

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

UNIVERSITY OF NORTH FLORIDA

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2020-21 fiscal year, Dr. David M. Szymanski served as President of the University of North Florida and the following individuals served as Members of the Board of Trustees:

Kevin E. Hyde, Chair	John Gol from 6-23-21
Sharon Wamble-King through 6-22-21, Vice Chair ^a	Wilfredo J. Gonzalez through 10-21-20
Jason Barrett from 3-12-21	Adam Hollingsworth through 3-11-21
Selma Besirevic from 4-15-21 ^b	Stephen C. Joost
Thomas A. Bryan	Christopher Lazzara from 10-22-20
Major General Douglas Burnett (Ret.)	Paul E. McElroy
Jill Smith Davis	Nik Patel
Dr. Anne T. Egan	Ally Schneider through 4-14-21 ^b
Dr. David Fenner through 8-5-20 ^c	Dr. John White from 8-6-20 ^c

^a Vice Chair position vacant from 6-23-21, through 6-30-21.

^b Student Body President.

^c Faculty Association President (equivalent to faculty senate chair referred to in Section 1001.71(1), Florida Statutes).

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 Nabila Singh and the audit was supervised by Dennis W. Gay, 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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UNIVERSITY OF NORTH FLORIDA
TABLE OF CONTENTS

	<u>Page No.</u>	
SUMMARY	i	
INDEPENDENT AUDITOR'S REPORT	1	
Report on the Financial Statements	1	
Other Reporting Required by <i>Government Auditing Standards</i>	3	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4	
BASIC FINANCIAL STATEMENTS		
Statement of Net Position	16	
Statement of Revenues, Expenses, and Changes in Net Position	19	
Statement of Cash Flows	20	
Notes to Financial Statements	22	
OTHER REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability	61	
Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	62	
Schedule of University Contributions – Florida Retirement System Pension Plan	62	
Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	64	
Schedule of University Contributions – Health Insurance Subsidy Pension Plan	64	
Notes to Required Supplementary Information	66	
SUPPLEMENTARY INFORMATION		
Schedules of Receipts and Expenditures City of Jacksonville Grant Funds – Budget and Actual	67	
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 <i>GOVERNMENT AUDITING STANDARDS</i>		69
Internal Control Over Financial Reporting	69	
Compliance and Other Matters	70	
Purpose of this Report	70	

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the University of North Florida (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 the University of North Florida 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, 2021. 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 the University of North Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2021, 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 University of North Florida Financing Corporation, a blended component unit, represent 5 percent, 2 percent, 30 percent, and 1 percent, respectively, of the assets, deferred outflows of resources, liabilities, and expenses reported for the University of North Florida. 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 the University of North Florida and of its aggregate discretely presented component units as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of North Florida's basic financial statements. The accompanying **Schedules of Receipts and Expenditures City of Jacksonville Grant Funds – Budget and Actual**, as listed in the table of contents, are presented for purposes of additional analysis as required by the Ordinance Code of the City of Jacksonville (Chapter 118, Part 2) and are not a required part of the basic financial statements.

The **Schedules of Receipts and Expenditures City of Jacksonville Grant Funds – Budget and Actual** are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **Schedules of Receipts and Expenditures City of Jacksonville Grant Funds – Budget and Actual** are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022, on our consideration of the University of North Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 University of North Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 15, 2022

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, 2021, 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, 2021, and June 30, 2020.

FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled \$702.8 million at June 30, 2021. This balance reflects a \$32 million, or 4.8 percent, increase as compared to the 2019-20 fiscal year, resulting primarily from increases in investments and deferred outflows of pension resources and other postemployment benefits (OPEB). While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by \$29.1 million, or 6.6 percent, totaling \$472.8 million at June 30, 2021, resulting primarily from increases in net pension liability and deferred inflows of OPEB offset by a decrease in the OPEB payable. As a result, the University's net position increased by \$3 million, resulting in a year-end balance of \$230.1 million.

The University's operating revenues totaled \$139.5 million for the 2020-21 fiscal year, representing a 12.2 percent increase compared to the 2019-20 fiscal year due mainly to an increase in Federal grants. Operating expenses totaled \$351.2 million for the 2020-21 fiscal year, representing an increase of 10.4 percent as compared to the 2019-20 fiscal year due mainly to an increase in compensation and employee benefits, services and supplies, and scholarships and fellowships.

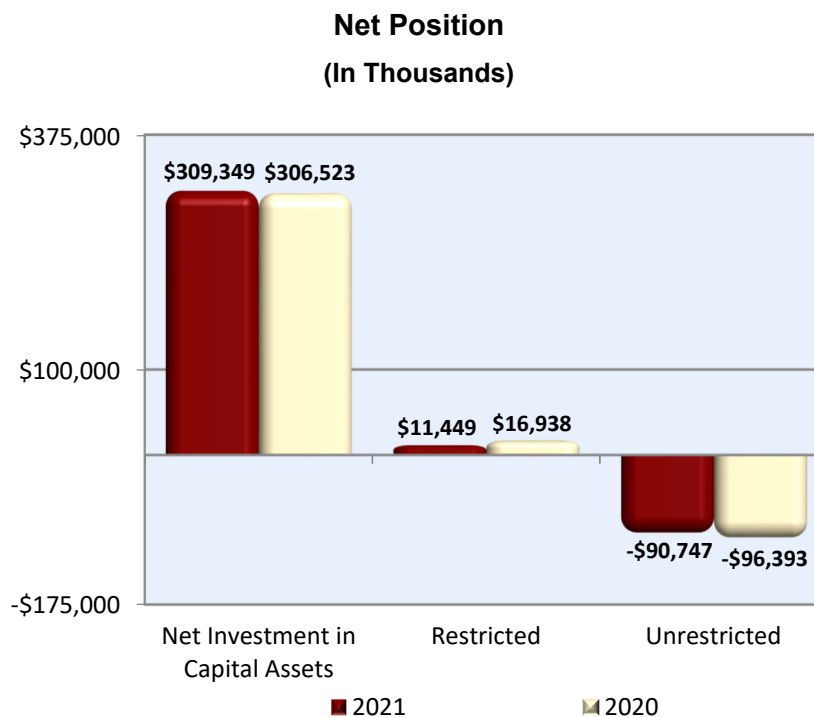
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University had a deficit in the unrestricted net position of \$74.9 million and its blended component unit had a deficit net position of \$15.8 million, or a total deficit unrestricted net position of \$90.7 million. The deficit in the University's unrestricted net position was primarily the result of recording long-term liabilities within the unrestricted operating funds as required by the Governmental Accounting Standards Board for the OPEB liability (\$135.6 million), the pension liability (\$96.9 million), and the compensated absences liability (\$20.7 million) that will be paid over time and financed by future appropriations. The following table shows the items comprising the difference between the University's ending net position before amount to be funded by future State appropriations and the University's unrestricted ending net position:

Unrestricted Net Position

(In Thousands)

