Report No. 2020-173
March 2020

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

FLORIDA ATLANTIC UNIVERSITY

For the Fiscal Year Ended
June 30, 2019

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2018-19 fiscal year, Dr. John W. Kelly served as President of the Florida Atlantic University and the following individuals served as Members of the Board of Trustees:

Anthony K. G. Barbar, Chair	Dr. Jeffrey P. Feingold
Abdol Moabery, Vice Chair	Brad M. Levine
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Shaun M. Davis	Robert S. Rubin
Dr. Michael T. B. Dennis	Robert J. Stilley
Dr. Malcolm J. Dorman	Dr. Kevin Wagner [b]

[a] Student Body President.
[b] Faculty Senate President.

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

The team leader was Ilene R. Gayle, CPA, and the audit was supervised by Diana G. Garza, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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FLORIDA ATLANTIC UNIVERSITY

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Florida Atlantic University (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2019. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program, a blended component unit, represent 0.58 percent, 0.14 percent, 0.86 percent, and 0.53 percent, respectively, of the assets, liabilities, net position, and operating revenues reported for Florida Atlantic University. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Atlantic University and of its aggregate discretely presented component units as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Notes 2. and 3. to the financial statements, the Florida Atlantic University Foundation, Inc., one of the University's discretely presented component units, changed its financial accounting framework from that prescribed by the Financial Accounting Standards Board to the framework prescribed by the Governmental Accounting Standards Board. This affects the comparability of amounts reported for the 2018-19 fiscal year with amounts reported for the 2017-18 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2020, on our consideration of the Florida Atlantic University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Florida Atlantic University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

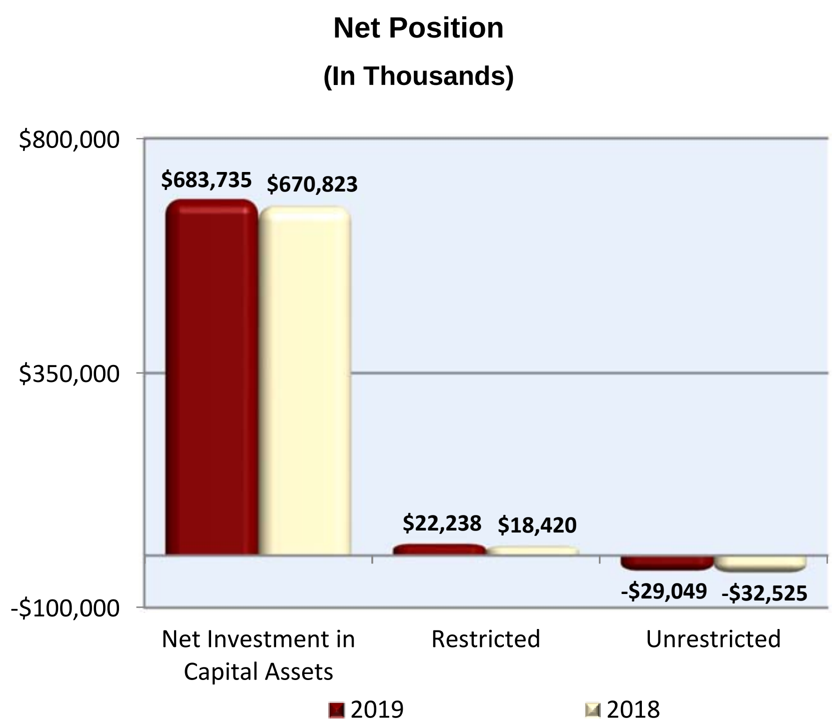
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2019, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2019, and June 30, 2018.

FINANCIAL HIGHLIGHTS

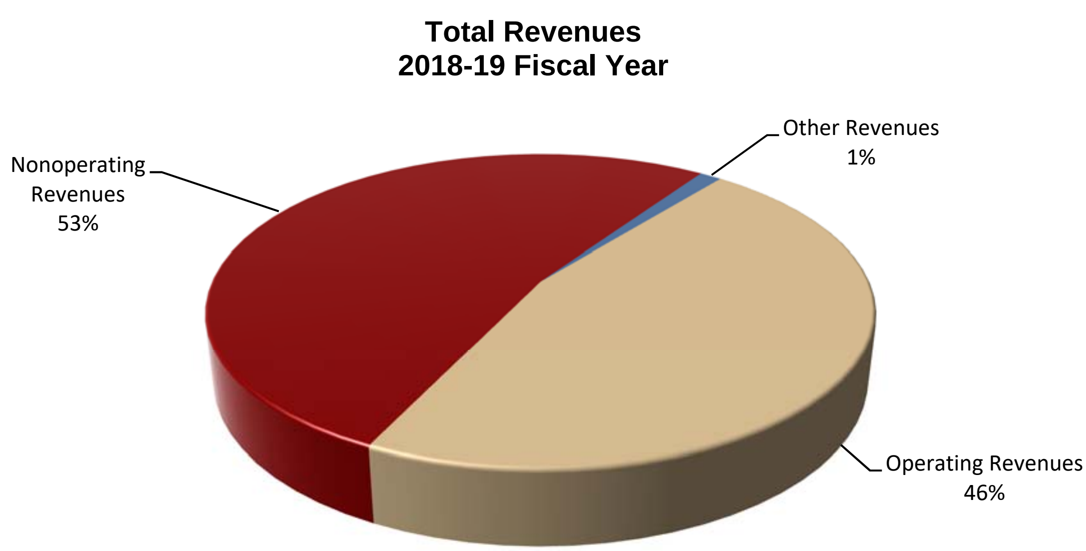
The University's assets and deferred outflows of resources totaled $1.2 billion at June 30, 2019. This balance reflects a $32.8 million, or 2.9 percent, increase as compared to the 2017-18 fiscal year, resulting from an increase in net accounts receivable, investments, net capital assets, and deferred outflows of pension resources, and a decrease of cash and cash equivalents, net loans and notes receivable, amount due from State, and amounts due from component units. While assets and deferred outflows of resources grew, so did liabilities and deferred inflows of resources which increased by $12.6 million, or 2.6 percent, totaling $505.7 million at June 30, 2019, as a result of an increase in the net pension liability (NPL), deferred inflows of pension resources, deferred inflows of other postemployment benefits (OPEB) resources, and a decrease in current liabilities, noncurrent liabilities, and OPEB liability. As a result, the University's overall net position increased by $20.2 million which resulted in a year-end balance of $676.9 million. The University's unrestricted net position favorably increased by $3.5 million from a deficit of $32.5 million at June 30, 2018, to a deficit of $29 million at June 30, 2019. The University had reported a deficit in the unrestricted net position at June 30, 2018, due to its initial adoption of Governmental Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in an adjustment to beginning net position of $129.2 million. Comparatively, before the effect of pension and OPEB expense, unrestricted net position favorably increased $3.5 million and $10.6 million at June 30, 2019, and June 30, 2018, respectively.

The University's operating revenues totaled $288.9 million for the 2018-19 fiscal year, and remained relatively unchanged compared to the 2017-18 fiscal year. Of the major components of operating revenues, there was a $9 million increase in sales and services of auxiliary enterprises, a $2.8 million increase in grants and contracts revenues, and a $5.3 million increase in gross tuition and fees offset by an $18 million increase in the scholarship allowance. Operating expenses totaled $603.8 million for the 2018-19 fiscal year, representing an increase of 1.5 percent as compared to the 2017-18 fiscal year.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2019, and June 30, 2018, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2018-19 fiscal year:



Overview of Financial Statements

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

- Blended Component Unit:

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

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. MD&A information for the discretely presented component units is included in their separately issued audit reports.

The Statement of Net Position

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

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2019	2018
Assets		
Current Assets	$ 335,747	$ 336,712
Capital Assets, Net	750,582	730,428
Other Noncurrent Assets	25,451	17,897
Total Assets	1,111,780	1,085,037
Deferred Outflows of Resources	70,821	64,773
Liabilities		
Current Liabilities	57,482	62,264
Noncurrent Liabilities	403,335	402,008
Total Liabilities	460,817	464,272
Deferred Inflows of Resources	44,860	28,820
Net Position		
Net Investment in Capital Assets	683,735	670,823
Restricted	22,238	18,420
Unrestricted	(29,049)	(32,525)
Total Net Position	$ 676,924	$ 656,718

Total assets as of June 30, 2019, increased by $26.7 million or 2.5 percent. While current assets remained relatively unchanged, net capital assets increased $20.2 million due to a combination of $60.5 million of additions, $16.4 million of deletions, and a $23.9 million increase in accumulated depreciation. Specifically, net capital additions increased due to construction in progress of the Schmidt Family Complex for Academic and Athletic Excellence. Other noncurrent assets increased $7.6 million as there were more University funds being reported as investments restricted for capital projects. Compared to the 2017-18 fiscal year, and as a result of the actuarial valuation for the period as of June 30, 2019, deferred outflows and deferred inflows of resources increased by $6 million and $16 million, respectively, related to pensions and OPEB. Overall, total liabilities as of June 30, 2019, decreased by $3.5 million due to a decrease in the University's proportionate share of OPEB liabilities of $4.3 million, an increase in the University's proportionate share of the NPL of $11.4 million, a decrease in Capital Improvement Debt Payable due to principal payments of $4.6 million, and a decrease of $9.1 million in unearned revenue related to the 2017-18 fiscal year revenue received from the FAU Foundation for the Schmidt Family Complex for Academic and Athletic Excellence. The net effect of total assets and deferred outflows of resources minus liabilities and deferred inflows of resources increased the University's net position by $20.2 million.

