Corporation provided housing under Section 221(d)(3) of the National Housing Act. The facility consists of 28 two-story buildings and was regulated by the United States Department of Housing and Urban Development (HUD) as to rent charges and operating methods. The Corporation is no longer regulated by HUD since it has repaid in full its Section 221 insured loan. The Corporation is in the process of dissolving and merging into the University Department of Housing and Residence Education. All transactions during the 2013-14 fiscal year are included in the University's financial statements.

G. BASIS OF PRESENTATION

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

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

H. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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. Twenty-three component units follow GASB standards of accounting and financial reporting. Eight component units (University of Florida Foundation, Inc., Florida Foundation Seed Producers, Inc., Southwest Florida Research and Education Foundation, Inc., Citrus Research and Education Foundation, Inc., Citrus Research and Development Foundation, Inc., Treasure Coast Agricultural Research Foundation, Inc., University of Florida Alumni Association, Inc., and University of Florida Investment Corporation) follow FASB standards of accounting and financial reporting for not-for-profit organizations.

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

The University's principal operating activities consist of instruction, research and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include Noncapital State Appropriations, Federal and State student financial aid, investment income and Capital State Appropriations for 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 scholarships, discounts, and allowances. Tuition scholarships, discounts, and allowances are the differences

between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied “The Alternate Method” as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarships, discounts, and allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

I. CASH AND CASH EQUIVALENTS

The amount reported by the University as cash and cash equivalents consists of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida’s multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets or other restricted assets, are classified as restricted. The University considers cash balances in overnight sweep accounts to be investments, as permitted by GASB Statement No. 9.

J. CAPITAL ASSETS

University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease and leasehold improvements, works of art and historical treasures, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value on the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$4 million for intangible assets, which includes computer software, and \$5,000 for tangible personal property. The costs of all new buildings and projects adding new square footage are capitalized. Infrastructure and leasehold improvements have a \$250,000 capitalization threshold. For building renovations, the threshold is \$250,000 or less if the amount expended is at least 25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 5 to 50 years, depending on construction
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Lease and Leasehold Improvements – 10 to 50 years
- Computer Software – 5 years

K. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums, discounts, and losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method.

L. OTHER SIGNIFICANT ACCOUNTING POLICIES

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

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Adjustments To Beginning Net Position - Component Units

Table 1 summarizes the Adjustments to Beginning Net Position reported in the Statement of Revenues, Expenses, and Changes in Net Position to reflect prior year accounting changes of the University’s discretely presented component units.

Table 1. Adjustments to Beginning Net Position

| <u>Description</u> | <u>Health Science Center Affiliates</u> |
|--|---|
| Florida Clinical Practice Association, Inc. - Write-off bond issuance costs per GASB 65 implementation | \$ (281,880) |
| University of Florida Jacksonville Physicians, Inc. - Write-off bond issuance costs per GASB 65 implementation | (75,143) |
| Total Adjustments to Beginning Net Position | \$ (357,023) |

3 Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees, as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. Investments of the University and its component units at June 30, 2014, are reported at fair value and shown in Tables 2 and 3.

Table 2. University Investments

| Types of Investments | Fair Value |
|--|-------------------------|
| External Investments Pool: | |
| State Treasury Special Purpose Investment Account | \$ 665,870,046 |
| State Board of Administration Debt Service Account | 7,750,493 |
| Repurchase Agreements | 21,064,206 |
| Stocks | 516 |
| Certificates of Deposit | 750,000 |
| Investment Agreements | 458,646,451 |
| Equity Mutual Funds | 61,290,943 |
| Bond Mutual Funds | 98,158,648 |
| Total University Investments | \$ 1,313,531,303 |

Table 3. Component Unit Investments

| Types of Investments | Fair Value |
|---|-------------------------|
| External Investments Pools: | |
| State Treasury Special Purpose Investment Account | \$ 215,454,725 |
| State Board of Administration Florida PRIME Investment Pool | 76,836 |
| United States Government and Federally-Guaranteed Obligations | 2,900,382 |
| Bonds and Notes | 18,008,566 |
| Investment Agreements | 2,114,594,412 |
| Real Estate Agreements | 8,255,259 |
| Stocks | 802,402 |
| Money Market Funds | 40,137,634 |
| Equity Mutual Funds | 61,268,796 |
| Bond Mutual Funds | 87,344,975 |
| Commercial Paper | 19,046,000 |
| Total Component Unit Investments | \$ 2,567,889,987 |

A. EXTERNAL INVESTMENT POOLS

The University and its discretely presented component units (see Note 1) reported investments at fair value totaling \$665,870,046 and \$215,454,725, respectively, 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, an effective duration of 2.57 years, and a 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 the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the University's component units reported investments totaling \$76,836 in the Florida PRIME investment pool, administered by the SBA pursuant to Section 218.405, Florida Statutes. The investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

B. STATE BOARD OF ADMINISTRATION DEBT SERVICE ACCOUNTS

The University reported investments at fair value totaling \$7,750,493 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

C. OTHER INVESTMENTS

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, mutual funds, and certificates of deposit. For the University, the majority of the other investments are those reported by the University of Florida Self-Insurance Program, and the University of Florida Healthcare Education Insurance Company, blended component units (see Note 1), plus amounts managed by the

University of Florida Investment Corporation for the University of Florida. For the University's discretely presented component units, other investments are those reported primarily by the University of Florida Foundation, Inc., The University Athletic Association, Inc., University of Florida Research Foundation, Inc., Florida Clinical Practice Association, Inc., Shands Teaching Hospital and Clinics, Inc., and Shands Jacksonville HealthCare, Inc. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Per the Statement of Investment Guidelines and Objectives of the University of Florida Healthcare Education Insurance Company, the weighted-average duration of the fixed income portfolio shall at all times be less than five years. Investments of the University and its discretely presented component units (excluding those reporting under FASB standards) in debt securities and bond mutual funds, and their future maturities at June 30, 2014, are shown in Tables 4 and 5, respectively.

Table 4. University Debt Investment Maturities

| Types of Investments | Fair Value | Investment Maturities (in Years) | | | |
|----------------------|---------------|----------------------------------|---------------|------|--------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Bond Mutual Funds | \$ 98,158,648 | \$ - | \$ 98,158,648 | \$ - | \$ - |

Table 5. Component Unit Debt Investment Maturities

| Types of Investments | Fair Value | Investment Maturities (in Years) | | | |
|---|----------------------|----------------------------------|----------------------|----------------------|--------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| United States Government and Federally-Guaranteed Obligations | \$ 2,640,000 | \$ - | \$ 2,640,000 | \$ - | \$ - |
| Bonds and Notes | 17,874,113 | 1,000,836 | 15,874,464 | 998,813 | - |
| Bond Mutual Funds | 74,900,532 | 10,607,839 | 6,171,693 | 58,121,000 | - |
| Total Component Units | \$ 95,414,645 | \$ 11,608,675 | \$ 24,686,157 | \$ 59,119,813 | \$ - |

Table 6. University Debt Investment Quality Ratings

| Types of Investments | Fair Value | Investment Quality Ratings | | | |
|----------------------|---------------|----------------------------|---------------|---------------|-----------------------------|
| | | AAA/Aaa | AA/Aa | A/Ba | Less than A/Ba or Not Rated |
| Bond Mutual Funds | \$ 98,158,648 | \$ 11,760,512 | \$ 50,047,115 | \$ 30,340,093 | \$ 6,010,928 |

Table 7. Component Unit Debt Investment Quality Ratings

| Types of Investments | Fair Value | AAA/Aaa | AA/Aa | A/Ba | Less than A/Ba or Not Rated |
|------------------------------|----------------------|---------------------|---------------------|---------------------|-----------------------------|
| Bonds and Notes | \$ 17,874,113 | \$ 3,859,082 | \$ 6,981,872 | \$ 4,039,967 | \$ 2,993,192 |
| Bond Mutual Funds | 74,900,532 | - | 2,570,839 | - | 72,329,693 |
| Total Component Units | \$ 92,774,645 | \$ 3,859,082 | \$ 9,552,711 | \$ 4,039,967 | \$ 75,322,885 |

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2014, the University and its discretely presented component units (excluding those reporting under FASB standards) had bonds and notes, and bond mutual funds, with quality ratings by nationally recognized rating agencies (e.g., Moody's Investors Service), as shown in Tables 6 and 7, respectively.