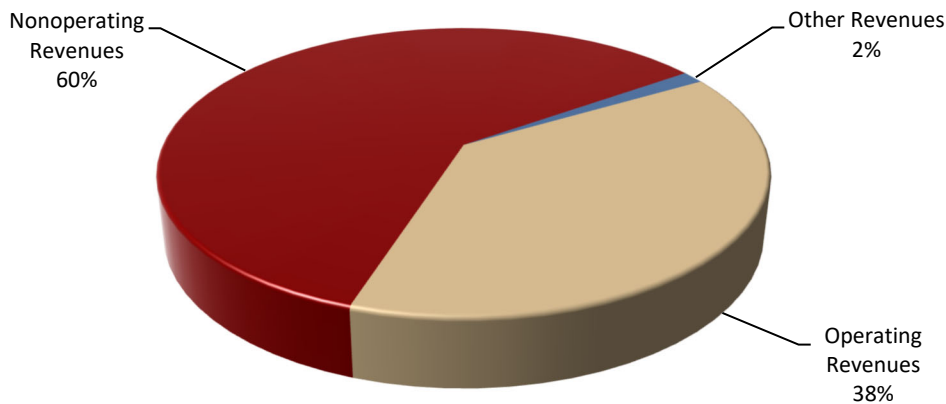
	Amount
Ending Net Position Before Amount to be Funded by Future State Appropriations	\$ 164,858
Less Amount to be Funded by Future State Appropriations:	
Compensated Absences Liability	\$ (20,693)
Other Postemployment Benefits Payable	(135,565)
Florida Retirement System Net Pension Liability	(75,672)
Health Insurance Subsidy Net Pension Liability	(21,236)
Deferred Outflows Related to Other Postemployment Benefits	45,740
Deferred Outflows Related to Pensions	33,673
Deferred Inflows Related to Other Postemployment Benefits	(62,895)
Deferred Inflows Related to Pensions	(3,171)
Total Amount to be Funded by Future State Appropriations	(239,819)
University's Unrestricted Net Position	(74,961)
Blended Component Unit's Unrestricted Net Position	(15,786)
Total Ending Unrestricted Net Position	\$ (90,747)

The University's comparative total net position by category for the fiscal years ended June 30, 2021, and June 30, 2020, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2020-21 fiscal year:

Total Revenues 2020-21 Fiscal Year



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to the Governmental Accounting Standards Board (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:

- University of North Florida Financing Corporation, Inc. (Financing Corporation)
- University of North Florida Foundation, Inc. (Foundation)
- The University of North Florida Training and Service Institute, Inc. (TSI)
- Museum of Contemporary Art Jacksonville, Inc. (MOCA)

Based on the application of the criteria for determining component units, the Financing Corporation is included within the University reporting entity as a blended component unit, and the Foundation, TSI, and MOCA are included within the University reporting entity as discretely presented component units.

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)

	2021	2020
Assets		
Current Assets	\$ 176,946	\$ 154,448
Capital Assets, Net	439,708	444,867
Other Noncurrent Assets	4,786	6,550
Total Assets	621,440	605,865
Deferred Outflows of Resources	81,382	64,919
Liabilities		
Current Liabilities	43,414	32,266
Noncurrent Liabilities	363,291	378,018
Total Liabilities	406,705	410,284
Deferred Inflows of Resources	66,066	33,432
Net Position		
Net Investment in Capital Assets	309,349	306,523
Restricted	11,449	16,938
Unrestricted	(90,747)	(96,393)
Total Net Position	\$ 230,051	\$ 227,068

Total assets increased \$15.6 million in the 2020-21 fiscal year due primarily to a \$25.2 million increase in investments from operating and nonoperating income, offset by a \$5.2 million decrease in net capital assets, and a \$4.5 million decrease in due from State for capital appropriations. Additionally, deferred outflows of resources increased by \$16.5 million, due mainly to a \$14.5 million increase in the deferred outflows of resources related to OPEB and a \$2 million increase in the deferred outflows of resources related to pensions, due to changes in actuarially determined amounts to be reported as of June 30, 2021. These increases were offset mainly by an increase of \$32.6 million in the actuarially determined deferred inflows of resources related to OPEB and pensions and a \$3.6 million decrease in total liabilities.

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 2020-21 and 2019-20 fiscal years:

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

(In Thousands)

	2020-21	2019-20
Operating Revenues	\$ 139,484	\$ 124,341
Less, Operating Expenses	351,204	318,217
Operating Loss	(211,720)	(193,876)
Net Nonoperating Revenues	209,668	186,186
Loss Before Other Revenues	(2,052)	(7,690)
Other Revenues	5,035	3,263
Net Increase (Decrease) In Net Position	2,983	(4,427)
Net Position, Beginning of Year	227,068	231,495
Net Position, End of Year	\$ 230,051	\$ 227,068

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 2020-21 and 2019-20 fiscal years:

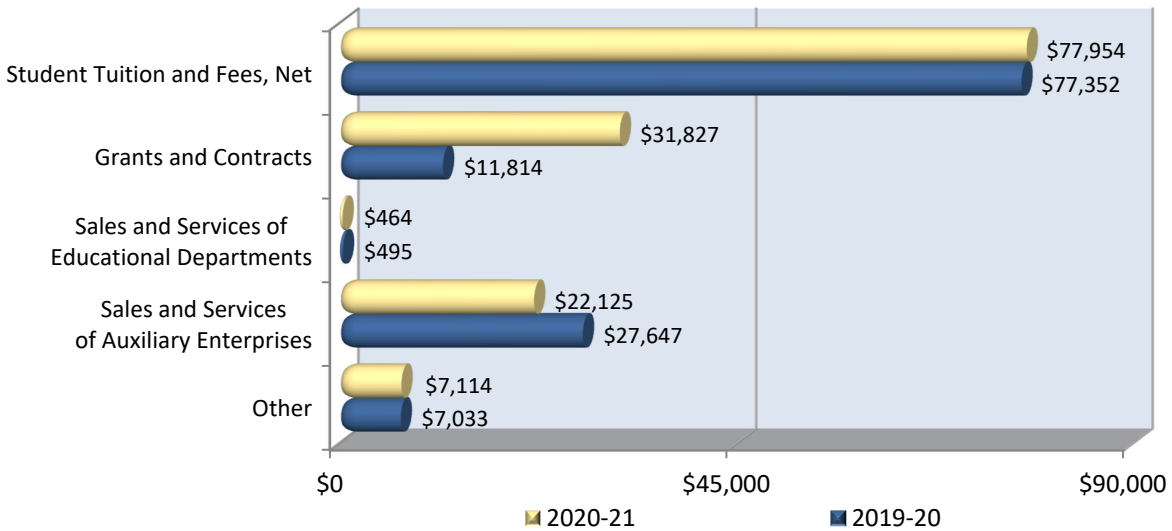
**Operating Revenues
For the Fiscal Years**

(In Thousands)

	2020-21	2019-20
Student Tuition and Fees, Net	\$ 77,954	\$ 77,352
Grants and Contracts	31,827	11,814
Sales and Services of Educational Departments	464	495
Sales and Services of Auxiliary Enterprises	22,125	27,647
Other	7,114	7,033
Total Operating Revenues	\$ 139,484	\$ 124,341

The following chart presents the University's operating revenues for the 2020-21 and 2019-20 fiscal years:

Operating Revenues
(In Thousands)



The University’s overall operating revenues increased by \$15.1 million, or 12.2 percent, primarily as a result of a \$21.9 million increase in Federal grants and contracts, which were impacted by funding provided by the Higher Education Emergency Relief Fund (HEERF) and the School Readiness Technology Assistance grant. This was offset primarily by a decrease in sales and services of auxiliary enterprises which were impacted by COVID-19.