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

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

The following summarizes the University's activity for the 2018-19 and 2017-18 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years

(In Thousands)

	2018-19	**2017-18**
Operating Revenues	$ 288,902	$ 290,129
Less, Operating Expenses	603,810	594,905
Operating Loss	(314,908)	(304,776)
Net Nonoperating Revenues	327,237	285,908
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	12,329	(18,868)
Other Revenues, Expenses, Gains, or Losses	7,877	22,310
Net Increase In Net Position	20,206	3,442
Net Position, Beginning of Year	656,718	782,518
Adjustments to Beginning Net Position (1)	-	(129,242)
Net Position, Beginning of Year, as Restated	656,718	653,276
Net Position, End of Year	$ 676,924	$ 656,718

(1) For the 2017-18 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 75.

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 summarizes the operating revenues by source that were used to fund operating activities for the 2018-19 and 2017-18 fiscal years:

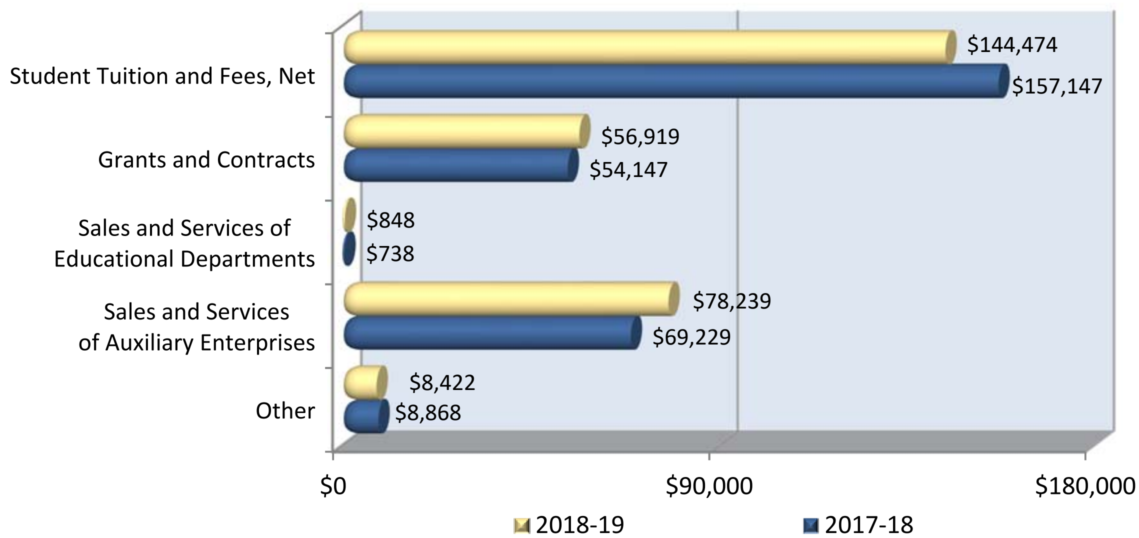
Operating Revenues
For the Fiscal Years

(In Thousands)

	2018-19	**2017-18**
Student Tuition and Fees, Net	$ 144,474	$ 157,147
Grants and Contracts	56,919	54,147
Sales and Services of Educational Departments	848	738
Sales and Services of Auxiliary Enterprises	78,239	69,229
Other	8,422	8,868
Total Operating Revenues	$ 288,902	$ 290,129

The following chart presents the University's operating revenues for the 2018-19 and 2017-18 fiscal years:

Operating Revenues
(In Thousands)



For the fiscal year ending June 30, 2019, the University's operating revenues were relatively unchanged with an overall decrease of $1.2 million or 0.4 percent over the 2017-18 fiscal year. Due to strategic planning and implementation, gross student tuition and fees were higher than prior year and reflect a high caliber student population enrolled in more billable credit hours and an increase in the population of out-of-state students. However, net tuition and fees decreased by $12.7 million due to an increase of $18 million in scholarship allowances. This resulted from a significant increase in awarded Federal and State student financial aid, specifically from the Federal Pell Grant Program and the Florida Bright Futures Scholarship Program. Additionally, there was an increase in tuition waivers and fee exemptions which is comprised of State mandated waivers, University waivers, and Florida prepaid program waivers. Sponsored grant and contract revenues increased $2.8 million as the University has laid the foundation for world-class research programs including developing centers and institutes such as the Brain Institute, the Institute for Sensing and Embedded Network Systems Engineering, Harbor Branch Oceanographic Institute, the Center for Environmental Studies, the United States Department of Transportation's Transportation Center, and the Nikon Center of Excellence. In addition, sales and services of auxiliary enterprises increased $9 million due to growth in the Graduate Medical Education program in the areas of emergency medicine and general surgery, as well as increases in various University contractual commission agreements related to food service and the bookstore.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2018-19 and 2017-18 fiscal years:

Operating Expenses
For the Fiscal Years

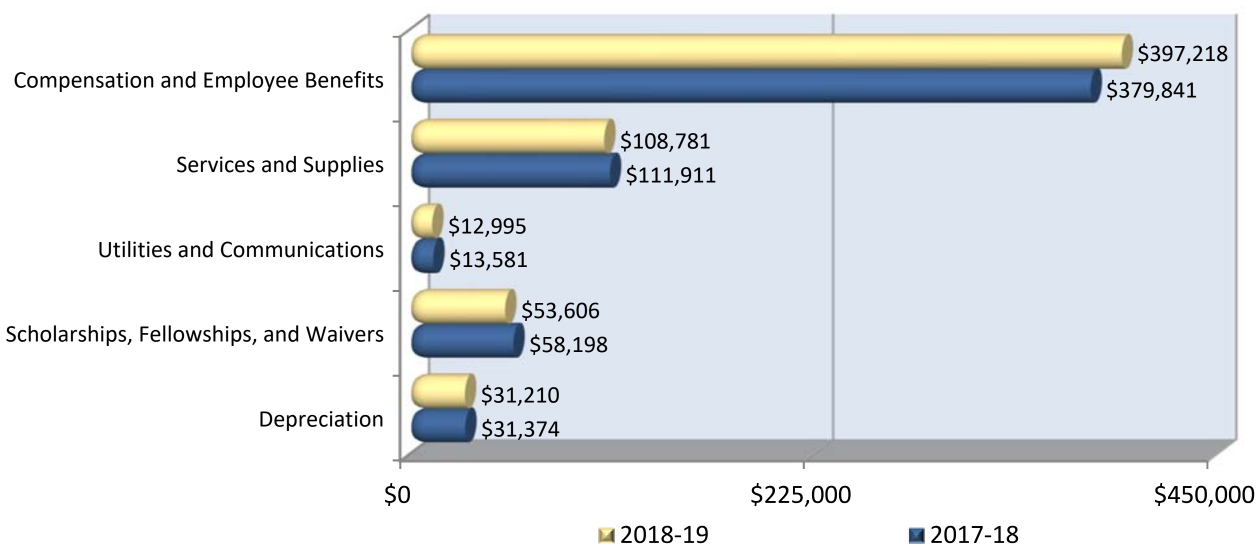
(In Thousands)

	2018-19	2017-18
Compensation and Employee Benefits	$ 397,218	$379,841
Services and Supplies	108,781	111,911
Utilities and Communications	12,995	13,581
Scholarships, Fellowships, and Waivers	53,606	58,198
Depreciation	31,210	31,374
Total Operating Expenses	$ 603,810	$594,905

The following chart presents the University's operating expenses for the 2018-19 and 2017-18 fiscal years:

Operating Expenses

(In Thousands)



As a whole, total operating expenses increased by $8.9 million, primarily due to a $17.4 million increase in employee compensation and benefits expense which was driven by increases in pension expense, one-time annual merit payments awarded as a percentage of base salary from performance reviews for the 2018-19 fiscal year, and United Faculty of Florida collective bargaining unit increases. This increase is in alignment with the University's strategic plan to recruit and retain world class faculty with a competitive compensation package.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2018-19 and 2017-18 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2018-19	**2017-18**
State Noncapital Appropriations	$ 198,372	$ 191,156
Federal and State Student Financial Aid	79,551	69,714
Investment Income	7,082	4,524
Unrealized Gains (Losses)	6,153	(1,425)
Other Nonoperating Revenues	40,841	27,775
Loss on Disposal of Capital Assets	(1,653)	(2,488)
Interest on Capital Asset-Related Debt	(3,095)	(3,268)
Other Nonoperating Expenses	(14)	(80)
Net Nonoperating Revenues	$ 327,237	$ 285,908

Total net nonoperating revenues increased by $41.3 million, or 14.5 percent and is primarily due to an increase of $7.2 million in State noncapital appropriations, an increase of $9.8 million in Federal and State student financial aid, an increase of $10.1 million in investment income and unrealized gains, and an increase of $13.1 million in other nonoperating revenue. For the 2018-19 fiscal year, State noncapital appropriations represents the largest component of nonoperating revenues consisting of performance funding received based on the University's achievement of criteria established by the Board of Governors as well as funding from the State's newly established World Class Faculty Scholar and the University's Professional and Graduate Degree Excellence programs. Federal and State student financial aid increased as a result of the Florida Bright Futures Program, the Florida Student Assistance Grant Program, and the Federal Pell Grant Program. Further, other nonoperating revenues increased by $13.1 million primarily from the University's receipt of institutional support from the FAU Foundation for the construction of the Schmidt Family Complex for Academic and Athletic Excellence. The $7.6 million change in unrealized gains is due to the increase in the Fair Market Value adjustment factor to 1.0103 at June 30, 2019, from 0.9872 at June 30, 2018, used in the valuation of the University's investments with the State Treasury.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2018-19 and 2017-18 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2018-19	2017-18
State Capital Appropriations	$ 7,824	$ 21,125
Capital Grants, Contracts, Donations, and Fees	53	1,185
Total	$ 7,877	$ 22,310