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

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

4 Receivables

A. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, student tuition and fees, and interest accrued on investments and loans receivable. Accounts receivable, net of an allowance for uncollectible accounts, reported as of June 30, 2014, are summarized in Table 8.

Table 8. Accounts Receivable

| Description | Amount |
|---|----------------------|
| Grants and Contracts | \$ 77,098,911 |
| Sales and Services of Auxiliary Enterprises | 7,785,585 |
| Student Tuition and Fees | 7,401,356 |
| Sales and Services of Educational Departments | 2,693,690 |
| Interest | 1,650,434 |
| Total Accounts Receivable, Net | \$ 96,629,976 |

B. LOANS AND NOTES RECEIVABLE

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

C. ALLOWANCES FOR UNCOLLECTIBLE RECEIVABLES

Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$6,474,327, which is 24.9% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$4,273,148 which is 9.7% of total related loans and notes receivable. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

5 Due From State

This amount consists of \$45,976,604 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

6 Due From And To Component Units/University

The University's financial statements are reported for the fiscal year ended June 30, 2014. The University's discretely presented component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units are not presented (see Note 1). Additionally, component units' due from and due to amounts include receivables and payables between the various component unit columns. Accordingly, amounts reported by the University as due from and to component units on the Statement of Net Position may not agree with amounts reported by the component units as due from and to the University.

7 Inventories

Inventories have been categorized into the following two types:

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

Merchandise Inventories - Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the Statement of Net 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 presented in Table 9.

Table 9. Capital Assets

| Description | Beginning Balance | Additions | Reductions | Ending Balance |
|---|-------------------------|----------------------|----------------------|-------------------------|
| Nondepreciable Capital Assets: | | | | |
| Land | \$ 10,841,236 | \$ 1,400,000 | \$ 962,637 | \$ 11,278,599 |
| Construction in Progress | 38,219,651 | 108,923,437 | 16,701,755 | 130,441,333 |
| Works of Art and Historical Treasures | 4,011,284 | 129,060 | - | 4,140,344 |
| Total Nondepreciable Capital Assets | 53,072,171 | 110,452,497 | 17,664,392 | 145,860,276 |
| Depreciable Capital Assets: | | | | |
| Buildings | 2,284,054,228 | 9,630,734 | 1,597,861 | 2,292,087,101 |
| Infrastructure and Other Improvements | 108,260,867 | 4,893,655 | 235,476 | 112,919,046 |
| Furniture and Equipment | 534,362,432 | 37,515,040 | 21,177,965 | 550,699,507 |
| Library Resources | 314,817,433 | 8,875,867 | 1,935,770 | 321,757,530 |
| Property Under Capital Lease and Leasehold Improvements | 9,815,002 | 2,325,636 | - | 12,140,638 |
| Works of Art and Historical Treasures | 419,695 | 13,200 | - | 432,895 |
| Computer Software | 24,533,000 | - | - | 24,533,000 |
| Other Capital Assets | 9,500 | 45,610 | - | 55,110 |
| Total Depreciable Capital Assets | 3,276,272,157 | 63,299,742 | 24,947,072 | 3,314,624,827 |
| Less Accumulated Depreciation: | | | | |
| Buildings | 944,552,425 | 71,721,401 | 1,155,462 | 1,015,118,364 |
| Infrastructure and Other Improvements | 62,177,410 | 3,941,225 | 235,476 | 65,883,159 |
| Furniture and Equipment | 349,233,846 | 35,620,523 | 17,060,078 | 367,794,291 |
| Library Resources | 258,372,911 | 11,414,070 | 1,935,770 | 267,851,211 |
| Property Under Capital Lease and Leasehold Improvements | 3,863,574 | 385,126 | - | 4,248,700 |
| Works of Art and Historical Treasures | 268,736 | 24,991 | 13,400 | 280,327 |
| Computer Software | 24,533,000 | - | - | 24,533,000 |
| Other Capital Assets | 4,117 | 6,961 | - | 11,078 |
| Total Accumulated Depreciation | 1,643,006,019 | 123,114,297 | 20,400,186 | 1,745,720,130 |
| Total Depreciable Capital Assets, Net | 1,633,266,138 | (59,814,555) | 4,546,886 | 1,568,904,697 |
| Total Capital Assets, Net | \$ 1,686,338,309 | \$ 50,637,942 | \$ 22,211,278 | \$ 1,714,764,973 |

9 Museum And Art Collections

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

The Samuel P. Harn Museum of Art, which is also part of the University, maintains a collection of over 9,500 works of art. Donations of artwork to the Museum are recorded by the University of Florida Foundation, Inc. (Foundation), and are included with reported "Permanent Collections" as further explained in Note 9 of the Foundation's audited financial statements for the fiscal year ended June 30, 2014. Purchases of artwork by the Museum are included with the University's reported Nondepreciable Capital Assets as presented in Table 9.

10 Unearned Revenue

Unearned Revenue includes amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Unearned Revenue, as of June 30, 2014, is summarized in Table 10.

Table 10. Unearned Revenue

| Description | Amount |
|---|----------------------|
| Grants and Contracts | \$ 18,841,720 |
| Sales and Services of Auxiliary Enterprises | 6,963,312 |
| Student Tuition and Fees | 3,730,503 |
| Total Unearned Revenue | \$ 29,535,535 |

11 Other Current Liabilities

The University maintained accounts with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the University's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30, 2014. This did not, however, represent an overdraft in the University's depository accounts.

12 Long-Term Liabilities

Long-term liabilities of the University at June 30, 2014, include capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other noncurrent liabilities. Long-term liability activity for the fiscal year ended June 30, 2014, is presented in Table 11.

Table 11. Long-Term Liabilities

| Description | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---|-----------------------|-----------------------|----------------------|-----------------------|----------------------|
| Capital Asset-Related Debt: | | | | | |
| Capital Improvement Debt Payable | \$ 119,401,170 | \$ 71,005,090 | \$ 8,827,548 | \$ 181,578,712 | \$ 8,605,000 |
| Loans and Notes Payable | 5,000,000 | 6,472,538 | - | 11,472,538 | 280,476 |
| Installment Purchase Agreements Payable | 1,618,078 | 2,919,715 | 1,177,907 | 3,359,886 | 1,262,710 |
| Capital Leases Payable | 3,075,763 | - | 128,780 | 2,946,983 | 137,086 |
| Total Capital Asset-Related Debt | 129,095,011 | 80,397,343 | 10,134,235 | 199,358,119 | 10,285,272 |
| Other Long-Term Liabilities: | | | | | |
| Compensated Absences Payable | 113,448,325 | 24,145,957 | 11,643,673 | 125,950,609 | 11,657,892 |
| Other Postemployment Benefits Payable | 139,775,000 | 48,595,000 | 7,680,000 | 180,690,000 | - |
| Liability for Self-Insured Claims (Note 16) | 56,147,461 | (5,784,153) | 4,561,774 | 45,801,534 | 9,195,899 |
| Other Noncurrent Liabilities | 18,768,201 | - | 286,310 | 18,481,891 | - |
| Total Long-Term Liabilities | \$ 457,233,998 | \$ 147,354,147 | \$ 34,305,992 | \$ 570,282,153 | \$ 31,139,063 |

A. CAPITAL IMPROVEMENT DEBT PAYABLE

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

On September 10, 2013, the Florida Board of Governors, on behalf of the University, issued \$41,540,000 of University of Florida Student Activity Revenue Bonds, Series 2013. The bonds are repaid from student activity and service fees and the proceeds are used to renovate and expand the J. Wayne Reitz Union, the community center of the University. The bonds will mature in annual increments starting on July 1, 2014, and ending on July 1, 2033. Interest payments are due semiannually on January 1 and July 1 beginning January 1, 2014.