Operating Expenses

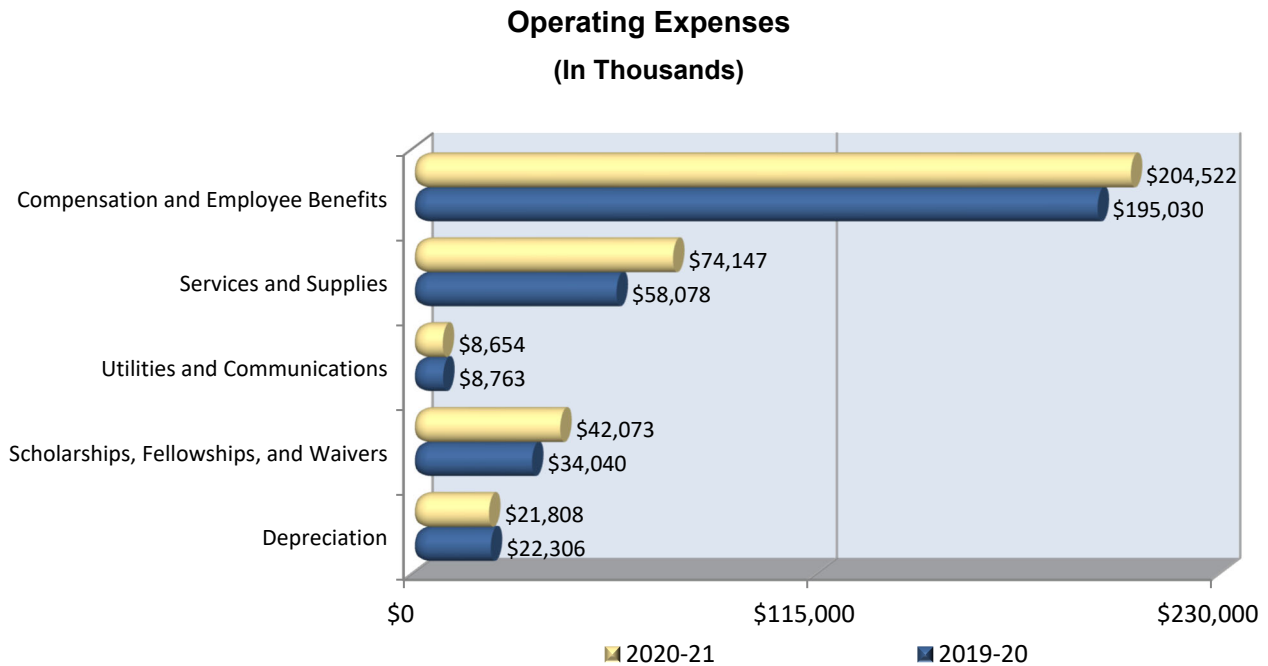
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University 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 2020-21 and 2019-20 fiscal years:

Operating Expenses
For the Fiscal Years
(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Compensation and Employee Benefits	\$ 204,522	\$ 195,030
Services and Supplies	74,147	58,078
Utilities and Communications	8,654	8,763
Scholarships, Fellowships, and Waivers	42,073	34,040
Depreciation	21,808	22,306
Total Operating Expenses	<u>\$ 351,204</u>	<u>\$ 318,217</u>

The following chart presents the University's operating expenses for the 2020-21 and 2019-20 fiscal years:



The University's overall operating expenses increased by \$33 million, or 10.4 percent, partly as a result of an increase in services and supplies of \$16.1 million, an increase in compensation and employee benefits of \$9.5 million, and an \$8 million increase in scholarships and fellowships. This was offset primarily by a \$0.5 million decrease in depreciation expense.

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 2020-21 and 2019-20 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years
(In Thousands)

	2020-21	2019-20
State Noncapital Appropriations	\$ 128,172	\$ 120,387
Federal and State Student Financial Aid	58,048	51,762
Investment Income (Loss)	(972)	7,823
Other Nonoperating Revenues	32,907	14,993
Loss on Disposal of Capital Assets	(137)	(8)
Interest on Capital Asset-Related Debt	(4,935)	(5,246)
Other Nonoperating Expenses	(3,415)	(3,525)
Net Nonoperating Revenues	\$ 209,668	\$ 186,186

Net nonoperating revenues increased by \$23.5 million, or 12.6 percent, as compared to the 2019-20 fiscal year as a result of increases of \$7.8 million in State noncapital appropriations, \$6.3 million in Federal and State student financial aid, and \$17.9 million in other nonoperating revenues resulting primarily from HEERF funding and athletic distributions and reimbursements. These increases were offset by an \$8.8 million decrease in investment income resulting primarily from an increase in unrealized losses on investments.

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 2020-21 and 2019-20 fiscal years:

Other Revenues For the Fiscal Years (In Thousands)		
	2020-21	2019-20
State Capital Appropriations	\$ 2,397	\$ 2,081
Capital Grants, Contracts, Donations, and Fees	2,638	1,182
Total	\$ 5,035	\$ 3,263

Other revenues increased \$1.8 million, or 54.3 percent, primarily due to a \$1.5 million increase in capital grants, contracts, and donations to fund various construction projects.

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 and related 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 2020-21 and 2019-20 fiscal years:

**Condensed Statement of Cash Flows
For the Fiscal Years
(In Thousands)**

	2020-21	2019-20
Cash Provided (Used) by:		
Operating Activities	\$(167,020)	\$(154,267)
Noncapital Financing Activities	215,121	185,748
Capital and Related Financing Activities	(20,188)	(18,698)
Investing Activities	(26,303)	(12,709)
Net Increase in Cash and Cash Equivalents	1,610	74
Cash and Cash Equivalents, Beginning of Year	13,260	13,186
Cash and Cash Equivalents, End of Year	\$ 14,870	\$ 13,260

Major sources of funds from operating activities were from net student tuition and fees of \$77.7 million, Federal, State, and local grants and contracts of \$34.4 million, sales and services of auxiliary enterprises of \$21.1 million, and other operating receipts of \$7.8 million. There was a significant increase of \$27.1 million in cash provided by Federal, State, and local grants and contracts primarily due to HEERF funding. Major uses of funds were for payments made to and on behalf of employees totaling \$183.4 million, payments to suppliers totaling \$83 million, and payments to and on behalf of students for scholarships totaling \$42.1 million. The increase in net cash used by operating activities was primarily due to increases in payments to suppliers of \$16.2 million, payments to employees of \$8.5 million, payments to students of \$8 million, and a decrease in cash provided by sales and services of auxiliary enterprises of \$7.2 million.

Major sources of funds from noncapital financing activities are from State noncapital appropriations of \$128.2 million, Federal and State student financial aid of \$58 million, Federal Direct Loan program receipts of \$38.4 million, and other nonoperating receipts of \$29.1 million. The major use of funds was for the Federal Direct Loan program disbursements of \$38.4 million. The increase in net cash provided by noncapital financing activities was primarily due to increases in other nonoperating receipts of \$18 million caused by an increase in COVID-19 departmental reimbursements, State noncapital appropriations of \$7.8 million, and Federal and State student financial aid of \$6.3 million.

Major sources of funds from capital and related financing activities are from State capital appropriations of \$6.9 million. Major uses of funds were for the purchase or construction of capital assets of \$16.7 million, principal paid on capital debt and leases of \$7.9 million, and interest paid on capital debt and leases of \$5 million.

Investing activities used \$26.3 million in net cash for purchases of investments.