Overall, other revenues decreased by $14.4 million due to a decrease in State capital appropriations. In the 2018-19 fiscal year, State capital appropriations mainly included funding for the Student Union and other site improvements. Compared to the 2017-18 fiscal year, other revenues were comprised of State support for the expansion project of the Student Union and significant State support related to the construction of the Jupiter STEM/Life Sciences Building on the University's MacArthur Campus in Jupiter, Florida.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2018-19 and 2017-18 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2018-19	2017-18
Cash Provided (Used) by:		
Operating Activities	$ (267,487)	$ (253,748)
Noncapital Financing Activities	320,961	285,126
Capital and Related Financing Activities	(58,340)	(15,950)
Investing Activities	4,438	(21,923)
Net Decrease in Cash and Cash Equivalents	(428)	(6,495)
Cash and Cash Equivalents, Beginning of Year	6,606	13,101
Cash and Cash Equivalents, End of Year	$ 6,178	$ 6,606

Major sources of funds came from State noncapital appropriations ($198.4 million), net student tuition and fees ($143.5 million), Federal Direct Student Loan receipts ($116.4 million), sales and services of auxiliary enterprises ($78.3 million), Federal and State student financial aid ($79.6 million), grants and contracts ($53.6 million), and other nonoperating receipts ($43.3 million). Major uses of funds were for payments made to and on behalf of employees totaling $379.2 million, disbursements to students for Federal Direct Student Loans totaling $116.3 million, payments to suppliers totaling $120.2 million, and payments to and on behalf of students for scholarships totaling $53.6 million. Changes in cash and cash equivalents were the result of the following factors:

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

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2019, the University had $1.2 billion in capital assets, less accumulated depreciation of $478.4 million, for net capital assets of $750.6 million. Depreciation charges for the current fiscal year totaled $31.2 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2019	2018
Land	$ 9,918	$ 9,918
Construction in Progress	61,134	24,107
Buildings	831,447	831,265
Infrastructure and Other Improvements	112,010	104,330
Furniture and Equipment	104,516	100,196
Library Resources	56,821	61,817
Property Under Capital Leases and Leasehold Improvements	45,817	45,817
Works of Art and Historical Treasures	5,364	5,364
Computer Software	1,936	2,051
Capital Assets, Gross	1,228,963	1,184,865
Less Accumulated Depreciation	478,381	454,437
Capital Assets, Net	$ 750,582	$ 730,428

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2019, were incurred on the following projects: Schmidt Family Complex for Academic and Athletic Excellence, Student Union Renovation, Jupiter STEM/Life Sciences

Building, Engineering West HVAC Renovations, and Cooling Towers Replacement. The University's major construction commitments at June 30, 2019, are as follows:

		Amount (In Thousands)
Total Committed	$	152,146
Completed to Date		61,134
Balance Committed	$	91,012

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

Debt Administration

As of June 30, 2019, the University had $64.9 million in outstanding capital improvement debt payable and capital leases payable, representing a decrease of $5.2 million, or 7.5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2019	2018
Capital Improvement Debt	$ 58,660	$ 63,220
Capital Leases	6,273	6,954
Total	$ 64,933	$ 70,174

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The budget that the Florida Legislature adopted for the 2019-20 fiscal year provided a 1 percent increase for State universities. Florida Atlantic University's share of that increase translated to an increase of $11.3 million in Educational and General Funds including performance funding, the World Class Faculty Scholar Program, the University Professional and Graduate Degree Excellence Program, and the FAU 100. The funding priorities for Florida higher education continue to focus on efforts to maintain a stable funding environment including enrollment increase support and recognition of specific programmatic initiatives and support for the 2015-2025 Strategic Plan. Base funding initiatives to strengthen graduation rates, enhance recruitment/retention efforts and growing academic program offerings continue to be the priorities of the University campus for the 2019-20 fiscal year.

REQUESTS FOR INFORMATION

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

FLORIDA ATLANTIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Net Position
June 30, 2019

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 6,168,169	$ 15,119,305
Cash with Fiscal Agent	-	24,241,835
Investments	259,195,177	95,069,714
Accounts Receivable, Net	26,183,783	13,074,208
Loans and Notes Receivable, Net	2,732,311	-
Due from State	34,078,312	-
Due from Component Units/University	4,729,451	2,434,275
Net Investment in Direct Financing-Type Lease	-	547,000
Other Current Assets	2,659,651	481,087
Total Current Assets	335,746,854	150,967,424
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	-	5,100
Restricted Cash with Fiscal Agent	9,464	6,094,891
Restricted Investments	24,106,153	251,886,780
Net Investment in Direct Financing-Type Lease	-	5,587,000
Accounts Receivable, Net	-	10,403,501
Loans and Notes Receivable, Net	1,336,149	-
Depreciable Capital Assets, Net	675,212,855	122,929,615
Nondepreciable Capital Assets	75,369,039	21,641,357
Other Noncurrent Assets	-	8,266,667
Total Noncurrent Assets	776,033,660	426,814,911
Total Assets	1,111,780,514	577,782,335
DEFERRED OUTFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	2,673,000	-
Related to Pensions	68,147,877	-
Related to Charge on Debt Refunding	-	6,540,847
Total Deferred Outflows of Resources	70,820,877	6,540,847
LIABILITIES		
Current Liabilities:		
Accounts Payable	9,316,379	3,063,370
Salary and Wages Payable	9,761,047	7,049
Deposits Payable	12,309,725	-
Due to State	29,508	-
Due to Component Units/University	2,434,275	4,729,451
Unearned Revenue	12,085,443	2,193,721
Other Current Liabilities	-	3,537,922
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	4,810,000	-
Bonds Payable	-	4,135,000
Certificates of Participation Payable	-	547,000
Capital Leases Payable	685,859	-
Unearned Lease Revenue	400,000	-
Compensated Absences Payable	2,418,301	-
Other Postemployment Benefits Payable	2,607,000	-
Net Pension Liability	624,493	-
Total Current Liabilities	57,482,030	18,213,513

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable (CIDP)	53,850,000	-
CIDP Net Unamortized Premium and Discount	3,932,118	-
Bonds Payable	-	168,975,000
Bonds Payable Unamortized Premium	-	11,988,958
Certificates of Participation Payable	-	5,587,000
Capital Leases Payable	5,587,000	-
Unearned Lease Revenue	7,866,667	-
Other Noncurrent Liabilities	1,649,202	306,699
Compensated Absences Payable	30,005,096	-
Other Postemployment Benefits Payable	174,659,000	-
Net Pension Liability	125,786,211	-
Total Noncurrent Liabilities	403,335,294	186,857,657
Total Liabilities	460,817,324	205,071,170
DEFERRED INFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	33,512,628	-
Related to Pensions	11,347,564	-
Related to Split Interest Trust Agreements	-	391,565
Total Deferred Inflows of Resources	44,860,192	391,565
NET POSITION		
Net Investment in Capital Assets	683,734,664	4,333,953
Restricted for Nonexpendable:		
Endowment	-	167,265,860
Perpetual Trusts	-	3,288,648
Restricted for Expendable:		
Debt Service	-	9,633,197
Loans	4,113,689	-
Other	18,124,210	195,205,263
Unrestricted	(29,048,688)	(866,474)
TOTAL NET POSITION	$ 676,923,875	$ 378,860,447

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

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FLORIDA ATLANTIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2019

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $85,003,931	$ 144,473,963	$ -
Federal Grants and Contracts	29,579,367	-
State and Local Grants and Contracts	14,759,077	2,983,679
Nongovernmental Grants and Contracts	12,580,087	1,638,579
Sales and Services of Educational Departments	848,161	-
Sales and Services of Auxiliary Enterprises (Pledged for Capital Improvement Debt $6,263,618 for Housing and $7,021,917 for Parking)	78,238,960	-
Sales and Services of Component Units	-	38,079,632
Royalties and Licensing Fees	-	197,028
Gifts and Donations	-	27,113,928
Interest on Loans and Notes Receivable	77,588	-
Other Operating Revenues	8,344,454	3,430,255
Total Operating Revenues	288,901,657	73,443,101
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	397,218,534	18,358,869
Services and Supplies	108,780,802	16,879,917
Utilities and Communications	12,995,464	2,145,987
Scholarships, Fellowships, and Waivers	53,605,695	11,212,332
Depreciation	31,209,972	6,119,876
Other Operating Expenses	-	23,509,329
Total Operating Expenses	603,810,467	78,226,310
Operating Loss	(314,908,810)	(4,783,209)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	198,371,677	-
Federal and State Student Financial Aid	79,550,910	-
Investment Income	7,081,760	12,612,520
Net Realized and Unrealized Gain on Investments	6,153,061	2,298,847
Other Nonoperating Revenues	40,841,029	4,398,526
Loss on Disposal of Capital Assets	(1,652,502)	(16,205)
Interest on Capital Asset-Related Debt	(3,094,711)	(9,127,535)
Other Nonoperating Expenses	(13,756)	(1,002,708)
Net Nonoperating Revenues	327,237,468	9,163,445
Income Before Other Revenues, Expenses, Gains, or Losses	12,328,658	4,380,236
State Capital Appropriations	7,824,360	-
Capital Grants, Contracts, Donations, and Fees	52,899	4,154,289
Increase in Net Position	20,205,917	8,534,525
Net Position, Beginning of Year	656,717,958	377,470,062
Adjustment to Beginning Net Position	-	(7,144,140)
Net Position, Beginning of Year, as Restated	656,717,958	370,325,922
Net Position, End of Year	$ 676,923,875	$ 378,860,447