On November 20, 2013, the Florida Board of Governors, on behalf of the University, issued \$24,805,000 of University of Florida Housing Dormitory Revenue Bonds, Series 2013A. The bonds are repaid from dormitory fees charged to students. \$19,600,000 of the proceeds are used to construct a 255-bed dormitory with state-of-the-art features complying with the Americans with Disabilities Act. The remaining \$5,205,000 will refund portions of the Student Housing Auxiliary Debt Bonds, Series 2005A, maturing in years 2016 through 2023. The new bonds will mature in annual increments starting on July 1, 2014, and ending on July 1, 2033. Interest payments are due semiannually on January 1 and July 1 beginning July 1, 2014.

A summary of the University's capital improvement debt payable at June 30, 2014, appears in Table 12.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2014, appear in Table 13.

Table 12. Capital Improvement Debt Payable

| Type and Series | Amount Outstanding | | | Interest Rates | Maturity Date |
|--|--------------------------|-----------------------|----------------------|-----------------|---------------|
| | Amount of Original Issue | Principal | Interest | | |
| Student Housing Auxiliary Debt: | | | | | |
| 2005A Housing | \$ 37,610,000 | \$ 28,870,000 | \$ 12,312,948 | 4.000 to 5.125% | 2030 |
| 2011A Housing | 16,350,000 | 12,795,000 | 3,035,800 | 3.000 to 4.000% | 2028 |
| 2012A Housing | 26,500,000 | 24,590,000 | 8,309,088 | 3.000 to 4.000% | 2031 |
| 2013A Housing | 24,805,000 | 24,445,000 | 10,129,506 | 3.000 to 5.000% | 2033 |
| Total Student Housing Debt | 105,265,000 | 90,700,000 | 33,787,342 | | |
| Parking Garage Auxiliary Debt: | | | | | |
| 1998 Parking Garage | 10,000,000 | 3,475,000 | 428,174 | 4.500 to 4.750% | 2019 |
| 2007A Parking Garage | 20,770,000 | 16,110,000 | 5,166,179 | 3.600 to 4.375% | 2028 |
| Total Parking Garage Debt | 30,770,000 | 19,585,000 | 5,594,353 | | |
| Other University of Florida Revenue Bonds: | | | | | |
| 2011 Clinical Translational Research Building | 29,838,000 | 26,615,000 | 10,822,815 | 4.433% | 2030 |
| 2013 Student Activity | 41,540,000 | 40,495,000 | 20,932,272 | 4.000 to 5.000% | 2033 |
| Total Other University of Florida Revenue Bonds | 71,378,000 | 67,110,000 | 31,755,087 | | |
| Plus: Unamortized Premiums | - | 5,725,879 | - | | |
| Less: Unamortized Discounts | - | (295,280) | - | | |
| Less: Unamortized Refunding Losses | - | (1,246,887) | - | | |
| Total Capital Improvement Debt | \$ 207,413,000 | \$ 181,578,712 | \$ 71,136,782 | | |

Table 13. Capital Improvement Debt Payable - Principal & Interest

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---------------------------------------|----------------------|---------------------|----------------------|
| 2015 | \$ 8,605,000 | \$ 7,630,348 | \$ 16,235,348 |
| 2016 | 9,484,000 | 7,284,541 | 16,768,541 |
| 2017 | 9,873,000 | 6,881,433 | 16,754,433 |
| 2018 | 10,357,000 | 6,443,331 | 16,800,331 |
| 2019 | 10,797,000 | 5,968,288 | 16,765,288 |
| 2020-2024 | 50,770,000 | 22,943,633 | 73,713,633 |
| 2025-2029 | 52,657,000 | 11,730,449 | 64,387,449 |
| 2030-2034 | 24,852,000 | 2,254,759 | 27,106,759 |
| Total Principal & Interest | 177,395,000 | 71,136,782 | 248,531,782 |
| Plus: Unamortized Premiums | 5,725,879 | - | 5,725,879 |
| Less: Unamortized Discounts | (295,280) | - | (295,280) |
| Less: Unamortized Refunding Losses | (1,246,887) | - | (1,246,887) |
| Total | \$181,578,712 | \$71,136,782 | \$252,715,494 |

B. LOANS AND NOTES PAYABLE

On August 30, 2013, the University borrowed \$6,472,538 at an interest rate of 2.33%, to finance the cost of heating, ventilation, and air conditioning (HVAC) update and renovation of J. Wayne Reitz Student Union. The principal and interest cost is expected to be met by cost savings of the newer system. The note matures on August 31, 2029, and principal and interest payments are made annually. On June 17, 2013, the University borrowed \$5,000,000 at an interest rate of 3.58% for a similar renovation at Willard M. Fifield Hall. The note matures on November 1, 2033, and principal and interest payments are made annually. Annual requirements to amortize the two outstanding notes as of June 30, 2014, appear in Table 14.

Table 14. Loans and Notes Payable - Principal & Interest

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---------------------------------------|---------------------|---------------------|---------------------|
| 2015 | \$ 280,476 | \$ 523,747 | \$ 804,223 |
| 2016 | 527,465 | 317,576 | 845,041 |
| 2017 | 551,318 | 303,364 | 854,682 |
| 2018 | 572,130 | 288,408 | 860,538 |
| 2019 | 597,825 | 272,820 | 870,645 |
| 2020-2024 | 3,099,954 | 1,121,935 | 4,221,889 |
| 2025-2029 | 3,818,784 | 658,504 | 4,477,288 |
| 2030-2034 | 2,024,586 | 217,699 | 2,242,285 |
| Total | \$11,472,538 | \$ 3,704,053 | \$15,176,591 |

C. INSTALLMENT PURCHASE AGREEMENTS PAYABLE

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$5,973,451. The stated interest rates ranged from 0.00% to 5.38%. Future minimum payments remaining under installment purchase agreements as of June 30, 2014, appear in Table 15.

Table 15. Installment Purchase Agreements Payable - Principal & Interest

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---------------------------------------|---------------------|-------------------|---------------------|
| 2015 | \$ 1,262,710 | \$ 66,415 | \$ 1,329,125 |
| 2016 | 784,928 | 41,222 | 826,150 |
| 2017 | 677,952 | 23,510 | 701,462 |
| 2018 | 419,419 | 9,375 | 428,794 |
| 2019 | 214,877 | 2,511 | 217,388 |
| Total Minimum Payments | \$ 3,359,886 | \$ 143,033 | \$ 3,502,919 |

D. CAPITAL LEASES PAYABLE

On June 8, 1994, the former Board of Regents, on behalf of the University of Florida, entered into a lease agreement with the University of Florida Foundation, Inc. (the Foundation), a direct support organization (component unit) of the University. Under the terms of the agreement, the University agreed to lease from the Foundation a 607-space parking garage (the garage) located near the Health Science Center Administrative Offices for a period of thirty years beginning July 1, 1994. Lease payments of \$100,000 annually are due each July 1. The garage was simultaneously acquired by the Foundation from Shands Teaching Hospital and Clinics, Inc. (Shands), also a component unit, and financed by the Foundation through the issuance of a promissory note secured by a non-recourse mortgage containing payment terms similar to those in the lease agreement between the Foundation and the University. Lease payments from the University to the Foundation and from the Foundation to Shands were based on an original construction cost of \$3,000,000 and no interest. For reporting purposes, the lease is considered a capital lease under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$1,382,470. The asset, which is included in the Property Under Capital Lease and Leasehold Improvements, was recorded at cost to Shands of \$3,000,000.

On March 1, 2000, the University, acting for and on behalf of the former Board of Regents, entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Annual lease payments of \$227,167 are due each May 1, beginning May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under GASB Statement No. 62. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$2,981,939. The asset, which is included in the Property Under Capital Lease and Leasehold Improvements, was recorded at cost to Shands of \$6,815,002. A summary

of pertinent information related to the two capital leases appears in Table 16.

Table 16. Capital Leases Payable

| Capital Leases | Interest Rate | Original Balances | Outstanding Balance |
|----------------------------|----------------------|--------------------------|----------------------------|
| Shands Garage (607 spaces) | 6.45% | \$ 1,382,470 | \$ 720,568 |
| Shands Garage (800 spaces) | 6.45% | 2,981,939 | 2,226,415 |
| Total | | \$ 4,364,409 | \$ 2,946,983 |

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2014, are presented in Table 17.