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

Capital Assets

At June 30, 2021, the University had \$807.6 million in capital assets, less accumulated depreciation of \$367.9 million, for net capital assets of \$439.7 million. Depreciation charges for the current fiscal year

totaled \$21.8 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)		
	2021	2020
Land	\$ 20,929	\$ 20,929
Construction in Progress	16,439	18,993
Buildings	362,445	367,604
Infrastructure and Other Improvements	29,685	26,214
Furniture and Equipment	7,510	8,325
Library Resources	98	137
Property Under Capital Leases and Leasehold Improvements	2,522	2,349
Computer Software	80	316
Capital Assets, Net	\$ 439,708	\$ 444,867

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, 2021, were incurred for the Competition Pool project, the Campus Wireless Upgrade project, and the Track and Field Improvements project. Major capital construction commitments included \$1.2 million for the Competition Pool, \$2.1 million for the Campus Wireless Upgrade, and \$1.6 million for the Track and Field Improvements projects. The University's total construction commitments at June 30, 2021, are as follows:

	Amount
	(In Thousands)
Total Committed	\$ 23,080
Completed to Date	16,439
Balance Committed	\$ 6,641

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

Debt Administration

As of June 30, 2021, the University had \$132.3 million in outstanding bonds payable, capital improvement debt payable, loans and notes payable, and capital leases payable, representing a decrease of \$8.1 million, or 5.8 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	<u>2021</u>	<u>2020</u>
Bonds Payable	\$ 74,140	\$ 78,314
Capital Improvement Debt	11,070	11,590
Loans and Notes Payable	46,910	50,031
Installment Purchase Payable	-	71
Capital Leases Payable	208	424
Total	<u>\$ 132,328</u>	<u>\$ 140,430</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a decrease of \$2.6 million in State funding is anticipated in the 2021-22 fiscal year. The Florida Legislature's adopted budget for the 2021-22 fiscal year provided \$74 million from educational and general funds and \$23.3 million from the Educational Enhancement Trust Fund. Subsequently, the Florida Board of Governors also allocated \$27.3 million in performance-based funding to the University for the 2021-22 fiscal year. Also, the University will receive \$2.4 million from the Capital Improvement Trust Fund for the natural trail boardwalk and bridge repairs, and recreational facilities improvements and repairs. University of North Florida administration and Board of Trustees set aside funds for a one-time lump sum payment of \$1,500 for all budgeted employees.

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 the Vice President for Administration and Finance, University of North Florida, 1 UNF Drive, Building 53, Hicks Hall, Suite 2200, Jacksonville, Florida 32224-2648.

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BASIC FINANCIAL STATEMENTS

UNIVERSITY OF NORTH FLORIDA A Component Unit of the State of Florida Statement of Net Position

June 30, 2021

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,158,835.88	\$ 7,229,883.00
Investments	150,010,006.99	-
Accounts Receivable, Net	13,092,097.67	3,018,756.00
Loan Receivable from Component Unit	50,000.00	-
Loans and Notes Receivable, Net	-	1,045,940.00
Restricted Pledges Receivable, Net	-	1,804,627.00
Due from State	3,231,340.91	-
Inventories	246,689.96	73,905.00
Other Current Assets	157,077.64	95,182.00
Total Current Assets	176,946,049.05	13,268,293.00
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,711,150.90	5,347,524.00
Investments	-	299,109.00
Restricted Investments	-	158,102,088.00
Loan Receivable from Component Unit	75,000.00	-
Loans and Notes Receivable, Net	-	4,426,500.00
Restricted Pledges Receivable, Net	-	3,112,066.00
Depreciable Capital Assets, Net	402,339,565.85	9,007,646.00
Nondepreciable Capital Assets	37,368,467.21	12,537,556.00
Other Noncurrent Assets	-	632,990.00
Total Noncurrent Assets	444,494,183.96	193,465,479.00
Total Assets	621,440,233.01	206,733,772.00
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	45,739,559.15	-
Pensions	33,672,729.00	-
Deferred Amount on Debt Refunding	1,969,573.95	-
Total Deferred Outflows of Resources	81,381,862.10	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,595,072.36	2,170,585.00
Construction Contracts Payable	1,886,562.86	-
Salary and Wages Payable	5,113,418.43	-
Deposits Payable	7,903,805.71	-
Unearned Revenue	249,459.97	669,360.00
Accrued Interest Payable	806,982.22	630,092.00
Long-Term Liabilities - Current Portion:		
Unearned Revenue	850,783.11	-
Bonds Payable	4,075,000.00	-
Capital Improvement Debt Payable	11,070,000.00	-
Loans and Notes Payable	3,255,857.76	1,276,571.00
Loan Payable to the University	-	50,000.00
Capital Leases Payable	177,429.04	-
Compensated Absences Payable	1,862,326.78	469,806.00
Other Postemployment Benefits Payable	1,908,729.32	-
Net Pension Liability	657,897.00	-
Total Current Liabilities	43,413,324.56	5,266,414.00

	<u>University</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Unearned Revenue	803,914.38	-
Bonds Payable	70,065,221.65	-
Loans and Notes Payable	43,654,390.25	3,527,000.00
Loan Payable to the University	-	75,000.00
Capital Leases Payable	30,678.28	-
Compensated Absences Payable	18,830,193.01	-
Other Postemployment Benefits Payable	133,655,857.68	-
Net Pension Liability	96,250,964.00	-
Total Noncurrent Liabilities	<u>363,291,219.25</u>	<u>3,602,000.00</u>
Total Liabilities	<u>406,704,543.81</u>	<u>8,868,414.00</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	62,894,942.15	-
Pensions	3,171,319.00	-
Total Deferred Inflows of Resources	<u>66,066,261.15</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	309,349,030.03	16,993,755.00
Restricted for Nonexpendable:		
Endowment	-	149,263,491.00
Restricted for Expendable:		
Debt Service	312,206.16	-
Capital Projects	7,360,774.59	-
Other	3,776,550.98	28,377,851.00
Unrestricted	<u>(90,747,271.61)</u>	<u>3,230,261.00</u>
TOTAL NET POSITION	<u>\$ 230,051,290.15</u>	<u>\$ 197,865,358.00</u>

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

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UNIVERSITY OF NORTH FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$41,922,516.45 (\$1,819,404.14 Pledged for the Student Union Revenue Bonds and \$1,263,192.41 Pledged for the Student Wellness Center Revenue Bonds)	\$ 77,953,598.51	\$ -
Federal Grants and Contracts	28,808,344.23	-
State and Local Grants and Contracts	1,561,655.51	-
Nongovernmental Grants and Contracts	1,457,219.47	-
Sales and Services of Educational Departments	464,145.76	-
Sales and Services of Auxiliary Enterprises (\$13,228,812.72 Pledged for Housing Facility Revenue Bonds and \$1,888,030.50 Pledged for the Parking System Revenue Bonds)	22,125,045.75	-
Other Operating Revenues	7,113,889.61	52,317,577.00
Total Operating Revenues	139,483,898.84	52,317,577.00
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	204,521,721.70	1,228,082.00
Services and Supplies	74,146,271.93	28,842,864.00
Utilities and Communications	8,654,100.06	-
Scholarships, Fellowships, and Waivers	42,073,437.51	-
Depreciation	21,808,217.75	975,546.00
Total Operating Expenses	351,203,748.95	31,046,492.00
Operating Income (Loss)	(211,719,850.11)	21,271,085.00
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	128,171,485.00	-
Federal and State Student Financial Aid	58,048,195.92	-
Investment Income (Loss)	(972,028.25)	690,992.00
Other Nonoperating Revenues	32,906,693.24	15,909,456.00
Loss on Disposal of Capital Assets	(136,896.60)	-
Interest on Capital Asset-Related Debt	(4,934,505.30)	(210,242.00)
Other Nonoperating Expenses	(3,415,425.95)	-
Net Nonoperating Revenues	209,667,518.06	16,390,206.00
Income (Loss) Before Other Revenues	(2,052,332.05)	37,661,291.00
State Capital Appropriations	2,397,673.00	-
Capital Grants, Contracts, Donations, and Fees	2,638,337.89	-
Additions to Permanent Endowments	-	1,496,687.00
Increase in Net Position	2,983,678.84	39,157,978.00
Net Position, Beginning of Year	227,067,611.31	158,707,380.00
Net Position, End of Year	\$ 230,051,290.15	\$ 197,865,358.00