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

FLORIDA ATLANTIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 143,542,390
Grants and Contracts	53,646,535
Sales and Services of Educational Departments	848,161
Sales and Services of Auxiliary Enterprises	78,306,562
Interest on Loans and Notes Receivable	77,588
Payments to Employees	(379,180,854)
Payments to Suppliers for Goods and Services	(120,187,495)
Payments to Students for Scholarships and Fellowships	(53,573,139)
Loans Issued to Students	870,585
Collection on Loans to Students	375,464
Other Operating Receipts	7,787,158
Net Cash Used by Operating Activities	(267,487,045)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	198,371,677
Federal and State Student Financial Aid	79,550,910
Federal Direct Loan Program Receipts	116,435,088
Federal Direct Loan Program Disbursements	(116,330,224)
Other Nonoperating Receipts	43,287,097
Other Nonoperating Expenses	(353,962)
Net Cash Provided by Noncapital Financing Activities	320,960,586
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,967,394
Capital Grants, Contracts, Donations and Fees	52,899
Purchase or Construction of Capital Assets	(53,016,324)
Principal Paid on Capital Debt	(4,560,000)
Interest Paid on Capital Debt	(2,892,125)
Principal Paid on Capital Leases	(680,797)
Interest Paid on Capital Leases	(202,586)
Other Debt Related Disbursements	(8,345)
Net Cash Used by Capital and Related Financing Activities	(58,339,884)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(2,262,418)
Investment Income	6,700,312
Net Cash Provided by Investing Activities	4,437,894
Net Decrease in Cash and Cash Equivalents	(428,449)
Cash and Cash Equivalents, Beginning of Year	6,606,082
Cash and Cash Equivalents, End of Year	$ 6,177,633

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (314,908,810)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	31,209,972
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(3,542,350)
Loans and Notes Receivable	1,246,049
Other Current Assets	66,196
Accounts Payable	1,570,611
Salaries and Wages Payable	409,557
Deposits Payable	2,324,874
Compensated Absences Payable	394,391
Unearned Revenue	(3,357,287)
Other Liabilities	(25,407)
Other Postemployment Benefits Payable	(4,262,999)
Net Pension Liability	11,396,298
Deferred Outflows of Resources Related to Other Postemployment Benefits	17,000
Deferred Inflows of Resources Related to Other Postemployment Benefits	10,284,000
Deferred Outflows of Resources Related to Pensions	(6,065,276)
Deferred Inflows of Resources Related to Pensions	5,756,136
NET CASH USED BY OPERATING ACTIVITIES	$ (267,487,045)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 6,153,061
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (1,652,502)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

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

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

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

Direct-Support Organizations. The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulations 9.011 are considered component units of Florida Atlantic University and, therefore, the latest audited financial statements of these organizations are included in the University's financial statements by discrete presentation. These legally separate, not-for-profit corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

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

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

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

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

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, 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 the accrual basis of accounting. The Research Corporation, the Finance Corporation, the FAU Foundation, and the FAU CPO follow GASB standards of accounting and financial reporting. The HBOI Foundation follows 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 eliminated from revenues and expenses for reporting purposes.

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

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

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

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

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

One of the University's component units, the Finance Corporation, reported cash with fiscal agent at a fair value of $30,336,726 at June 30, 2019, invested in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 2.71 years and a fair value factor of 1.0103 at June 30, 2019. The component unit 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 SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital leases and leasehold improvements, works of art and historical treasures, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $250 for library resources and $5,000 for tangible personal property, new buildings, and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 3 to 30 years

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

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

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Changes

The University implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which requires the University to disclose additional information related to debt obligations, including direct borrowings and direct placements.

Effective July 1, 2018, the FAU Foundation, which had previously reported under the FASB standards of accounting and financial reporting for not-for-profit organizations, transitioned to GASB standards of accounting and financial reporting as required by Chapter 2018-004, Laws of Florida.

3. Adjustment to Beginning Net Position

The beginning net position of the FAU Foundation was decreased by $7,144,140 as a result of the change in the financial accounting framework as discussed in Note 2. The adjustment to beginning net position includes $6,802,416 for the removal of endowment pledges and $341,724 for the removal of deferral of inflows related to split interest arrangements decreasing the beginning net position as of July 1, 2018, to $308,416,498.

4. Deficit Net Position in Individual Funds

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted. This deficit can be attributed to the full recognition of the OPEB liability in the current unrestricted funds due to implementation in the fiscal year ended June 30, 2018, of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and requires employers participating in cost-sharing multiple-employer defined postemployment benefit health plans (other than retirement) to report the employers' proportionate share of the net OPEB liabilities of the defined OPEB plans. The University participates in the State Group Health Insurance Plan administered by the Florida Department of Management Services, Division of State Group Insurance. The University had a deficit unrestricted net position of $29,048,688 at June 30, 2019.

5. 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 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; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; 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; and other investments approved by the 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.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the University's recurring fair value measurements as of June 30, 2019, are valued using quoted market prices (Level 1 inputs), with the exception of investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

External Investment Pools.

The University reported investments at fair value totaling $278,463,963 at June 30, 2019, in the State Treasury SPIA investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.71 years, and fair value factor of 1.0103 at June 30, 2019. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

External Investment Pools – Component Units' Investment.

Two of the University's component units invested in the SPIA investment pool, representing ownership of a share of the pool, not the underlying securities. The FAU Foundation and Research Corporation reported investments at fair market value of $9,580,123 and $479,358 at June 30, 2019, respectively, invested in the SPIA investment pool. The component units rely on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments.

The University's College of Medicine Self-Insurance Program (Program), a blended component unit of the University, invested in equity mutual funds and bond mutual funds. Equity mutual fund investments consist of shares in Vanguard International Stock Index Fund and Vanguard Total Stock Market Index Fund. Bond mutual fund investments consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund. The Program's investments are recorded at fair value and the program categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No.72, *Fair Value Measurement and Application*. The Program's recurring fair value measurements at June 30, 2019, for its equity mutual funds and bond mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Program are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Program are deemed to be actively traded.

The Program's investments at June 30, 2019, are reported as follows:

	Self-Insurance Program Investments			
Investments by fair value level	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Total**
Equity Mutual Funds:				
Domestic Equity Funds	$ 998,461	$ -	$ -	$ 998,461
Global Equity Funds	489,464	-	-	489,464
Total Equity Mutual Funds	1,487,925	-	-	1,487,925
Bond Mutual Funds:				
Short-Term Bond Funds	2,657,266	-	-	2,657,266
Intermediate Term Bond Funds	685,242	-	-	685,242
Total Bond Mutual Funds	3,342,508	-	-	3,342,508
Total investments by fair value level	$ 4,830,433	$ -	$ -	$ 4,830,433

The following risks apply to the Program's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Program's investments in bond mutual funds are subject to interest rate risk. The effective duration of the Program's investments in bond mutual funds as of June 30, 2019, range from 2.63 years to 6.12 years.

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 (by the GASB) and do not require disclosure of credit quality. At June 30, 2019, the Program held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below:

Self-Insurance Program's Investments Quality Ratings

Investment Type	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less Than A/Ba Or Not Rated
Bond Mutual Funds	$ 3,342,508	$ -	$ 2,657,266	$ 685,242	$ -

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Program 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 Program and are not registered in the Program's name. The Program has not identified any investments falling into this category as of June 30, 2019.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Program's investments in a single issuer. The Program places no limit on the amount it may invest in one issuer. Investments that consist of more than 5 percent of the Program's investments at June 30, 2019, are shown below:

Self-Insurance Program's Concentration of Credit Risk

Investment Type	Fair Value	Percent of Program's Total Investments
Vanguard International Stock Index Fund	$ 489,464	10%
Vanguard Total Stock Market Index Fund	998,461	21%
Vanguard Short-Term Bond Index Fund	2,657,266	55%
Vanguard Intermediate-Term Bond Index Fund	685,242	14%
Total Investments	$ 4,830,433	100%

The Program's formal investment policy in place does not specifically address any of the types of risks identified above.

<u>Component Units' Investments – FAU Foundation</u>.

The FAU Foundation, a component unit of the University, invested primarily in domestic and international equity, fixed income securities, the SPIA Investment pool, and alternative investments such as hedge funds, private equity, and real asset funds. Investments at June 30, 2019, consisted of the following at their fair value:

Investment Type	Amount
United States Equities	$ 58,232,790
International Equities	59,953,640
Fixed Income Securities	36,435,403
Hedge Funds	46,138,592
Private Equity Funds	23,259,176
Real Asset Funds	24,578,531
SPIA	9,580,123
Money Market Funds and Other Deposits	8,498,739
Total Investments	$ 266,676,994

Component Units' Investments – FAU Foundation – Funds Held in Trust by Others.

The FAU Foundation is the sole beneficiary of certain trusts that are not in its possession or under its control, but are held and administered by outside trustees. The FAU Foundation recognizes the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or when the FAU Foundation is notified of its existence. The present value is calculated using discount rates the year in which the trust was established. Funds held in trust by others at June 30, 2019, consisted of the following at their fair value:

Investment Type	Amount
United States Equities	$ 1,830,391
International Equities	631,115
Fixed Income Securities	739,448
Cash and Equivalents	87,694
Total Funds Held in Trust	$ 3,288,648

Component Units' Investments – FAU Foundation – Fair Value Measurement.