Table 17. Capital Leases Payable - Principal & Interest

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-----------------------------------|---------------------|---------------------|---------------------|
| 2015 | \$ 137,086 | \$ 190,080 | \$ 327,166 |
| 2016 | 145,928 | 181,238 | 327,166 |
| 2017 | 155,341 | 171,826 | 327,167 |
| 2018 | 165,360 | 161,806 | 327,166 |
| 2019 | 176,026 | 151,141 | 327,167 |
| 2020-2024 | 1,065,809 | 570,025 | 1,635,834 |
| 2025-2029 | 888,030 | 247,804 | 1,135,834 |
| 2030 | 213,403 | 13,765 | 227,168 |
| Total | \$ 2,946,983 | \$ 1,687,685 | \$ 4,634,668 |

E. 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 in accordance with its policy regarding leave payment upon separation from employment. However, Noncapital State Appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations.

At June 30, 2014, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$125,950,609. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

F. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan, on average, than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to 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, 2,412 retirees received postemployment healthcare benefits. The University provided required contributions of \$7,680,000 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 \$14,385,000, which represents 1.3% 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 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. Table 18 shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and the changes in the University's net OPEB obligation.

Table 18. Annual OPEB Cost and Net OPEB Obligation

| Description | Amount |
|--|-----------------------|
| Normal Cost (service cost for one year) | \$ 23,897,000 |
| Amortization of Unfunded Actuarial Accrued Liability | 22,113,000 |
| Interest on Normal Cost and Amortization | 1,840,000 |
| Annual Required Contribution | 47,850,000 |
| Interest on Net OPEB Obligation | 5,591,000 |
| Adjustment to Annual Required Contribution | (4,846,000) |
| Annual OPEB Cost (Expense) | 48,595,000 |
| Contribution Toward the OPEB Cost | (7,680,000) |
| Increase in Net OPEB Obligation | 40,915,000 |
| Net OPEB Obligation, Beginning of Year | 139,775,000 |
| Net OPEB Obligation, End of Year | \$ 180,690,000 |

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, are presented in Table 19.

Table 19. Annual OPEB Cost, Percentage Contributed, and Net Obligation

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------|------------------|--|---------------------|
| 2011-12 | \$ 47,652,000 | 19.7% | \$ 102,458,000 |
| 2012-13 | 47,382,000 | 21.2% | 139,775,000 |
| 2013-14 | 48,595,000 | 15.8% | 180,690,000 |

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$663,395,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$663,395,000 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was \$1,072,983,725 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 61.8%.

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

that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the University's estimated 2013-14 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4% per year and an inflation rate of 3%. Healthcare trend rates were 7.4%, 7.0%, and 8.2% for the first three years respectively for all retirees in the PPO (Preferred Provider Organization) Plan and were 3.9%, 7.8%, and 8.3% for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5.0% over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis.

13 Interdepartmental Auxiliary Sales

Interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from expenses and revenues for reporting purposes. The interdepartmental transactions eliminated in the financial statement preparation totaled \$114,768,852 for the fiscal year ended June 30, 2014.

14 Retirement Programs

A. FLORIDA RETIREMENT SYSTEM

Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to 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, and death benefits, and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers and employees. Effective July 1, 2011, employees were required to contribute 3% of gross salary towards retirement. Contribution rates during the 2013-14 fiscal year are presented in Table 20.

Table 20. Florida Retirement System Rates

| 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) |

(A) Employer rates for each membership class include 1.20% for health insurance subsidy. Also, employer rates, other than for DROP participants, include .03% for administrative costs of the Investment Plan.

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

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. There were 8,431 University participants during the 2013-14 fiscal year. The University's contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$16,712,175, \$17,809,204, and \$26,821,475 respectively, which were equal to the required contributions for each fiscal year. For the fiscal year ended June 30, 2014, the employee contributions totaled \$8,939,009.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service. There were 1,823 University participants during the 2013-14 fiscal year. Required employer contributions made to the Investment Plan totaled \$5,289,277 and employee contributions totaled \$2,225,208.

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

B. STATE UNIVERSITY SYSTEM OPTIONAL RETIREMENT PROGRAM

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14% of the participant's salary to the participant's account, 2.19% to cover the unfunded actuarial liability and 0.01% to cover the administrative costs, for a total of 7.34%. Effective July 1, 2011, employees are required to contribute 3.0% of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 5,765 University participants during the 2013-14 fiscal year. Required employer contributions made to the Program totaled \$31,843,739 and employee contributions totaled \$23,799,258.

C. INSTITUTE OF FOOD AND AGRICULTURAL SCIENCES SUPPLEMENTAL RETIREMENT

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

There were 25 University participants during the 2013-14 fiscal year. Required employer contributions made to the program totaled \$430,243. Employees do not contribute to this program.

D. OTHER RETIREMENT PROGRAMS

Some University employees participate in the U.S. Civil Service Retirement System. Thirty-one employees were covered by the U.S. Civil Service Retirement System during the 2013-14 fiscal year. Employer contributions totaled \$178,938, and employee contributions totaled \$178,938.



15 Construction Commitments

The University's construction commitments at June 30, 2014, are presented in Table 21.

Table 21. Construction Commitments

| Project Title | Total Commitment | Completed to Date | Balance Committed |
|--|-----------------------|-----------------------|-----------------------|
| Reitz Union Expansion and Renovation | \$ 70,172,877 | \$ 21,092,791 | \$ 49,080,086 |
| Chemical Biology Building - Chemistry | 65,166,293 | 5,007,978 | 60,158,315 |
| Harrell Medical Education Building | 45,419,000 | 10,042,443 | 35,376,557 |
| Joint Use Library Storage Facility | 26,660,000 | 1,516,636 | 25,143,364 |
| Heavener Hall - School of Business Building | 22,650,000 | 14,822,513 | 7,827,487 |
| Cypress Hall - Single Student Housing 2015 | 21,900,000 | 3,957,784 | 17,942,216 |
| PK Yonge Middle and High School Expansion | 18,830,800 | 285,950 | 18,544,850 |
| Energy Efficiencies for HVAC, Roof and Building Automation Controls | | | |
| Entomology and Nematology | 5,879,268 | 4,289,064 | 1,590,204 |
| Broward Hall - Bathrooms, Lounges, Apartment Renovation | 5,786,445 | 4,179,908 | 1,606,537 |
| Corry Village Building 288 Renovation | 4,927,625 | 3,030,344 | 1,897,281 |
| Chilled Water Plant Boiler Replacement | 4,461,317 | 2,589,435 | 1,871,882 |
| Marston Science Library Renovation | 4,099,339 | 2,732,843 | 1,366,496 |
| Dasburg President's House | 4,000,000 | 529,549 | 3,470,451 |
| Thomas Hall Window Replacement | 3,258,400 | 1,061,361 | 2,197,039 |
| Buckman Hall Air Conditioning Design & Installation | 2,952,800 | 1,446,451 | 1,506,349 |
| Corry Village Building 282 Renovation | 2,735,640 | 1,770,353 | 965,287 |
| Corry Village Building 277 Renovation | 2,719,730 | 348,480 | 2,371,250 |
| Buckman Hall Bathroom, Kitchen, and Plumbing Renovation | 2,659,000 | 1,454,559 | 1,204,441 |
| Corry Village Building 286 Renovation | 2,533,255 | 1,956,515 | 576,740 |
| Corry Village Building 283 Renovation | 2,431,865 | 373,271 | 2,058,594 |
| Buckman Hall Window Replacement | 2,274,757 | 1,011,745 | 1,263,012 |
| Corry Village Building 276 Renovation | 2,141,334 | 1,111,203 | 1,030,131 |
| SCADA (Steam Piping) Infrastructure-Campus | 2,046,297 | 1,779,000 | 267,297 |
| Austin Cary Conference Center | 1,920,840 | 1,809,780 | 111,060 |
| Fume Hoods Chemical Lab 28 | 1,901,609 | 2,500 | 1,899,109 |
| Air Handling Units Replacement, Fire Sprinkler Installation and Reroof - Dental Science Building | 1,901,500 | 1,375,373 | 526,127 |
| Chilled Water Plant 10 | 1,832,611 | 69,263 | 1,763,348 |
| Gator Corner Dining Addition | 1,785,818 | 1,621,928 | 163,890 |
| Electrical Sub Station 10 | 1,686,832 | 306,470 | 1,380,362 |
| Communicore Basement Sprinkler Installation and Ductwork Replacement | 1,459,007 | 1,023,203 | 435,804 |
| Marston Science Library Renovation - Smathers Map Room | 1,441,506 | 806,535 | 634,971 |
| Broward Hall - Fire Sprinkler and Alarm Systems | 1,371,510 | 217,683 | 1,153,827 |
| Broward Hall - Electrical Upgrades | 1,291,117 | 8,717 | 1,282,400 |
| Anatomical Pathology and Clinical Pathology Areas Renovation - Necropsy | 1,281,006 | 1,220,160 | 60,846 |
| Government House Rehabilitation - St. Augustine - Phase II | 1,200,000 | 872,568 | 327,432 |
| Weil Hall Chiller Plant Replacement | 1,152,307 | 67,849 | 1,084,458 |
| Lacy C. Rabon Chilled Water Plant | 1,120,834 | 1,025,219 | 95,615 |
| Stetson Medical Science Building Lab Suite Renovation - Pulmonary | 1,106,916 | 831,726 | 275,190 |
| Gainesville Communication Services Building | 1,096,816 | 1,061,651 | 35,165 |
| Campus Security System Enhancement | 1,004,900 | 655,579 | 349,321 |
| McKnight Brain Institute Lab L1-151 Renovation | 1,000,000 | 928,421 | 71,579 |
| Subtotal | 351,261,171 | 100,294,801 | 250,966,370 |
| Projects Under \$1,000,000 | 51,279,984 | 30,146,532 | 21,133,452 |
| Total | \$ 402,541,155 | \$ 130,441,333 | \$ 272,099,822 |