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

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

For the Fiscal Year Ended June 30, 2021

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 77,735,327.63
Grants and Contracts	34,409,835.80
Sales and Services of Educational Departments	464,145.76
Sales and Services of Auxiliary Enterprises	21,125,543.44
Payments to Employees	(183,431,233.47)
Payments to Suppliers for Goods and Services	(83,017,930.47)
Payments to Students for Scholarships and Fellowships	(42,073,437.51)
Other Operating Receipts	7,767,770.70
	(167,019,978.12)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	128,171,485.00
Federal and State Student Financial Aid	58,048,195.92
Federal Direct Loan Program Receipts	38,370,508.00
Federal Direct Loan Program Disbursements	(38,370,508.00)
Net Change in Funds Held for Others	(175,475.25)
Other Nonoperating Receipts	29,076,444.60
	215,120,650.27
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	6,916,379.00
Capital Grants, Contracts, Donations and Fees	2,359,751.18
Proceeds from Sale of Capital Assets	60,380.00
Purchase or Construction of Capital Assets	(16,677,615.47)
Principal Paid on Capital Debt and Leases	(7,862,199.57)
Interest Paid on Capital Debt and Leases	(4,984,277.70)
	(20,187,582.56)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	35,950,000.00
Purchases of Investments	(65,660,582.55)
Investment Income	3,407,584.84
	(26,302,997.71)
Net Increase in Cash and Cash Equivalents	1,610,091.88
Cash and Cash Equivalents, Beginning of Year	13,259,894.90
Cash and Cash Equivalents, End of Year	\$ 14,869,986.78

	<u>University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (211,719,850.11)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	21,808,217.75
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	2,859,298.12
Inventories	(20,851.72)
Loan Receivable from Component Unit	50,000.00
Other Current Assets	(23,509.61)
Accounts Payable	(173,197.15)
Salary and Wages Payable	627.95
Deposits Payable	(197,118.11)
Compensated Absences Payable	2,063,866.27
Unearned Revenue	(693,455.52)
Other Postemployment Benefits Payable	(12,034,790.00)
Net Pension Liability	15,005,460.00
Deferred Outflows of Resources Related to Other Postemployment Benefits	(14,541,030.20)
Deferred Inflows of Resources Related to Other Postemployment Benefits	35,214,645.21
Deferred Outflows of Resources Related to Pensions	(2,037,469.00)
Deferred Inflows of Resources Related to Pensions	(2,580,822.00)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (167,019,978.12)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (4,507,953.50)
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.	\$ (136,896.60)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 278,586.71

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 Annual Comprehensive Financial Report by discrete presentation.

Blended Component Unit. Although it is legally separate from the University, the University of North Florida Financing Corporation, Inc. (Financing Corporation) is included within the University's reporting entity as a blended component unit. The Financing Corporation was created in October 2005 as a not-for-profit entity organized to receive, hold, invest, and administer property and to issue revenue bonds or other forms of indebtedness (finance or refinance capital projects) with the associated expenditures and debt service, exclusively for the University. An annual audit of the Financing Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Financing Corporation, including copies of its audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University in achieving excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. Florida 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:

- University of North Florida Foundation, Inc. (Foundation) solicits, invests, administers, and distributes private gifts for the funding of activities and facilities directly related to the mission, role, and scope of the University. This organization provides funding and services to support and foster the pursuit of higher education at the University. Although the Foundation is chartered as a private not-for-profit corporation, it operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. The Foundation does not serve any private causes, but generally benefits the public.
- The University of North Florida Training and Service Institute, Inc. (TSI) conducts, accounts for, and reports on special educational and training programs and related specialized activities. TSI was organized for the purpose of providing training and service to assist the University in achieving excellence by providing supplemental resources from external sources and to provide valuable educational support services. In March 2010, the TSI Board of Directors met and approved the formation of UNF TSI Investments, LLC, as a wholly-owned Florida limited liability corporation.
- Museum of Contemporary Art Jacksonville, Inc. (MOCA) operates a museum of contemporary art which also provides visual arts education and cultural resources to the University in furtherance of its mission and operations, and the University may add its own educational and outreach programs. MOCA serves the community and its visitors through exhibitions, collections, educational programs, and publications designed to enhance an understanding and appreciation of modern and contemporary art with particular emphasis of works created from 1960 to the present.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report for each organization is 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 University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

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. 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 and follow GASB standards of accounting and financial reporting.

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 (net of unrealized gains or losses on investments). 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, using 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, cash in demand accounts, and money market funds. 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. The University and its blended component unit, the Financing Corporation, hold \$15,718,597.22 in money market funds which are permissible under the University's investment policy and were rated AAAm/Aaa-mf by Standard & Poor's and Moody's Investors Service, respectively. 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.

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, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and at acquisition value for 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 \$5,000 for tangible personal property, \$100,000 for new buildings and building improvements, and \$4,000,000 for computer software. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 5 to 40 years
- Infrastructure and Other Improvements – 5 to 20 years
- Furniture and Equipment:
 - Equipment (Nonoffice) – 5 to 15 years
 - Computer Equipment – 2 to 10 years
 - Moveable Equipment – 3 to 20 years
- Library Resources – 5 to 10 years
- Property Under Capital Leases and Leasehold Improvements – 5 to 15 years
- Computer Software – 4 to 5 years

Capital assets of the University's discretely presented component units, if applicable, are recorded at cost. Donated items are stated at independent appraisal or estimated value at the date of donation. Depreciation is computed using the straight-line basis over the following estimated useful lives of the assets, as follows:

- Buildings – 25 years
- Leasehold Improvements – 5 to 20 years
- Furniture and Equipment – 3 to 10 years

Noncurrent Liabilities. Noncurrent liabilities include unearned revenue, bonds payable, loans and notes payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and net pension liability that are not scheduled to be paid within the next fiscal year. Bonds

payable are reported net of unamortized premiums. The University amortizes debt premiums 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. Deficit Net Position in Individual Funds

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$(149,051,933.02)
Auxiliary Funds	<u>58,304,661.41</u>
Total	<u>\$ (90,747,271.61)</u>

3. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The 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, 2021, are valued using quoted market prices (Level 1 inputs), with the exception of corporate bonds and notes and Obligations of United States Government Agencies and Instrumentalities which are valued daily using available market pricing information, including benchmarking processes, sector groupings, and matrix pricing (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2021, are reported as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 44,954,200.44	\$ -	\$ -	\$ 44,954,200.44
United States Treasury Securities	40,277,563.88	40,277,563.88	-	-
Obligations of United States Government Agencies and Instrumentalities	4,529,083.84	-	4,529,083.84	-
Bonds and Notes	60,249,158.83	-	60,249,158.83	-
Total investments by fair value level	\$150,010,006.99	\$ 40,277,563.88	\$ 64,778,242.67	\$ 44,954,200.44

External Investment Pools.

The University reported investments at fair value totaling \$44,954,200.44 at June 30, 2021, in the State Treasury Special Purpose Investment Account (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 2.6 years, and fair value factor of 0.984 at June 30, 2021. 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 Annual Comprehensive Financial Report.