The FAU Foundation's investments and funds held in trust by others, on the statement of net position, are recorded at fair value and the FAU Foundation categorizes its fair value measurement within the fair value hierarchy established by GASB Statement No. 72. The following table presents the FAU Foundation's investments and funds held in trusts by others measured at fair value as of June 30, 2019:

Florida Atlantic University Foundation, Inc.

Investment Type	Level 1	Level 2	Level 3	Valued at NAV	Total
Equities	$ 118,186,430	$ -	$ -	$ -	$ 118,186,430
Other	15,224,758	-	-	78,751,541	93,976,299
Fixed Income	31,053,107	5,382,296	-	-	36,435,403
External Investment Pool:					
SPIA	-	-	9,580,123	-	9,580,123
Funds Held in Trust by Others	3,200,954	-	-	-	3,200,954
Total Investments Measured at Fair Value	$ 167,665,249	$ 5,382,296	$ 9,580,123	$ 78,751,541	261,379,209
Investments not Measured at Fair Value:					
Money Market Funds and Other Deposits					8,586,433
Total Investments and Funds Held in Trust by Others					$ 269,965,642

Interest and dividend income reflected in the statements of revenues, expenses, and changes in net position for the year ended June 30, 2019, is presented net of the estimated investment manager/custodian fees of approximately $1,976,000.

The following table provides additional disclosures of alternative investments held by the FAU Foundation at June 30, 2019:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity (a)	$ 23,259,176	$ 19,019,092	Duration of Partnership	N/A
Long-Short Strategy (b)	18,895,471	-	Quarterly and Semi-Annually	60 to 180 Days
Multi-Strategy (c)	12,497,510	-	Quarterly, Over One Year and Duration of Partnership	60 to 70 Days and N/A
Real Assets (d)	9,353,773	1,500,983	Monthly and Duration of Partnership	30 Days and N/A
Distressed Strategy (e)	5,342,499	-	Quarterly and Duration of Partnership	75 Days and N/A
Relative Value Credit Strategy (f)	4,969,642	-	Quarterly	45 Days
Global Macro Strategy (g)	3,170,018	-	Monthly	60 Days
Small/Micro Cap Healthcare Strategy (h)	1,263,452	-	Semi-Annually	30 Days
Total	$ 78,751,541	$ 20,520,075		

(a) Private equity: This class includes several private equity funds some of which offer investments into any of three separate strategies: venture capital, private equity (buyouts), and emerging markets. Investments are made with a limited partner agreement, which prohibits redemption of the investment. Instead, distributions are received through the liquidation of the underlying assets of the fund.

(b) Long-short strategy: This class includes investments in hedge funds that invest in both long and short-term equity securities. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

(c) Multi-strategy: This class invests in long and short-term credit as well as distressed and special situations.

(d) Real assets: This class includes several real estate funds that invest primarily in public Real Estate Investment Trusts, private open-end core real estate funds, and a portfolio of directly held properties. Distributions from each fund will be received as the underlying investment of the funds are liquidated.

(e) Distressed strategy: This class invests in long and short-term credit as well as directional strategies that take advantage of the distressed markets.

(f) Relative value credit strategy: This class invests in both long and short-term vehicles, primarily in the credit space.

(g) Global macro strategy: This class includes investments in hedge funds strategies, which utilizes top down fundamental approach to identify and exploit economic and financial imbalances in asset markets. The funds will invest in global interest rates, fixed-income instruments, credit instruments, currencies, commodities, equities, and their associate derivatives.

(h) Small/Micro cap healthcare strategy: This class invests primarily in a long-only strategy, which invests in small and micro capitalization healthcare companies which are publicly listed.

The following risks apply to the FAU Foundation's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. FAU Foundation's investments in fixed income securities are subject to interest rate risk. The scheduled maturities (in years) of investments held by the Foundation as of June 30, 2019, are as follows:

FAU Foundation's Interest Rate Risk

Investment Type	Fair Value	Less Than 1	1 to 5	More than 5
Domestic Fixed Income	$ 31,026,853	$ 30,854,432	$ 172,421	$ -
International Fixed Income	5,408,550	3,206,255	2,202,295	-
Total	$ 36,435,403	$ 34,060,687	$ 2,374,716	$ -

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 (by the GASB) and do not require disclosure of credit quality. Credit risk exists when there is a possibility the debt issuer may be unable to fulfill its obligations. The following schedule of credit rating of FAU Foundation investments summarizes the fair value of the fixed income securities subject to credit risk. The FAU Foundation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations such as Standards & Poor's or Moody's investor services. The FAU Foundation has certain domestic and international fixed income securities with an assigned defined rating, while the remaining have a range of ratings based on their investment composition. At June 30, 2019, the credit ratings of the FAU Foundation domestic and international fixed income securities are summarized below:

FAU Foundation's Credit Rate Risk

Rating	Amount
A-	$ 14,423,012
AA	10,345,555
BBB+	5,954,538
AA-	5,382,296
AAA	204,672
AAA-BBB	66,279
AAAm	32,185
Not Rated	26,866
Total Investments	$ 36,435,403

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be accessible in a timely manner. Substantially all of the FAU Foundation's investments are issued, registered, or held in the name of the FAU Foundation by custodian banks and brokers, as its agent. Further, the FAU Foundation seeks to mitigate custodial risk by investing in the Insured Cash Sweep program. This program places funds in increments of up to $250,000 with non-redundant banks throughout the United States, thereby protecting all funds with FDIC insurance. At June 30, 2019, the Foundation had total deposits of approximately $6,779,000 in this program, which is classified as investments. The Foundation also has protection, with limits, under the Securities Investor Protection Corporation (SIPC). As a result, the FAU Foundation management believes that custodial risk is remote.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the FAU Foundation's investments in a single issuer. Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby, exposing the Foundation to greater risks resulting from adverse conditions or developments. The FAU Foundation's investment policy requires diversification of investments to reduce the potential of a single security, or single sector of securities from having a significant impact on the portfolio. GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, requires disclosure when the percentage is 5 percent or more of the total investments in any one issuer. Investments issued or explicitly guaranteed by the United States Government and investments in mutual funds, external investment pools, or other pooled investments are excluded from this requirement. At June 30, 2019, the FAU Foundation had various Exchange Traded Funds and index funds with one investment company. Investments with this company made up approximately 26 percent of the portfolio, invested between seven separate funds. The FAU Foundation has one other investment which makes up approximately

8 percent of the investment portfolio total deposits of approximately $6,779,000 in this program, which is classified as investments. The Foundation also has protection, with limits, under the SIPC.

Foreign Currency Risk: Exposure from foreign currency risk results from investments in foreign current denominated equity, fixed income, and alternative investments in addition to some foreign current investments held within United States mutual funds. The FAU Foundation maintains significant international investments by investing in mutual funds and alternative investments that are broadly diversified over many developed markets and exposure to emerging markets. The foreign currency risk by investment type at June 30, 2019, was as follows:

FAU Foundation's Foreign Currency Risk

Rating	Amount
International Equities	$ 59,953,640
International Fixed Income	5,408,550
Total Investments	$ 65,362,190

Component Units' Investments - HBOI Foundation.

The HBOI Foundation, a component unit of the University, invested in various types of mutual funds and exchange traded funds, multi-strategy hedge funds, and diversified offshore funds. The fair value of investments at June 30, 2019, include the following:

HBOI Foundation, Inc.

Investment Type	Not Classified	Level 1	Level 2	Level 3	Total
Cash Equivalents	$ 90,001	$ -	$ -	$ -	$ 90,001
Land Held for Investment	691,553	-	-	-	691,553
Mutual Funds and Exchange Traded Funds:					
Fixed Income	-	26,017,133	-	-	26,017,133
Large Cap	-	29,668,711	-	-	29,668,711
Small Cap	-	10,506,354	-	-	10,506,354
International	-	9,537,742	-	-	9,537,742
Total Investments	$ 781,554	$ 75,729,940	$ -	$ -	76,511,494

Concentration of Credit Risk: The HBOI Foundation's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include checking accounts placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits, the HBOI Foundation has policies in place to move excess funds as soon as possible and has not experienced any losses on such accounts. The HBOI Foundation has significant investments in mutual funds and exchange traded funds, which are also subject to concentrations of credit risk. Investments are made by investment managers engaged by the HBOI Foundation and the investments are monitored for the HBOI Foundation by an investment consultant with input by the HBOI Foundation's Finance Committee. Although the market value of investments is subject to fluctuations on a day-to-day basis, HBOI Foundation management believes the investment policy is prudent for the long-term welfare of the HBOI Foundation and its beneficiaries.

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2019, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 14,632,342
Contracts and Grants	9,286,703
Other	2,264,738
Total Accounts Receivable	$ 26,183,783

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of $14,561,223 and $901,045, respectively, at June 30, 2019.

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

7. Due From State

The amount due from State consists of $34,078,312 of Public Education Capital Outlay, Capital Improvement Fee allocations due from the State to the University for construction of University facilities.