16 Risk Management Programs

A. STATE SELF-INSURANCE PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University

participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 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 of losses 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. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

B. UNIVERSITY SELF-INSURANCE PROGRAMS

The University of Florida Self-Insurance Program was reestablished by the Florida Board of Governors effective July 1, 2006, by amending Board of Governors' Regulation 10.001, merging the then JHMHC Self-Insurance Program and the prior University of Florida JHMHC/Jacksonville Self-Insurance Program. The Self-Insurance Program provides general and professional liability protection for the University of Florida Board of Trustees (UFBOT) on behalf of the six health colleges of the JHMHC, the College of Veterinary Medicine teaching hospitals, the Student Health Care Center, its direct support organization, and their employees and agents. Hospital professional liability protection, including general liability, is provided to Shands Teaching Hospital and Clinics, Inc. (Shands), Shands Jacksonville Medical Center, Inc. (a subsidiary of Shands Jacksonville HealthCare, Inc. - Shands Jacksonville), other entities statutorily authorized to participate in the Self-Insurance Program, and their employees and agents. The UFBOT and other immune entities are protected for

losses which are subject to Section 768.28, Florida Statutes, including legislative claims bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1 million per claim and, for voluntary settlements defined by the Program's Memorandum of Protection, \$2 million per claim. For those protected entities not subject to Section 768.28, Florida Statutes, the Program provides \$2 million per claim. The per claim limit of liability protection for the participants does not exceed \$2 million per claim in the event more than one protected entity is involved in the same claim or action.

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

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

The amount of Liability for Self-Insured Claims accrued for the Self-Insurance Programs at June 30, 2014, was \$45,801,534 for compensatory losses and for allocated expenses. The Liability for Self-Insured Claims was accrued at an undiscounted present value. The liability declined because the actuary recommended a decrease in funding that can be attributed to: the sovereign immunity granted to Shands and Shands Jacksonville as of July 1, 2011; lower case reserves required for more mature years; and the decrease in the possibility of claims reaching the HEIC layer. As a result, the Self-Insurance Claims and Expenses on the Statement of Revenues, Expenses and Changes in Net Position are negative for the 2013-14 fiscal year.

The aggregate amount of claims liabilities for which annuity contracts have been purchased in the claimants' names,

resulting in the removal of the related liabilities from the Statement of Net Position, totals \$117,162 for the Self-Insurance Program at June 30, 2014. These annuities have been assigned to third parties, and all claimants have fully and completely released the Self-Insurance Program participants from all actual and contingent liability.

Changes in the balances of claims liabilities for the Self-Insurance Program and HEIC during the 2012-13 and 2013-14 fiscal years are presented in Table 22.

TABLE 22. Liability for Self-Insured Claims

| <u>Fiscal Year</u> | <u>Claims Liabilities Beginning of Year</u> | <u>Current Claims/ Changes in Estimates (A)</u> | <u>Claims Payments</u> | <u>Claims Liabilities End of Year</u> |
|--------------------|---|---|------------------------|---------------------------------------|
| 2012-13 | \$ 102,831,592 | \$ (29,286,713) | \$ (17,397,418) | \$ 56,147,461 |
| 2013-14 | 56,147,461 | (5,784,153) | (4,561,774) | 45,801,534 |

(A) The change in estimates of claim costs for the 2012-13 and 2013-14 fiscal years, as determined by actuary, resulted in negative Current Claims/Changes in Estimates. See Note 16B for more details.

17 Litigation And Contingencies

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

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

18 Functional Distribution Of Operating Expenses

The functional classification of operating expenses (instruction, research, etc.) is assigned to each individual transaction based on the nature of the activity. The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position are presented by natural classifications. Table 23 presents those same expenses in functional classifications as recommended by NACUBO.

Table 23. Functional Expenses

| <u>Functional Classifications</u> | <u>Amount</u> |
|--|-------------------------|
| Instruction | \$ 686,759,685 |
| Research | 584,733,991 |
| Public Service | 432,100,137 |
| Academic Support | 167,247,282 |
| Institutional Support | 162,252,432 |
| Depreciation | 123,114,297 |
| Auxiliary Operations | 112,306,719 |
| Operation and Maintenance of Plant | 94,904,616 |
| Scholarships, Fellowships and Waivers, Net | 56,659,181 |
| Student Services | 35,851,320 |
| Total Operating Expenses | \$ 2,455,929,660 |

19 Component Units

A. BLENDED COMPONENT UNITS

The University has two blended component units as discussed in Note 1. Financial information for the University's blended component units is presented in Table 24.

B. DISCRETELY PRESENTED COMPONENT UNITS

The University's financial statements include 14 discretely presented component units as discussed in Note 1. These component units comprise 100% of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 25, 26, and 27.



20 Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. Transportation

and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Department of Housing and Residence Education provides safe and affordable living space for students of the University of Florida. Capital improvement debt has been issued over the years to provide funding for the construction of facilities to house students of the University. A summary of the financial activity for these segments is presented in Table 28.



Table 24. Blended Component Units (amounts expressed in thousands)