Other Investments.

The University's other investments consisted of various debt securities totaling \$105,055,806.55 at June 30, 2021. The following risks apply to those University investments.

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The University's investment policy generally requires that the investment portfolio be maintained with short-term maturities to provide sufficient liquidity to pay obligations as they come due, based on anticipated cash-flow requirements, and includes certain restrictions on specific investment durations up to a maximum of 10 years. Investment maturities at June 30, 2021, were as follows:

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10
United States Treasury Securities	\$ 40,277,563.88	\$ 4,718,329.26	\$ 27,627,680.54	\$ 7,931,554.08
Obligations of United States Government Agencies and Instrumentalities	4,529,083.84	-	4,529,083.84	-
Bonds and Notes	60,249,158.83	9,645,473.85	42,939,695.92	7,663,989.06
Total	\$105,055,806.55	\$ 14,363,803.11	\$ 75,096,460.30	\$ 15,595,543.14

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. United States Treasury Securities or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2021, the University had \$40,277,563.88 of these investments. The University's investment policy requires that the portfolio provide specific types of investments that may be purchased, including credit quality guidelines, where applicable, and maintain a total average quality rating of "AA" or higher. At June 30, 2021, the University had obligations of United States Government agencies and instrumentalities and bonds and notes with quality ratings by nationally recognized rating agencies, as follows:

Investment Type	Fair Value	Credit Quality Rating (1)			
		AAA	AA	A	BBB+
Obligations of United States Government Agencies and Instrumentalities	\$ 4,529,083.84	\$ -	\$ 4,529,083.84	\$ -	\$ -
Bonds and Notes	60,249,158.83	1,230,574.02	19,082,812.03	38,130,739.53	1,805,033.25
Total	\$64,778,242.67	\$ 1,230,574.02	\$ 23,611,895.87	\$ 38,130,739.53	\$ 1,805,033.25

(1) The credit quality ratings are from Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the entity and are not registered in the entity's name. All University investments are held in safekeeping by a third-party custodian.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University policy states that a maximum of 5 percent of the Fund may be invested in securities of any single issuer, except that obligations of United States Government agencies and instrumentalities are not subject to the limitations.

Discretely Presented Component Units Investments.

Investments held by the University's discretely presented component units are reported at fair value and consist of United States Government and Federal agency securities, corporate bonds, various mutual funds holding domestic and foreign debt, equities, hedge funds, private equity funds, and real assets funds.

The Foundation reported investments totaling \$150,047,749. The Foundation's investment policy states equity securities will be broadly diversified (e.g., country, economic sector, industry, etc.) to minimize the impact during sudden and severe market downturns, as equity markets have historically displayed a high degree of such correlation during these periods. The role of hedge funds and private equity is to reduce the overall volatility of the equity fund performance. Fixed-income securities will be diversified among different sectors of the fixed-income market. The principal purpose of the fixed-income fund will be to reduce risk by reducing the overall volatility of the investment returns and to serve as a partial hedge against periods of prolonged economic contraction. The fixed-income objective is to preserve principal during periods of deflation, provide a source of current income, and reduce overall portfolio volatility. These portfolios are primarily domestically focused but do include exposure to international and emerging markets' debt as well. Decisions as to individual security selection, security size and quality, etc., will be left to broad manager discretion.

As of June 30, 2021, the Foundation had 91 percent (\$136,472,286) of its total portfolio invested in global equities and fixed-income funds, private equity funds and an absolute return fund. The Foundation's investments are subject to various risk factors including interest rate, credit, custodial credit, concentration of credit, and foreign currency risks, which are discussed in the following paragraphs. Additional information is contained in the Foundation's audit reports for the fiscal years ended June 30, 2021, and June 30, 2020, and may be obtained from the Director, University of North Florida TSI/Foundation Accounting, UNF Hall, Suite 2900, 1 UNF Drive, Jacksonville, Florida 32224-2648.

The TSI reported investments totaling \$280,729. The TSI's investment policy requires equity securities to be limited to investments in publicly traded securities on a major stock exchange or NASDAQ, with no more than 7 percent of the market value of an investment manager's equity portfolio invested in the shares of a single corporate issuer, and no more than 5 percent of the market value of the total equity portfolio invested in shares of companies that have been publicly traded for less than 1 year. For fixed income securities, the investment policy provides that securities be rated "A" or higher by Moody's Investors Service or Standard & Poor's rating services; no more than 10 percent of the market value of the total fixed income portfolio be invested in the securities of any single corporate issuer; no more than 20 percent of the market value of the total fixed income portfolio be invested in collateralized mortgage obligations (CMOs) and are restricted to those issues that are currently paying interest, receiving principal pay-downs, and do not contain leverage; and no more than 25 percent of the total fixed-income portfolio be invested in securities issued by foreign governments or corporations. There is no limit on investments in securities issued directly by the United States Government or any agency or instrumentality thereof. The TSI's investment policy prohibits investments in interest only or principal only CMOs, interest rate swaps, precious metals, limited partnerships of any kind, real estate, venture capital, futures contracts, or options contracts in individually managed portfolios. Trading on margin and short selling are also

prohibited. The TSI does not have a formal policy limiting the duration of mid-term and long-term investments.

MOCA reported investments totaling \$8,072,719. MOCA's investments consist of United States Treasury Securities.

On January 28, 1991, MOCA entered into a trust agreement with the State of Florida, Department of State, creating a \$600,000 fine arts endowment matching fund program. In managing the investments of the fine arts endowment fund, MOCA must comply with an established investment plan specified by the State of Florida, Department of State, which requires the preservation of the \$600,000 program fund. MOCA may expend funds generated from the endowment program fund only for operating costs incurred while engaged in programs directly related to fine arts activities. The balance of the endowment at June 30, 2021, was \$103,000, which is included in MOCA's investment total reported above, and in MOCA's restricted cash and cash equivalents.

The estimated fair value of the Foundation, TSI, and MOCA investments was based on valuations provided by external investment managers at June 30, 2021, and consisted of the following:

<u>Investment Type</u>	<u>Amount</u>
United States Government Bonds and Federal Agency Securities	\$ 8,711,034
Corporate Bonds	5,852,395
Fixed Income Mutual Funds	71,816
Equity Mutual Funds	1,427,131
Equities	35,226
Absolute Return Fund	15,296,555
Global Equities Fund	85,732,308
Global Fixed Income Fund	2,893,365
Hedge Funds	11,678
Private Equity Funds	32,550,058
Real Assets Fund	5,819,631
Total Foundation, TSI, and MOCA Investments	\$ 158,401,197

All of the University's discretely presented component units have provided additional information about fair value measurements which are based on the assumptions that market participants would use when pricing an asset or liability. A fair value hierarchy was established that prioritizes that information used to develop these assumptions.