8. Due From and To Component Units/University

The $4,729,451 reported as due to component units consists of amounts owed to the University by the FAU Foundation to reimburse funds expended out of departmental FAU Foundation accounts; by the Finance Corporation for the reimbursement of costs associated with student housing operations; by the FAU CPO for the reimbursement of costs associated with the FAU CPO; by the HBOI Foundation to reimburse the University for FAU Harbor Branch research costs; and by the Research Corporation for legal and other costs the University incurs on behalf of the Research Corporation in patenting technologies. The $2,434,275 reported as due to component units consists of amounts owed by the University to the FAU Foundation pursuant to an agreement to support the FAU Foundation's operations; the Finance Corporation pursuant to a management agreement for operations; the FAU CPO pursuant to an agreement to support the FAU CPO's operations; and the Research Corporation pursuant to an agreement to support the Research Corporation's operations.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 9,918,277	$ -	$ -	$ 9,918,277
Works of Art and Historical Treasures	4,316,620	-	-	4,316,620
Construction in Progress	24,107,372	44,926,932	7,900,162	61,134,142
Total Nondepreciable Capital Assets	$ 38,342,269	$ 44,926,932	$ 7,900,162	$ 75,369,039
Depreciable Capital Assets:				
Buildings	$ 831,265,468	$ 778,216	$ 596,670	$ 831,447,014
Infrastructure and Other Improvements	104,329,549	7,680,429	-	112,009,978
Furniture and Equipment	100,196,214	7,102,934	2,783,415	104,515,733
Library Resources	61,817,370	24,740	5,021,000	56,821,110
Property Under Capital Leases and Leasehold Improvements	45,816,704	-	-	45,816,704
Works of Art and Historical Treasures	1,047,328	-	-	1,047,328
Computer Software	2,050,811	11,749	126,819	1,935,741
Total Depreciable Capital Assets	1,146,523,444	15,598,068	8,527,904	1,153,593,608
Less, Accumulated Depreciation:				
Buildings	274,194,618	17,314,539	102,017	291,407,140
Infrastructure and Other Improvements	43,195,088	3,358,281	-	46,553,369
Furniture and Equipment	64,002,078	7,355,220	2,017,045	69,340,253
Library Resources	57,295,267	1,653,391	5,021,000	53,927,658
Property Under Capital Leases and Leasehold Improvements	13,576,437	1,441,567	-	15,018,004
Works of Art and Historical Treasures	251,367	25,659	-	277,026
Computer Software	1,922,806	61,315	126,818	1,857,303
Total Accumulated Depreciation	454,437,661	31,209,972	7,266,880	478,380,753
Total Depreciable Capital Assets, Net	$ 692,085,783	$(15,611,904)	$ 1,261,024	$ 675,212,855

10. Unearned Revenue

Unearned revenue at June 30, 2019, includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods, and grant funds received but not yet expended as of June 30, 2019. As of June 30, 2019, the University reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	$ 10,078,779
Contracts and Grants	2,006,664
Total Unearned Revenue	$ 12,085,443

11. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2019, include capital improvement debt payable, capital leases payable, unearned lease revenue, other noncurrent liabilities, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable (1)	$ 63,220,000	$ -	$ 4,560,000	$ 58,660,000	$ 4,810,000
Capital Leases Payable	6,953,656	-	680,797	6,272,859	685,859
Unearned Lease Revenue	8,666,667	-	400,000	8,266,667	400,000
Other Noncurrent Liabilities	1,649,202	-	-	1,649,202	-
Compensated Absences Payable	32,029,006	2,887,141	2,492,750	32,423,397	2,418,301
Other Postemployment Benefits Payable	181,529,000	34,382,509	38,645,509	177,266,000	2,607,000
Net Pension Liability	115,014,406	84,579,685	73,183,387	126,410,704	624,493
Total Long-Term Liabilities	$ 409,061,937	$ 121,849,335	$ 119,962,443	$ 410,948,829	$ 11,545,653

(1) Capital Improvement Debt Payable does not include $3,932,118 in net discounts and premiums outstanding for the year ended June 30, 2019.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2019:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2016A Student Housing	$ 53,040,000	$ 45,540,000	4.0 - 5.0	2036
Parking Garage Debt:				
2013A Parking Facility	21,490,000	13,120,000	2.375 - 5.0	2032
Total Capital Improvement Debt	$ 74,530,000	$ 58,660,000		

(1) Capital Improvement Debt Payable does not include $3,932,118 in net discounts and premiums outstanding for the fiscal year ended June 30, 2019.

The University has pledged a portion of future housing rental revenues and parking fees revenues to repay $58,660,000 in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and student housing facilities. The bonds are payable solely from housing system revenues and parking system revenues and are payable through 2036. The University has committed to appropriate each year from the housing system revenues and the parking system revenues amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt (net of discounts and premiums) is $78,752,187 and principal and interest paid for the current year totaled $7,452,125. During the 2018-19 fiscal year, housing system revenues and parking system revenues totaled $6,263,618, and $7,021,917, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal (1)	Interest	Total
2020	$ 4,810,000	$ 2,664,125	$ 7,474,125
2021	5,035,000	2,423,625	7,458,625
2022	3,685,000	2,171,875	5,856,875
2023	3,865,000	1,987,625	5,852,625
2024	3,445,000	1,828,106	5,273,106
2025-2029	19,705,000	6,640,206	26,345,206
2030-2034	15,070,000	2,192,825	17,262,825
2035-2036	3,045,000	183,800	3,228,800
Total	$ 58,660,000	$ 20,092,187	$ 78,752,187

(1) Capital Improvement Debt Payable does not include $3,932,118 in net discounts and premiums outstanding for the year ended June 30, 2019.

Bonds Payable – Component Unit. The Finance Corporation had the following bonds payable outstanding at June 30, 2019:

Bonds Payable	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
Series 2012A Tax-Exempt Bonds, Parliament Hall	$ 46,205,000	$ 41,555,000	3.0 - 5.0	2042
Series 2012B Tax-Exempt Bonds, Innovation Village	3,440,000	2,005,000	2.17 - 2.64	2025
Series 2017 Bonds, Stadium	40,035,000	38,950,000	2.61	2040
Series 2019A Tax-Exempt Bonds, Innovation Village	90,600,000	90,600,000	5.00	2040
Total Bonds Payable	$ 180,280,000	$ 173,110,000		

(1) Bonds Payable does not include $11,988,958 in unamortized bond premiums in the total principal outstanding for the year ended June 30, 2019.

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

- On January 19, 2019, the Finance Corporation issued $90,600,000 of Tax-Exempt Capital Improvement Refunding Revenue Bonds (Innovation Village), Series 2019A to advance refund the then outstanding Series 2010A Bonds (Innovation Village) originally issued at the amount of $112,455,000. At January 19, 2019, the Series 2010A Bonds were considered retired/legally defeased in substance. The defeased bonds at June 30, 2019, had an outstanding balance of $101,030,000. This amount will be fully retired by July 2020. The Series 2019A Bonds bear interest at a fixed rate of 5 percent through maturity on July 1, 2039. Interest is paid semiannually on each January 1 and July 1. Principal on debt is paid annually commencing on July 2019 through July 2039. The Finance Corporation refunded the Series 2010A to reduce its total debt service payments over the next 20 years by approximately $14,400,000 and obtained an economic gain of approximately $10,400,000. At June 30, 2019, the outstanding balance of the defeased debt was $0.

Annual requirements to amortize all bonds payable outstanding as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	$ 4,135,000	$ 7,127,000	$ 11,262,000
2021	5,570,000	7,020,989	12,590,989
2022	5,795,000	6,785,398	12,580,398
2023	6,025,000	6,542,631	12,567,631
2024	6,275,000	6,283,209	12,558,209
2025-2029	34,420,000	27,290,194	61,710,194
2030-2034	41,465,000	19,315,207	60,780,207
2035-2039	50,995,000	9,414,023	60,409,023
2040-2042	18,430,000	1,163,527	19,593,527
Total	$ 173,110,000	$ 90,942,178	$ 264,052,178

(1) Bonds Payable does not include $11,988,958 in unamortized bond premiums in the total principal outstanding for the year ended June 30, 2019.

Capital Leases Payable. During the 2011-12 fiscal year, the University entered into a capital lease agreement for energy equipment in the amount of $1,082,030 with a stated interest rate of 3.28 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	$ 141,150
Total Minimum Payments	141,150
Less, Amount Representing Interest	2,291
Present Value of Minimum Payments	$ 138,859

The University entered into a capital lease agreement in connection with the Certificates of Participation (COP) issued by FAU Foundation to build dormitory buildings on the John D. Mac Arthur Campus in Jupiter, Florida. The University, in exchange for use of the buildings, makes lease payments sufficient to cover all amounts due under the COP. At June 30, 2019, the amount reported by the University as capital leases payable include $6,134,000, representing the total future payments remaining under the COP net of restricted cash on deposit with the Trustee.

Certificates of Participation – Component Unit. The FAU Foundation refunded its 1999 and 2000 Certificates of Participation through the issuance of Series 2012 Certificates of Participation for $9,540,000. These funds were used to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The stated interest rate on the 2012 certificates is 2.93 percent. At June 30, 2019, Certificates of Participation payable are as follows:

COP Series	Amount of Issues	Total Retired	Outstanding Principal	Outstanding Interest	Interest Rate	Maturity Date
2012	$ 9,540,000	$ 3,406,000	$ 6,134,000	$ 1,037,331	2.93	2030

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

Unearned Lease Revenue. The University leased land to the Finance Corporation under a noncancelable agreement dated March 4, 2010, with terms extending through July 2040. The lease was prepaid in March 2010 by the Finance Corporation to the University for the sum of $12,000,000, which is being amortized over the life of the agreement. The unearned lease revenue amount held by the University totaled $8,266,667 at June 30, 2019, of which $400,000 was reported as current.