| | Self-Insurance Program | Healthcare Education Insurance Company | Total Blended Component Units | University | Eliminations | Total Primary Government |
|---|---------------------------|---|--|---------------------|-----------------|--------------------------------|
| CONDENSED STATEMENT OF NET POSITION | | | | | | |
| Assets | | | | | | |
| Due from University/Blended Component Units | \$ - | \$ 32,882 | \$ 32,882 | \$ - | \$ (32,882) | \$ - |
| Current Assets | 165,875 | 19,339 | 185,214 | 1,155,171 | (1,860) | 1,338,525 |
| Capital Assets, Net | - | - | - | 1,714,765 | - | 1,714,765 |
| Other Noncurrent Assets | - | - | - | 189,562 | - | 189,562 |
| Total Assets | 165,875 | 52,221 | 218,096 | 3,059,498 | (34,742) | 3,242,852 |
| Liabilities | | | | | | |
| Due to University/Blended Component Units | 32,882 | - | 32,882 | - | (32,882) | - |
| Current Liabilities | 1,128 | 4 | 1,132 | 215,644 | (1,860) | 214,916 |
| Noncurrent Liabilities | 34,952 | 10,850 | 45,802 | 493,342 | - | 539,144 |
| Total Liabilities | 68,962 | 10,854 | 79,816 | 708,986 | (34,742) | 754,060 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | - | - | - | 1,565,313 | - | 1,565,313 |
| Restricted - Expendable Other | 96,913 | 41,367 | 138,280 | 636,630 | - | 774,910 |
| Unrestricted | - | - | - | 148,569 | - | 148,569 |
| Total Net Position | \$ 96,913 | \$ 41,367 | \$ 138,280 | \$ 2,350,512 | \$ - | \$ 2,488,792 |
| CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | | | | |
| Operating Revenues | \$ 10,976 | \$ 684 | \$ 11,660 | \$ 1,655,962 | \$ (7,752) | \$ 1,659,870 |
| Depreciation Expense | - | - | - | (123,114) | - | (123,114) |
| Other Operating Expenses | (6,348) | 6,444 | 96 | (2,340,664) | 7,752 | (2,332,816) |
| Operating Income (Loss) | 4,628 | 7,128 | 11,756 | (807,816) | - | (796,060) |
| Nonoperating Revenues (Expenses) | | | | | | |
| Investment Income, Net of Expenses | 1,972 | 564 | 2,536 | 31,340 | - | 33,876 |
| Net Increase in the Fair Value of Investments | 9,944 | 2,363 | 12,307 | 20,217 | - | 32,524 |
| Other Nonoperating Revenues | - | - | - | 788,117 | - | 788,117 |
| Net Nonoperating Revenues | 11,916 | 2,927 | 14,843 | 839,674 | - | 854,517 |
| Other Revenues, Expenses, Gains, or Losses | - | - | - | 61,374 | - | 61,374 |
| Increase (Decrease) in Net Position | 16,544 | 10,055 | 26,599 | 93,232 | - | 119,831 |
| Net Position, Beginning of Year | 80,369 | 31,312 | 111,681 | 2,257,280 | - | 2,368,961 |
| Net Position, End of Year | \$ 96,913 | \$ 41,367 | \$ 138,280 | \$ 2,350,512 | \$ - | \$ 2,488,792 |
| CONDENSED STATEMENT OF CASH FLOWS | | | | | | |
| Net Cash Provided (Used) by | | | | | | |
| Operating Activities | \$ 1,010 | \$ 509 | \$ 1,519 | \$ (630,364) | \$ (4,139) | \$ (632,984) |
| Noncapital Financing Activities | - | - | - | 763,957 | 5,998 | 769,955 |
| Capital and Related Financing Activities | - | - | - | (58,327) | - | (58,327) |
| Investing Activities | 640 | (509) | 131 | (78,915) | - | (78,784) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,650 | - | 1,650 | (3,649) | 1,859 | (140) |
| Cash and Cash Equivalents, Beginning of Year | 152 | - | 152 | 200 | (46) | 306 |
| Cash and Cash Equivalents, End of Year | \$ 1,802 | \$ - | \$ 1,802 | \$ (3,449) | \$ 1,813 | \$ 166 |

Table 25. Direct-Support Organizations (amounts expressed in thousands)

| | University of Florida Foundation, Inc. | The University Athletic Association, Inc. | University of Florida Research Foundation, Inc. |
|--|--|---|--|
| CONDENSED STATEMENT OF NET POSITION | | | |
| Assets | | | |
| Due from Component Units/University | \$ 24,582 | \$ 17,557 | \$ - |
| Other Current Assets | 101,223 | 59,424 | 139,732 |
| Capital Assets, Net | 73,524 | 171,919 | - |
| Other Noncurrent Assets | 1,772,521 | 57,008 | - |
| Total Assets | 1,971,850 | 305,908 | 139,732 |
| Liabilities | | | |
| Due to Component Units/University | 22,405 | 1,339 | 25,388 |
| Other Current Liabilities | 21,634 | 69,011 | 10,965 |
| Noncurrent Liabilities | 24,737 | 82,747 | - |
| Total Liabilities | 68,776 | 153,097 | 36,353 |
| Net Position | | | |
| Net Investment in Capital Assets | 19,445 | 87,209 | - |
| Restricted-Nonexpendable Endowment | 1,196,244 | - | - |
| Restricted-Expendable Endowment | 380,075 | - | - |
| Restricted-Expendable Other | 311,209 | 15,122 | - |
| Unrestricted | (3,899) | 50,480 | 103,379 |
| Total Net Position | \$ 1,903,074 | \$ 152,811 | \$ 103,379 |
| CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | |
| Operating Revenues | \$ 101,807 | \$ 67,846 | \$ 30,031 |
| Operating Expenses | (154,695) | (107,117) | (31,310) |
| Operating Income (Loss) | (52,888) | (39,271) | (1,279) |
| Nonoperating Revenues (Expenses) and Other Revenues, Expenses, Gains, or Losses | | | |
| Investment Income, Net of Expenses | 188,348 | 1,712 | 10,184 |
| Net Increase in the Fair Value of Investments | 3,259 | 8,343 | 1,134 |
| Other Nonoperating Revenues | - | 46,211 | 2,300 |
| Other Nonoperating Expenses | 487 | (6,380) | (540) |
| Addition to Permanent Endowments | 31,577 | - | - |
| Change in Net Position | 170,783 | 10,615 | 11,799 |
| Net Position, Beginning of Year | 1,732,291 | 142,196 | 91,580 |
| Adjustments to Beginning Net Position | - | - | - |
| Net Position, Beginning of Year, as Restated | 1,732,291 | 142,196 | 91,580 |
| Net Position, End of Year | \$ 1,903,074 | \$ 152,811 | \$ 103,379 |

| GatorCare Health Management Corporation | Gator Boosters, Inc. | University of Florida Development Corporation | Citrus Research and Development Foundation, Inc. | Total Direct- Support Organizations |
|--|-------------------------|--|---|--|
| \$ - | \$ 4,399 | \$ - | \$ - | \$ 46,538 |
| 17,081 | 13,381 | 826 | 6,323 | 337,990 |
| - | 46 | 10,860 | - | 256,349 |
| 9,681 | 442 | - | - | 1,839,652 |
| <u>26,762</u> | <u>18,268</u> | <u>11,686</u> | <u>6,323</u> | <u>2,480,529</u> |
| - | 17,013 | 453 | - | 66,598 |
| 26,374 | 131 | 379 | 6,178 | 134,672 |
| - | 129 | - | - | 107,613 |
| <u>26,374</u> | <u>17,273</u> | <u>832</u> | <u>6,178</u> | <u>308,883</u> |
| - | 46 | 10,860 | - | 117,560 |
| - | 442 | - | - | 1,196,686 |
| - | - | - | - | 380,075 |
| - | - | - | 279 | 326,610 |
| 388 | 507 | (6) | (134) | 150,715 |
| <u>\$ 388</u> | <u>\$ 995</u> | <u>\$ 10,854</u> | <u>\$ 145</u> | <u>\$ 2,171,646</u> |
| \$ 406 | \$ 39,230 | \$ 1,085 | \$ 9,368 | \$ 249,773 |
| (103) | (2,748) | (2,098) | (18,434) | (316,505) |
| 303 | 36,482 | (1,013) | (9,066) | (66,732) |
| - | 1,702 | - | 53 | 201,999 |
| - | - | - | - | 12,736 |
| - | - | 1,219 | 6,911 | 56,641 |
| - | (38,178) | - | - | (44,611) |
| - | 6 | - | - | 31,583 |
| <u>303</u> | <u>12</u> | <u>206</u> | <u>(2,102)</u> | <u>191,616</u> |
| 85 | 983 | 10,648 | 2,247 | 1,980,030 |
| - | - | - | - | - |
| <u>85</u> | <u>983</u> | <u>10,648</u> | <u>2,247</u> | <u>1,980,030</u> |
| <u>\$ 388</u> | <u>\$ 995</u> | <u>\$ 10,854</u> | <u>\$ 145</u> | <u>\$ 2,171,646</u> |