The University's discretely presented component units' investments at June 30, 2021, are reported as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
United States Government Bonds and Federal Agency Securities	\$ 8,711,034	\$ -	\$ 8,711,034	\$ -
Corporate Bonds	5,852,395	-	5,852,395	-
Fixed Income Mutual Funds	71,816	71,816	-	-
Equity Mutual Funds	1,427,131	1,427,131	-	-
Equities	35,226	35,226	-	-
Total Foundation, TSI, and MOCA Investments by fair value level	16,097,602	\$ 1,534,173	\$ 14,563,429	\$ -
Investments measured at the net asset value (NAV)				
Absolute return funds	15,296,555			
Global equities funds	85,732,308			
Global fixed income funds	2,893,365			
Hedge funds	11,678			
Private equity funds	32,550,058			
Real assets funds	5,819,631			
Total investments measured at NAV	142,303,595			
Total Foundation, TSI, and MOCA Investments measured at fair value	\$ 158,401,197			

The valuation method for investments measured at the net asset value per share, or its equivalent, is presented in the following table:

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Absolute return funds	\$ 15,296,555	\$ -	Monthly, Quarterly, Semi-Annually, Annually, Biennially	3 - 90 days
Global equities funds	85,732,308	-	Daily, Monthly, and Quarterly	6 - 90 days
Global fixed income funds	2,893,365	-	Daily and Monthly	2 - 60 days
Hedge funds	11,678	-	Daily, Monthly, Quarterly, Semi-Annually, Annually, Biennially	30 - 105 days
Private equity funds	32,550,058	28,480,642	None	None
Real assets funds	5,819,631	-	Semi-Monthly, Monthly, Annually	5 - 60 days
Total investments measured at the NAV	\$ 142,303,595	\$ 28,480,642		

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Foundation, TSI, and MOCA do not have formal investments policies that limit the duration of investments. However, the University component units manage exposure to declines in fair value occurring from increasing interest rates through the specific identification method and maintaining diversification of investments and investment maturities so as to minimize the impact of downturns in the market. Investments of these component units by investment type and their future maturities at June 30, 2021, are as follows:

Investment Type	Investment Maturities (In Years)		
	Fair Value	Less Than 1	1-5
United States Government Bonds and Federal Agency Securities	\$ 8,711,034	\$ 376,762	\$ 8,334,272
Corporate Bonds	5,852,395	968,880	4,883,515
Total Foundation, TSI, and MOCA Investments	\$ 14,563,429	\$ 1,345,642	\$ 13,217,787

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation and MOCA have no formal investment policies on credit risk. The TSI's investment policy provides that fixed-income securities shall be rated "A" or higher by Moody's Investors Service or Standard & Poor's rating services. At June 30, 2021, the credit quality ratings of the component units' investments are as follows:

Investment Type	Fair Value	Credit Quality Rating (1)				
		AAA	AA	A	BBB	Unrated
United States Government Bonds and Federal Agency Securities	\$ 8,711,034	\$ 7,426,245	\$ 1,093,149	\$ -	\$ -	\$ 191,640
Corporate Bonds	5,852,395	160,846	1,141,391	3,960,301	589,857	-
Fixed Income Mutual Funds	71,816	-	-	57,416	-	14,400
Equity Mutual Funds	1,427,131	-	-	-	-	1,427,131
Equities	35,226	-	-	-	-	35,226
Absolute Return Fund	15,296,555	-	-	-	-	15,296,555
Global Equities Fund	85,732,308	-	-	-	-	85,732,308
Global Fixed Income Fund	2,893,365	-	-	-	-	2,893,365
Hedge Funds	11,678	-	-	-	-	11,678
Private Equity Funds	32,550,058	-	-	-	-	32,550,058
Real Assets Fund	5,819,631	-	-	-	-	5,819,631
Total	\$ 158,401,197	\$ 7,587,091	\$ 2,234,540	\$ 4,017,717	\$ 589,857	\$ 143,971,992

(1) The credit quality ratings are from Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the University or its component units and are not registered in the University's or its component units' names. The Foundation, TSI, and MOCA do not have formal investment policies that address custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Foundation's investment policy provides that with the exception of obligations of the U.S. Government and its agencies, no purchase will be made that will cause more than 5 percent of the fixed-income fund to be invested in the securities of any one issuer. The TSI's investment policy provides for investments in equity securities of not more than 7 percent (at cost) in one corporate issuer, and investments in fixed-income securities of not more than 10 percent (at cost) in one corporate issuer. MOCA does not have a formal investment policy that addresses concentration of credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The TSI's investment policy limits its investments in fixed-income securities of foreign issuers to 25 percent of its fixed-income portfolio. The TSI does not have a formal

investment policy that addresses foreign currency risk for other types of investments. The Foundation and MOCA do not have formal investment policies that address foreign currency risk.

4. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contracts and grants, student deferments, and other amounts due from students and third parties. As of June 30, 2021, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 5,596,814.31
Contracts and Grants	2,108,751.53
Due from Component Units	1,560,943.48
Due from Other Governmental Units	1,265,317.08
Student Housing Rentals	1,151,974.13
Other Auxiliary Enterprises	932,769.54
Parking	171,509.64
Other	304,017.96
Total Accounts Receivable	\$ 13,092,097.67

Allowance for Doubtful Receivables. Allowances for doubtful accounts 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 are reported net of allowances of \$240,369.88 at June 30, 2021.

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

Loan Receivable from Component Unit. At June 30, 2021, the University had a loan receivable from MOCA, as shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
MOCA - Line of Credit	\$ 175,000	\$ -	\$ 50,000	\$ 125,000	\$ 50,000

In April 2009, the University's Board of Trustees authorized providing a revolving line of credit to MOCA for up to \$500,000, without interest except upon an event of default. On June 9, 2015, the University's Board of Trustees approved a repayment plan whereby MOCA is required to make annual payments of \$50,000 through June 2024.

Component Units' Pledges Receivable, Net. The Foundation accounts for pledges in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 establishes reporting standards for nonexchange transactions, which in the case of the Foundation are restricted pledges to be contributed in the future. Pledges receivable are reported at estimated net realizable value, and reported in current and long-term portions, net of appropriate allowances and present value discounts of \$212,429.

5. Due From State

The amount due from State consists of \$3,231,340.91 of Capital Improvement Fee Trust Fund allocations due from the State for construction, maintenance, and renovation of University facilities.

6. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 20,929,295.83	\$ -	\$ -	\$ 20,929,295.83
Construction in Progress	18,993,247.08	14,872,772.83	17,426,848.53	16,439,171.38
Total Nondepreciable Capital Assets	\$ 39,922,542.91	\$ 14,872,772.83	\$ 17,426,848.53	\$ 37,368,467.21
Depreciable Capital Assets:				
Buildings	\$ 609,571,744.56	\$ 10,762,138.41	\$ -	\$ 620,333,882.97
Infrastructure and Other Improvements	62,867,376.90	6,184,773.69	-	69,052,150.59
Furniture and Equipment	35,638,715.23	1,891,919.04	1,881,339.08	35,649,295.19
Library Resources	40,301,072.56	21,752.35	-	40,322,824.91
Property Under Capital Leases and Leasehold Improvements	3,396,507.25	479,936.43	-	3,876,443.68
Computer Software	1,238,010.06	-	246,631.96	991,378.10
Total Depreciable Capital Assets	753,013,426.56	19,340,519.92	2,127,971.04	770,225,975.44
Less, Accumulated Depreciation:				
Buildings	241,968,320.03	15,920,764.35	-	257,889,084.38
Infrastructure and Other Improvements	36,653,156.38	2,713,677.22	-	39,366,833.60
Furniture and Equipment	27,313,690.12	2,570,610.88	1,744,442.48	28,139,858.52
Library Resources	40,164,012.05	61,032.91	-	40,225,044.96
Property Under Capital Leases and Leasehold Improvements	1,047,550.53	307,063.77	-	1,354,614.30
Computer Software	922,537.17	235,068.62	246,631.96	910,973.83
Total Accumulated Depreciation	348,069,266.28	21,808,217.75	1,991,074.44	367,886,409.59
Total Depreciable Capital Assets, Net	\$ 404,944,160.28	\$ (2,467,697.83)	\$ 136,896.60	\$ 402,339,565.85