Other Noncurrent Liabilities. This represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or has excess cash in the loan program.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2019, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $32,423,397. The current portion of the compensated absences liability, $2,418,301, is the amount expected to be paid in the coming fiscal year and represents a 3-year historical percentage of leave disbursements applied to the 3-year average accrued leave liability.

Other Postemployment Benefits Payable. As a participating employer in the State Employees' Group Health Insurance Plan, the University recognizes its proportionate share of the collective other postemployment benefits liability of the multiple-employer defined benefit health plan. As of June 30, 2019, the University's proportionate share of the total OPEB liability totaled $177,266,000. Note 12. includes a complete discussion of the OPEB plan.

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefits plans. As of June 30, 2019, the University's proportionate share of the net pension liabilities totaled $126,410,704. Note 13. includes a complete discussion of defined benefit pension plans.

12. Other Postemployment Benefits

The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. 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. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of $177,266,000 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. At June 30, 2019, the University's proportionate share, determined by its proportion of total benefit payments made, was 1.68 percent, which was the same proportionate share measured as of June 30, 2018.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.87 percent
Healthcare cost trend rates	
Preferred Provider Option Plan	7.8 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
Health Maintenance Organization Plan	5.2 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2017, valuation were based on a review of recent plan experience done concurrently with the July 1, 2017, valuation.

The following changes have been made since the prior valuation:

- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 3.87 percent. The prior GASB Statement No. 75 valuation used 3.58 percent. GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of June 28, 2018.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
University's proportionate share of the total OPEB liability	$215,602,000	$177,266,000	$147,420,000

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$143,392,000	$177,266,000	$222,731,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the fiscal year ended June 30, 2019, the University recognized OPEB expense of $8,711,000. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions and other inputs	$ -	$ 35,695,628
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	-	(2,183,000)
Transactions subsequent to the measurement date	2,673,000	-
Total	$ 2,673,000	$ 33,512,628

Of the total amount reported as deferred outflows of resources related to OPEB, $2,673,000 resulting from transactions (e.g., University benefit payments) subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ (4,961,628)
2021	(5,311,000)
2022	(5,311,000)
2023	(5,311,000)
2024	(5,311,000)
Thereafter	(7,307,000)
Total	$(33,512,628)

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of

Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The University's FRS and HIS pension expense totaled $22,855,080 for the fiscal year ended June 30, 2019.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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 creditable 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 creditable 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 creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The 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-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
FRS, Special Risk	3.00	24.50
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled $10,424,327 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of $100,897,172 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.335081173 percent, which was an increase of 0.02960178 from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of $20,779,999. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,550,135	$ 310,330
Change of assumptions	32,978,423	-
Net difference between projected and actual earnings on FRS Plan investments	-	7,797,933
Changes in proportion and differences between University contributions and proportionate share of contributions	10,004,820	190,691
University FRS contributions subsequent to the measurement date	10,424,327	-
Total	$ 61,957,705	$ 8,298,954

The deferred outflows of resources totaling $10,424,327, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ 16,419,225
2021	11,088,915
2022	2,648,199
2023	7,199,397
2024	4,964,396
Thereafter	914,292
Total	$ 43,234,424

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2018 valuation was updated from 7.10 percent to 7.00 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability	$184,167,159	$100,897,172	$31,736,525

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2019, the University reported a payable of $1,008,337 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2019.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $1,343,595 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of $25,513,532 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members.

At June 30, 2018, the University's proportionate share was 0.241054998 percent, which was an increase of 0.010465889 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the University recognized pension expense of $2,075,081. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 390,601	$ 43,347
Change of assumptions	2,837,420	2,697,504
Net difference between projected and actual earnings on HIS Plan investments	15,401	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,603,155	307,759
University HIS contributions subsequent to the measurement date	1,343,595	-
Total	$ 6,190,172	$ 3,048,610

The deferred outflows of resources totaling $1,343,595, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ 527,692
2021	526,393
2022	494,998
2023	283,789
2024	(55,012)
Thereafter	20,107
Total	$ 1,797,967

Actuarial Assumptions. The total pension liability at July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2018 valuation was updated from 3.58 percent to 3.87 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	**Current Discount Rate (3.87%)**	**1% Increase (4.87%)**
University's proportionate share of the net pension liability	$29,058,416	$25,513,532	$22,558,664

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report.

14. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled $1,661,634 for the fiscal year ended June 30, 2019.

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 8 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 percent of the participant's salary to the participant's account, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.65 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $13,115,230, and employee contributions totaled $8,077,872 for the 2018-19 fiscal year.

Payables to the Program. At June 30, 2019, the University reported a payable of $703,447 for the outstanding amount of contributions to the Program required for the fiscal year ended June 30, 2019.

15. Construction Commitments

The University's construction commitments at June 30, 2019, were as follows:

Project Description	**Total Commitment**	**Completed to Date**	**Balance Committed**
Schmidt Family Complex for Academic and Athletic Excellence	$ 72,457,906	$ 37,114,307	$ 35,343,599
Student Union Renovation	26,315,534	3,580,183	22,735,351
Jupiter STEM/Life Science Building	12,881,247	86,308	12,794,939
Engineering West HVAC Renovations	3,674,708	3,356,327	318,381
Cooling Towers Replacement	3,500,000	689,755	2,810,245
Subtotal	118,829,395	44,826,880	74,002,515
Total Other Commitments (1)	33,317,160	16,307,262	17,009,898
Total	$ 152,146,555	$ 61,134,142	$ 91,012,413

(1) Total other commitments include a multitude of minor projects. Such minor projects represent any individual capital project under $3 million in aggregate representing a renovation, remodel, or substantial capital improvement. These projects are mainly funded by general appropriations and auxiliary sources.

16. Operating Lease Commitments

The University leased various vehicles and equipment under operating leases, which expire in various intervals through the 2022-23 fiscal year. In addition, the University leased building space under operating leases, which expire in various intervals through the 2028-29 fiscal year. The University also leased land on which a University building is located, and the lease will expire in the 2085-86 fiscal year. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2020	$ 2,276,299
2021	1,147,714
2022	1,134,488
2023	1,135,235
2024	921,410
2025-2029	2,643,686
2030-2034	212,287
2035-2039	212,287
2040-2044	212,287
2045-2049	212,287
2050-2054	212,287
2055-2059	212,287
2060-2064	212,287
2065-2069	212,287
2070-2074	212,287
2075-2079	212,287
2080-2084	212,287
2085-2086	84,915
Total Minimum Payments Required	$ 11,678,904

17. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2018-19 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $78 million for named windstorm and flood through February 14, 2019, and decreased to $68.5 million starting February 15, 2019. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

University Self-Insured Program.

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

The Program provides the Board of Trustees with protection of $200,000 per claim and $300,000 for all claims arising from a single occurrence; $100,000 per claim and $200,000 for all claims arising for the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and student coverage of $1 million limit per occurrence; $250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of the Board of Trustees which such employee or agent functions within the course and scope of his or her employment or agency; and $250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

The Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. The following schedule represents the changes in claims liability for the past 2 fiscal years for the University's self-insured program:

Fiscal Year	Claims Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liability End of Year
2017-18	$ 380,477	$ 438,999	$ (239,579)	$ 579,897
2018-19	579,897	165,001	(110,796)	634,102

18. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 191,471,463
Research	62,450,200
Public Services	1,580,330
Academic Support	54,415,511
Student Services	22,630,586
Institutional Support	103,213,609
Operation and Maintenance of Plant	28,027,240
Scholarships, Fellowships, and Waivers	53,605,695
Depreciation	31,209,972
Auxiliary Enterprises	55,205,861
Total Operating Expenses	$ 603,810,467

19. 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, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's Housing and Parking Services facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Facility	Parking Facility
Assets		
Current Assets	$ 6,460,141	$ 15,958,041
Capital Assets, Net	70,629,330	28,998,615
Total Assets	77,089,471	44,956,656
Liabilities		
Current Liabilities	1,268,479	74,079
Noncurrent Liabilities	53,989,821	14,189,296
Total Liabilities	55,258,300	14,263,375
Net Position		
Net Investment in Capital Assets	16,639,509	14,809,319
Unrestricted	5,191,662	15,883,962
Total Net Position	$ 21,831,171	$ 30,693,281

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

	Housing Facility	Parking Facility
Operating Revenues	$ 8,580,101	$ 7,021,917
Depreciation Expense	(2,716,795)	(1,122,080)
Other Operating Expenses	(1,562,068)	(2,897,051)
Operating Income	4,301,238	3,002,786
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	50,674	530,704
Interest Expense	(2,357,900)	(476,709)
Other Nonoperating Expense	(1,959,660)	(204,112)
Net Nonoperating Expenses	(4,266,886)	(150,117)
Increase in Net Position	34,352	2,852,669
Net Position, Beginning of Year	21,796,819	27,840,612
Net Position, End of Year	$ 21,831,171	$ 30,693,281

Condensed Statement of Cash Flows

	Housing Facility	Parking Facility
Net Cash Provided (Used) by:		
Operating Activities	$ 6,678,832	$ 4,292,221
Noncapital Financing Activities	(1,959,660)	(2,227,440)
Capital and Related Financing Activities	(6,115,826)	(204,113)
Investing Activities	1,565,654	(1,860,668)
Net Increase in Cash and Cash Equivalents	169,000	-
Cash and Cash Equivalents, Beginning of Year	4,188,963	650
Cash and Cash Equivalents, End of Year	$ 4,357,963	$ 650