Table 26. Health Science Center Affiliates (amounts expressed in thousands)

| | Florida Clinical Practice Association, Inc. | University of Florida Jacksonville Physicians, Inc. | Florida Veterinary Medicine Faculty Association, Inc. | University of Florida Jacksonville Healthcare, Inc. | Faculty Associates, Inc. | Total Health Science Center Affiliates |
|---|---|---|--|---|--------------------------------|--|
| CONDENSED STATEMENT OF NET POSITION | | | | | | |
| Assets | | | | | | |
| Due from Component Units/University | \$ 3,598 | \$ 10,703 | \$ 1,004 | \$ 865 | \$ - | \$ 16,170 |
| Other Current Assets | 93,224 | 37,615 | 7,797 | 3,033 | 6,166 | 147,835 |
| Capital Assets, Net | 47,737 | 17,169 | - | 3,583 | - | 68,489 |
| Other Noncurrent Assets | 24,258 | - | - | - | - | 24,258 |
| Total Assets | 168,817 | 65,487 | 8,801 | 7,481 | 6,166 | 256,752 |
| Liabilities | | | | | | |
| Due to Component Units/University | 7,384 | 456 | - | 4,987 | - | 12,827 |
| Other Current Liabilities | 16,368 | 11,937 | 923 | 2,125 | 112 | 31,465 |
| Noncurrent Liabilities | 35,354 | 6,031 | - | - | - | 41,385 |
| Total Liabilities | 59,106 | 18,424 | 923 | 7,112 | 112 | 85,677 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 10,925 | 10,393 | - | 3,583 | - | 24,901 |
| Unrestricted | 98,786 | 36,670 | 7,878 | (3,214) | 6,054 | 146,174 |
| Total Net Position | \$ 109,711 | \$ 47,063 | \$ 7,878 | \$ 369 | \$ 6,054 | \$ 171,075 |
| CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | | | | |
| Operating Revenues | \$ 483,336 | \$ 229,534 | \$ 7,984 | \$ 224 | \$ 18,008 | \$ 739,086 |
| Operating Expenses | (115,015) | (118,723) | (411) | (31,879) | (250) | (266,278) |
| Operating Income (Loss) | 368,321 | 110,811 | 7,573 | (31,655) | 17,758 | 472,808 |
| Nonoperating Revenues (Expenses) | | | | | | |
| Investment Income, Net of Expenses | (352) | 40 | 15 | - | 4 | (293) |
| Net Decrease in the Fair Value of Investments | (412) | - | - | - | - | (412) |
| Other Nonoperating Revenue | - | - | - | 31,655 | - | 31,655 |
| Other Nonoperating Expense | (357,864) | (110,657) | (7,448) | - | (15,230) | (491,199) |
| Change in Net Position | 9,693 | 194 | 140 | - | 2,532 | 12,559 |
| Net Position, Beginning of Year | 100,300 | 46,944 | 7,738 | 369 | 3,522 | 158,873 |
| Adjustments to Beginning Net Position (Note 2) | (282) | (75) | - | - | - | (357) |
| Net Position, Beginning of Year, as Restated | 100,018 | 46,869 | 7,738 | 369 | 3,522 | 158,516 |
| Net Position, End of Year | \$ 109,711 | \$ 47,063 | \$ 7,878 | \$ 369 | \$ 6,054 | \$ 171,075 |



Table 27. Shands Hospital and Others (amounts expressed in thousands)

| | Shands Teaching Hospital & Clinics, Inc. | Shands Jacksonville HealthCare, Inc. | Total Shands Hospital and Others |
|---|---|--|---|
| CONDENSED STATEMENT OF NET POSITION | | | |
| Assets | | | |
| Due from Component Units/University | \$ 60,318 | \$ - | \$ 60,318 |
| Other Current Assets | 391,220 | 190,149 | 581,369 |
| Capital Assets, Net | 728,652 | 170,724 | 899,376 |
| Other Noncurrent Assets | 512,522 | 69,213 | 581,735 |
| Total Assets | 1,692,712 | 430,086 | 2,122,798 |
| Deferred Outflows of Resources | | | |
| Accumulated Decrease in Fair Value of Interest Rate Swap Agreements | 42,052 | - | 42,052 |
| Losses on Debt Refunding | 631 | - | 631 |
| Total Assets and Deferred Outflows of Resources | 1,735,395 | 430,086 | 2,165,481 |
| Liabilities | | | |
| Due to Component Units/University | 10,129 | 37,342 | 47,471 |
| Other Current Liabilities | 161,362 | 88,389 | 249,751 |
| Noncurrent Liabilities | 614,871 | 136,008 | 750,879 |
| Total Liabilities | 786,362 | 261,739 | 1,048,101 |
| Deferred Inflows of Resources | | | |
| Gains on Debt Refunding | 11,668 | - | 11,668 |
| Total Liabilities and Deferred Inflows of Resources | 798,030 | 261,739 | 1,059,769 |
| Net Position | | | |
| Net Investment in Capital Assets | 154,382 | 40,843 | 195,225 |
| Restricted-Nonexpendable Endowment | 97 | - | 97 |
| Restricted-Expendable Endowment | 7,848 | 4,083 | 11,931 |
| Unrestricted | 775,038 | 123,421 | 898,459 |
| Total Net Position | \$ 937,365 | \$ 168,347 | \$ 1,105,712 |
| CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | |
| Operating Revenues | \$ 1,199,789 | \$ 541,067 | \$ 1,740,856 |
| Operating Expenses | (1,114,905) | (510,612) | (1,625,517) |
| Operating Income | 84,884 | 30,455 | 115,339 |
| Nonoperating Revenues (Expenses) | | | |
| Investment Income (Loss), Net of Expenses | 33,377 | (3,376) | 30,001 |
| Net Increase in the Fair Value of Investments | 3,452 | - | 3,452 |
| Other Nonoperating Revenue | 11,377 | 531 | 11,908 |
| Other Nonoperating Expense | (66,399) | (24,823) | (91,222) |
| Change in Net Position | 66,691 | 2,787 | 69,478 |
| Net Position, Beginning of Year | 870,674 | 165,560 | 1,036,234 |
| Adjustments to Beginning Net Position | - | - | - |
| Net Position, Beginning of Year, as Restated | 870,674 | 165,560 | 1,036,234 |
| Net Position, End of Year | \$ 937,365 | \$ 168,347 | \$ 1,105,712 |

Table 28. Segment Information

| | Transportation and Parking Services | Department of Housing and Residence Education |
|---|--|--|
| CONDENSED STATEMENT OF NET POSITION | | |
| Assets | | |
| Current Assets | \$ 8,006,720 | \$ 2,423,077 |
| Capital Assets, Net | 37,284,943 | 123,451,973 |
| Other Noncurrent Assets | 8,444,173 | 34,317,019 |
| Total Assets | 53,735,836 | 160,192,069 |
| Liabilities | | |
| Current Liabilities | 3,280,285 | 12,877,118 |
| Noncurrent Liabilities | 20,854,410 | 87,212,297 |
| Total Liabilities | 24,134,695 | 100,089,415 |
| Net Position | | |
| Net Investment in Capital Assets | 16,293,447 | 66,027,004 |
| Restricted | 8,413,774 | 150,235 |
| Unrestricted | 4,893,920 | (6,074,585) |
| Total Net Position | \$ 29,601,141 | \$ 60,102,654 |
| CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | |
| Operating Revenues (Expenses): | | |
| Operating Revenues | \$ 22,713,921 | \$ 52,304,777 |
| Depreciation Expense | (2,329,606) | (4,244,004) |
| Other Operating Expenses | (16,120,771) | (39,921,633) |
| Operating Income | 4,263,544 | 8,139,140 |
| Nonoperating Revenues (Expenses): | | |
| Investment Income | 181,295 | 594,516 |
| Interest on Capital Asset-Related Debt | (1,068,428) | (4,882,718) |
| Other | (781,151) | (2,299,104) |
| Transfers | (3,550,742) | 4,070,573 |
| Net Nonoperating Revenues (Expenses) | (5,219,026) | (2,516,733) |
| Change in Net Position | (955,482) | 5,622,407 |
| Net Position, Beginning of Year | 30,556,623 | 54,480,247 |
| Net Position, End of Year | \$ 29,601,141 | \$ 60,102,654 |
| CONDENSED STATEMENT OF CASH FLOWS | | |
| Net Cash Provided (Used) by: | | |
| Operating Activities | \$ 7,140,487 | \$ 13,963,577 |
| Noncapital Financing Activities | (2,429,555) | (8,036,469) |
| Capital and Related Financing Activities | (4,261,119) | 4,361,215 |
| Investing Activities | (453,039) | (11,967,134) |
| Net Decrease in Cash and Cash Equivalents | (3,226) | (1,678,811) |
| Cash and Cash Equivalents, Beginning of Year | 3,226 | 3,006,107 |
| Cash and Cash Equivalents, End of Year | \$ - | \$ 1,327,296 |