20. Blended Component Unit

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

Condensed Statement of Net Position

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Assets:			
Current Assets	$ 6,482,709	$ 329,264,145	$ 335,746,854
Capital Assets, Net	-	750,581,894	750,581,894
Other Noncurrent Assets	-	25,451,766	25,451,766
Total Assets	6,482,709	1,105,297,805	1,111,780,514
Deferred Outflows of Resources	-	70,820,877	70,820,877
Liabilities:			
Other Current Liabilities	634,860	56,847,170	57,482,030
Noncurrent Liabilities	-	403,335,294	403,335,294
Total Liabilities	634,860	460,182,464	460,817,324
Deferred Inflows of Resources	-	44,860,192	44,860,192
Net Position:			
Net Investment in Capital Assets	-	683,734,664	683,734,664
Restricted - Expendable	-	22,237,899	22,237,899
Unrestricted	5,847,849	(34,896,537)	(29,048,688)
Total Net Position	$ 5,847,849	$ 671,076,026	$ 676,923,875

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

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Operating Revenues	$ 1,534,334	$ 287,367,323	$ 288,901,657
Depreciation Expense	-	(31,209,972)	(31,209,972)
Other Operating Expenses	(519,535)	(572,080,960)	(572,600,495)
Operating Income (Loss)	1,014,799	(315,923,609)	(314,908,810)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	-	331,998,437	331,998,437
Interest Expense	-	(3,094,711)	(3,094,711)
Other Nonoperating Expense	-	(1,666,258)	(1,666,258)
Net Nonoperating Revenues	-	327,237,468	327,237,468
Other Revenues	-	7,877,259	7,877,259
Increase in Net Position	1,014,799	19,191,118	20,205,917
Net Position, Beginning of Year	4,833,050	651,884,908	656,717,958
Net Position, End of Year	$ 5,847,849	$ 671,076,026	$ 676,923,875

Condensed Statement of Cash Flows

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Net Cash Provided (Used) by:			
Operating Activities	$ 900,064	$ (268,387,109)	$ (267,487,045)
Noncapital Financing Activities	-	320,960,586	320,960,586
Capital and Related Financing Activities	-	(58,339,884)	(58,339,884)
Investing Activities	(1,081,243)	5,519,137	4,437,894
Net Decrease in Cash and Cash Equivalents	(181,179)	(247,270)	(428,449)
Cash and Cash Equivalents, Beginning of Year	1,833,455	4,772,627	6,606,082
Cash and Cash Equivalents, End of Year	$ 1,652,276	$ 4,525,357	$ 6,177,633

21. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations				Health Science Center Affiliates	
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institute Foundation, Inc.	FAU Finance Corporation	FAU Clinical Practice Organization, Inc.	Total
Assets:						
Current Assets	$ 32,749,535	$ 583,347	$ 82,120,130	$ 34,462,352	$ 1,052,060	$ 150,967,424
Capital Assets, Net	21,387,957	-	43,573	123,139,442	-	144,570,972
Other Noncurrent Assets	267,882,381	-	-	14,361,558	-	282,243,939
Total Assets	322,019,873	583,347	82,163,703	171,963,352	1,052,060	577,782,335
Deferred Outflows of Resources	-	-	-	6,540,847	-	6,540,847
Liabilities:						
Current Liabilities	4,890,241	6,698	1,602,825	11,020,469	693,280	18,213,513
Noncurrent Liabilities	5,893,699	-	-	180,963,958	-	186,857,657
Total Liabilities	10,783,940	6,698	1,602,825	191,984,427	693,280	205,071,170
Deferred Inflows of Resources	391,565	-	-	-	-	391,565
Net Position:						
Net Investment in Capital Assets	21,387,957	-	-	(17,054,004)	-	4,333,953
Restricted Nonexpendable	170,554,508	-	-	-	-	170,554,508
Restricted Expendable	108,723,049	2,936	80,512,050	15,600,425	-	204,838,460
Unrestricted	10,178,854	573,713	48,828	(12,026,649)	358,780	(866,474)
Total Net Position	$ 310,844,368	$ 576,649	$ 80,560,878	$ (13,480,228)	$ 358,780	$ 378,860,447

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

	Direct-Support Organizations				Health Science Center Affiliates	
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institute Foundation, Inc.	FAU Finance Corporation	FAU Clinical Practice Organization, Inc.	Total
Operating Revenues	$ 31,997,110	$ 335,322	$ 3,031,037	$ 33,011,388	$ 5,068,244	$ 73,443,101
Depreciation Expense	(756)	-	(2,657)	(6,116,463)	-	(6,119,876)
Operating Expenses	(44,209,354)	(285,009)	(4,569,440)	(17,890,315)	(5,152,316)	(72,106,434)
Operating Income (Loss)	(12,213,000)	50,313	(1,541,060)	9,004,610	(84,072)	(4,783,209)
Net Nonoperating Revenues (Expenses)	10,486,581	17,357	2,478,412	(3,818,905)	-	9,163,445
Other Revenues, Expenses, Gaines, and Losses	4,154,289	-	-	-	-	4,154,289
Increase (Decrease) in Net Position	2,427,870	67,670	937,352	5,185,705	(84,072)	8,534,525
Net Position, Beginning of Year	315,560,638	508,979	79,623,526	(18,665,933)	442,852	377,470,062
Adjustment to Beginning Net Position	(7,144,140)	-	-	-	-	(7,144,140)
Net Position, Beginning of Year, as Restated	308,416,498	508,979	79,623,526	(18,665,933)	442,852	370,325,922
Net Position, End of Year	$ 310,844,368	$ 576,649	$ 80,560,878	$ (13,480,228)	$ 358,780	$ 378,860,447

22. Subsequent Events

In July 2019, the University entered into two Energy Equipment Lease/Purchase agreements for $8,716,000 and $8,841,350, respectively, for the purpose of replacing aging equipment, improve utility efficiency and to reduce annual maintenance costs.

In November 2019, the Finance Corporation issued $68.2 million in Capital Improvement Revenue Bonds (Student Housing Project), Series 2019B for the purpose of constructing new state-of-art housing facilities on the Boca and Jupiter campuses.

Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

	2018 (1)	**2017** (1)	**2016** (1)
University's proportion of the total other postemployment benefits liability	1.68%	1.68%	1.65%
University's proportionate share of the total other postemployment benefits liability	$ 177,266,000	$ 181,529,000	$ 195,051,000
University's covered-employee payroll	$ 223,425,863	$ 205,900,798	$ 182,835,559
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	79.34%	88.16%	106.68%

(1) The amounts presented for each fiscal year were determined as of June 30.

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Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)
University's proportion of the FRS net pension liability	0.335081173%	0.305479393%	0.284295076%	0.286843379%
University's proportionate share of the FRS net pension liability	$ 100,897,172	$ 90,358,755	$ 71,784,730	$ 37,049,671
University's covered payroll (2)	$ 223,425,863	$ 205,900,798	182,835,559	$ 172,516,889
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	45.16%	43.88%	39.26%	21.48%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of University Contributions – Florida Retirement System Pension Plan

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
Contractually required FRS contribution	$ 10,424,327	$ 9,549,544	$ 7,952,381	$ 6,932,989
FRS contributions in relation to the contractually required contribution	(10,424,327)	(9,549,544)	(7,952,381)	(6,932,989)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 236,092,648	$ 223,425,863	$ 205,900,798	$ 182,835,559
FRS contributions as a percentage of covered payroll	4.42%	4.27%	3.86%	3.79%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

	2014 (1)	**2013** (1)
	0.268741487%	0.205028713%
	$ 16,397,183	$ 35,294,567
	$ 171,154,757	$ 161,228,170
	9.58%	21.89%
	96.09%	88.54%

	2015 (1)	**2014** (1)
	$ 6,993,485	$ 5,886,579
	(6,993,485)	(5,886,579)
	$ -	$ -
	$ 172,516,889	$ 171,154,757
	4.05%	3.44%

Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)
University's proportion of the HIS net pension liability	0.241054998%	0.230589109%	0.222100831%	0.224309818%
University's proportionate share of the HIS net pension liability	$ 25,513,532	$ 24,655,651	$ 25,884,932	$ 22,876,073
University's covered payroll (2)	$ 77,121,704	$ 72,121,462	$ 60,852,426	$ 67,036,627
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.08%	34.19%	42.54%	34.12%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
Contractually required HIS contribution	$ 1,343,595	$ 1,307,247	$ 1,220,334	$ 1,138,408
HIS contributions in relation to the contractually required HIS contribution	(1,343,595)	(1,307,247)	(1,220,334)	(1,138,408)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 80,279,611	$ 77,121,704	$ 72,121,462	$ 60,852,426
HIS contributions as a percentage of covered payroll	1.67%	1.70%	1.69%	1.87%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

	2014 (1)	2013 (1)
	0.222149140%	0.229169248%
	$ 20,771,487	$ 19,952,196
	$ 65,674,496	$ 66,275,325
	31.63%	30.11%
	0.99%	1.78%

	2015 (1)	2014 (1)
	$ 857,452	$ 761,008
	(857,452)	(761,008)
	$ -	$ -
	$ 67,036,627	$ 65,674,496
	1.28%	1.16%

1. Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The discount rate as of the measurement date for GASB Statement No. 75 purposes was changed to 3.87 percent. The prior GASB Statement No. 75 report used 3.58 percent. The GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of June 28, 2018.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The long-term expected rate of return was decreased from 7.10 percent to 7.00 percent, and the active member mortality assumption was updated.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 3.58 percent to 3.87 percent.

Sherrill F. Norman, CPA
Auditor General

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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 Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 24, 2020, 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 from 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 this report is solely to describe the scope of our testing of internal control and compliance and the results 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 communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2020