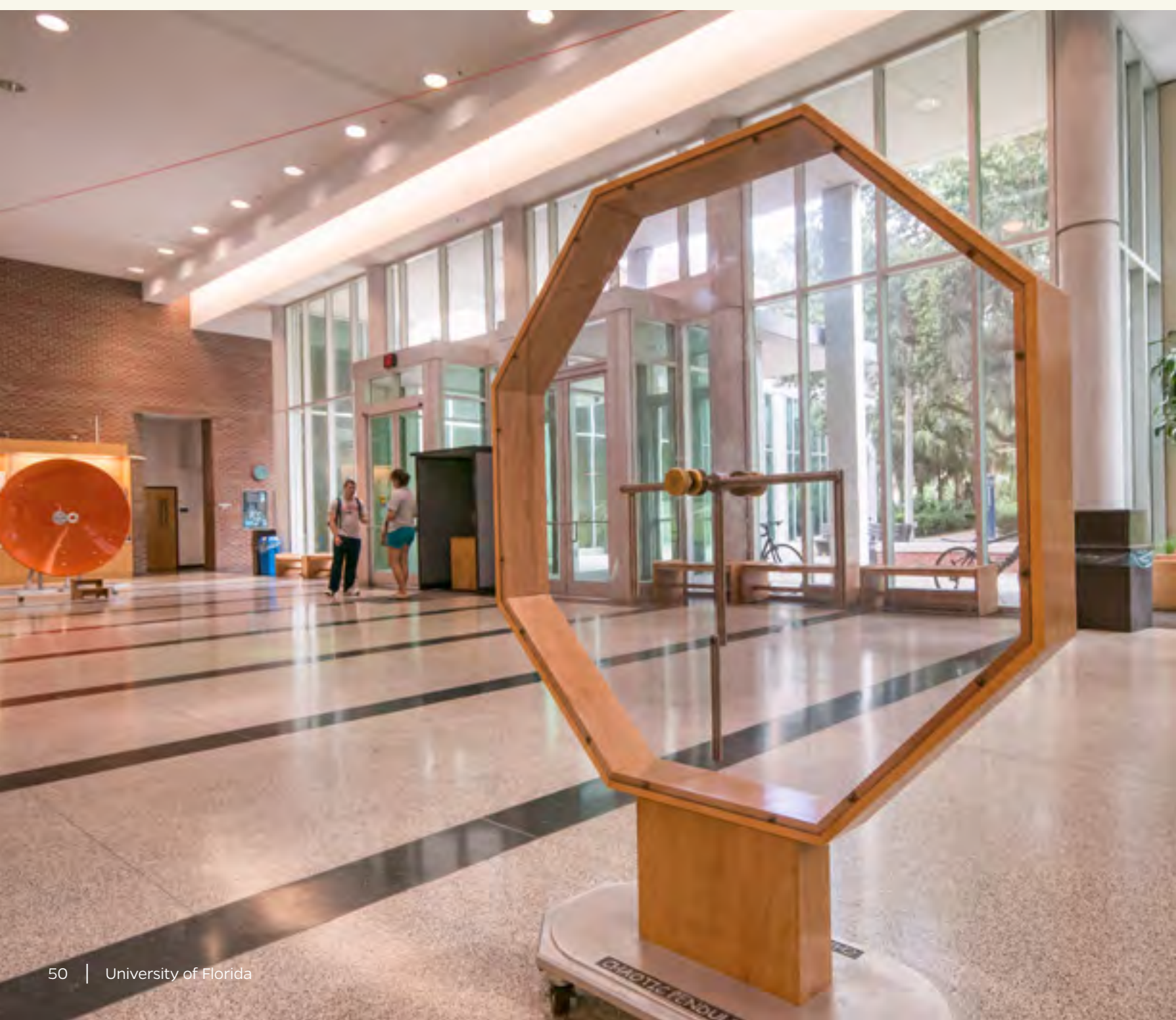
Other Required Supplementary Information
Schedule of Funding Progress - Other Postemployment Benefits Plan *(amounts expressed in thousands)*

| 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 | \$ - | \$ 455,677 | \$ 455,677 | 0% | \$ 948,375 | 48% |
| 7/1/2011 | - | 643,742 | 643,742 | 0% | 996,686 | 65% |
| 7/1/2013 | - | 663,395 | 663,395 | 0% | 1,072,984 | 62% |

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

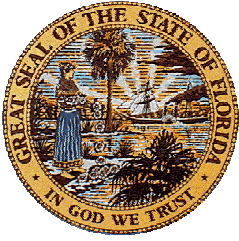
Notes to Required Supplementary Information:
Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2013, unfunded actuarial liability of \$663.4 million was higher than the July 1, 2011, liability of \$643.7 million due to several factors. While there were fewer retirees and the healthcare trend rates are lower, the rising age of retirees and the impact of the potential excise tax from the Affordable Care Act increased the implicit rate subsidy and offset the decreasing factors.



Financial Aid Administered for the Year Ended June 30, 2014 (unaudited)

| | Number of Recipients | Aid Disbursed |
|---|---------------------------------|--------------------------|
| Federal Programs | | |
| Pell Grants | 12,133 | \$ 47,492,404 |
| Supplemental Educational Opportunity Grants | 2,188 | 2,088,801 |
| Noyce-Scholarship Loans | 5 | 50,000 |
| TEACH Grant | 10 | 35,431 |
| Perkins Student Loans | 1,599 | 4,773,863 |
| Health Professions Student Loans (PCL, LDS, HPSL) | 87 | 716,603 |
| Direct Loans | 19,870 | 249,035,362 |
| TOTAL FEDERAL FINANCIAL AID ADMINISTERED | 35,892 | \$ 304,192,464 |
| State Programs | | |
| Loans: | | |
| University of Florida Short-Term Loans | 519 | \$ 647,503 |
| Student Aid For Education (SAFE) Loans | 94 | 222,545 |
| University of Florida Long-Term Loans | 164 | 648,779 |
| Total Loans Administered | 777 | 1,518,827 |
| Scholarships and Grants: | | |
| State of Florida Financial Aid Program | 28,915 | 66,039,123 |
| Lottery Trust Grant Funded Waivers | 403 | 1,548,751 |
| Total State Scholarships and Grants Administered | 29,318 | 67,587,874 |
| TOTAL STATE FINANCIAL AID ADMINISTERED | 30,095 | \$ 69,106,701 |
| Other Scholarships and Grants | | |
| Institutional Grants: | | |
| College Awarded Scholarships | 11,639 | \$ 38,894,000 |
| Graduate Tuition Remission Waivers | 2,775 | 20,119,607 |
| General Scholarships | 7,924 | 20,026,210 |
| Total Institutional Scholarships and Grants | 22,338 | 79,039,817 |
| Custodial Scholarships: | | |
| Tuition, Trusts, Clubs, Service Organizations, etc. | 4,386 | 9,805,459 |
| TOTAL OTHER SCHOLARSHIPS AND GRANTS | 26,724 | \$ 88,845,276 |
| Fee Waivers | | |
| Non-Resident Tuition Waivers | 453 | \$ 5,560,207 |
| Other Waivers | 5,303 | 34,411,802 |
| TOTAL FEE WAIVERS ADMINISTERED | 5,756 | \$ 39,972,009 |
| TOTAL FINANCIAL AID ADMINISTERED | | \$ 502,116,450 |



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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 the University of Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 December 16, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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
December 16, 2014
Audit Report No. 2015-074

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Senior Associate Controller for General Accounting, Financial Reporting, Payroll and Tax Services

Alan M. West

Senior Associate Controller for University Bursar and Treasury Management

In loving memory of

Sheela Moudgil, CPA

Associate Controller

General Accounting
and Financial Reporting

Finance and Accounting

A Dedicated and Valued Colleague,
Alumnus and Friend

University of Florida Board of Trustees



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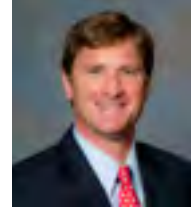
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