Capital assets activity for the University's discretely presented component units for the fiscal year ended June 30, 2021, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 12,537,556	\$ -	\$ -	\$ 12,537,556
Total Nondepreciable Capital Assets	\$ 12,537,556	\$ -	\$ -	\$ 12,537,556
Depreciable Capital Assets:				
Buildings	\$ 14,100,634	\$ -	\$ -	\$ 14,100,634
Leasehold Improvements	5,951,106	-	-	5,951,106
Furniture and Equipment	1,555,874	105,446	-	1,661,320
Total Depreciable Capital Assets	21,607,614	105,446	-	21,713,060
Less, Accumulated Depreciation:				
Buildings	5,734,254	564,025	-	6,298,279
Leasehold Improvements	5,051,962	284,777	-	5,336,739
Furniture and Equipment	943,652	126,744	-	1,070,396
Total Accumulated Depreciation	11,729,868	975,546	-	12,705,414
Total Depreciable Capital Assets, Net	\$ 9,877,746	\$ (870,100)	\$ -	\$ 9,007,646

7. Long-Term Liabilities

Long-term liabilities at June 30, 2021, include unearned revenue, bonds payable, capital improvement debt payable, loans and notes payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2021, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned Revenue	\$ 2,494,688.50	\$ -	\$ 839,991.01	\$ 1,654,697.49	\$ 850,783.11
Bonds Payable	78,314,028.37	-	4,173,806.72	74,140,221.65	4,075,000.00
Capital Improvement Debt Payable	11,590,000.00	-	520,000.00	11,070,000.00	11,070,000.00
Loans and Notes Payable	50,031,105.38	-	3,120,857.37	46,910,248.01	3,255,857.76
Installment Purchase Payable	70,930.91	-	70,930.91	-	-
Capital Leases Payable	423,518.61	-	215,411.29	208,107.32	177,429.04
Compensated Absences Payable	18,628,653.52	3,502,232.82	1,438,366.55	20,692,519.79	1,862,326.78
Other Postemployment					
Benefits Payable	147,599,377.00	32,306,159.05	44,340,949.05	135,564,587.00	1,908,729.32
Net Pension Liability	81,903,401.00	27,457,950.00	12,452,490.00	96,908,861.00	657,897.00
Total Long-Term Liabilities	\$ 391,055,703.29	\$ 63,266,341.87	\$ 67,172,802.90	\$ 387,149,242.26	\$ 23,858,023.01

Unearned Revenue. Long-term unearned revenue includes funds received prior to fiscal year end for which the earnings process will be completed in subsequent accounting periods. As of June 30, 2021, the University reported unearned revenue of \$1,654,697.49 of which \$600,000 pertains to funding received under the terms of an agreement with the University's contracted food service provider towards construction of a new dining facility. The agreement provides that as long as the food service provider enjoys full access to and use of the dining facility through June 30, 2022, the University can amortize the funds and recognize revenue over the 10-year period beginning July 1, 2012, (\$600,000 per year).

However, the University is required to repay the unamortized portion of these funds to the food service provider if the agreement is terminated prior to June 30, 2022.

Bonds Payable. Revenue Bonds were issued to construct University facilities, including student housing and student union facilities. Bonds outstanding, which include both term and serial bonds, are secured by a pledge of housing rental revenues and an assessed student union fee based on credit hours. These bonds were direct placements, and in the event of default, the trustee may exercise one or more of the rights and powers conferred in the trust indenture at the request of at least 25 percent of the bondholders. However, the bonds are not subject to acceleration in the event of default.

On August 23, 2016, the Financing Corporation issued bonds (Student Union Project), Series 2016, in the amount of \$17,920,000 to advance refund the outstanding Series 2007 bonds. On November 23, 2016, the Financing Corporation issued bonds (Student Housing Project), Series 2016, in the amount of \$67,930,000 and a Capital Improvement Refunding Revenue Note (Student Housing Project), Series 2016, in the amount of \$50,000,000 to advance refund the outstanding Series 2007 bonds and prepay the outstanding balance on a loan for The Flats at Kernan student housing complex.

As a condition of the financing arrangements, the University entered into ground sublease and operating lease agreements dated June 1, 2007, with the Financing Corporation. Under the ground sublease agreements, the University leased the land and facilities to the Financing Corporation in exchange for prepaid rent. The land covered by the ground sublease agreements, together with the improvements thereon, was leased back to the University to manage and operate under the separate operating lease agreements. The operating lease agreements require that the University pay all debt payments, including principal, interest, fees, and charges over the lease term in accordance with the related bond documents (base rent), and all other operating costs of the premises (additional rent). The agreements terminate on November 1, 2037, or the date on which the Series 2016 refunding bonds and notes are fully paid or canceled. Net revenues from the student residence facilities are pledged to pay the Student Housing Project rents, and a portion of the University’s activity and service fees revenues are pledged to pay the Student Union Project rents. As principal payments are made on the Student Housing and Student Union Projects bonds, the prepaid rent is amortized and, as shown in Note 14., the University reported remaining prepaid rent payable to the Financing Corporation of \$56,097,929.85 at June 30, 2021.

The University had the following bonds payable outstanding at June 30, 2021:

<u>Bond Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Capital Improvement Revenue Bonds:				
Direct Borrowings and Direct Placements:				
Student Union Project, Series 2016, Refunding	\$ 17,920,000.00	\$ 14,925,000.00	2 - 5	11-01-2037
Housing Project, Series 2016, Refunding	67,930,000.00	55,160,000.00	3 - 5	11-01-2037
Total Capital Improvement Revenue Bonds	85,850,000.00	70,085,000.00		
Add: Unamortized Bond Premiums	-	4,055,221.65		
Total Capital Improvement Revenue Bonds Payable	\$ 85,850,000.00	\$ 74,140,221.65		

Annual requirements to amortize all bonds payable outstanding as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,075,000.00	\$ 2,822,543.76	\$ 6,897,543.76
2023	4,220,000.00	2,625,068.76	6,845,068.76
2024	4,360,000.00	2,430,593.76	6,790,593.76
2025	4,505,000.00	2,225,993.76	6,730,993.76
2026	4,090,000.00	2,051,918.76	6,141,918.76
2027-2031	21,075,000.00	7,944,234.42	29,019,234.42
2032-2036	20,315,000.00	3,689,125.00	24,004,125.00
2037-2038	7,445,000.00	276,475.00	7,721,475.00
Subtotal	70,085,000.00	24,065,953.22	94,150,953.22
Add: Unamortized Bond Premiums	4,055,221.65	-	4,055,221.65
Total	\$ 74,140,221.65	\$ 24,065,953.22	\$ 98,206,174.87

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2021:

<u>Capital Improvement Debt Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Capital Improvement Debt: 2010B - Student Wellness Center	\$ 13,060,000.00	\$ 11,070,000.00	5.50 - 7.50	11-01-2035

On December 30, 2010, the Board of Governors, issued \$13,060,000 of University of North Florida Mandatory Student Fee Revenue Bonds (Series 2010B Build America Bonds) to finance construction of a Student Wellness Center on campus and to pay costs of issuance.

The University has pledged a portion of future Student Wellness Center fees to repay \$11,070,000 in capital improvement bonds issued by the Florida Board of Governors on behalf of the University. The bonds are payable solely from Student Wellness Center fee assessments and are payable through November 1, 2035. The University has committed to appropriate each year from the Student Wellness Center fee assessment amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$17,731,350, and principal and interest paid for the current fiscal year totaled \$1,299,350. During the 2020-21 fiscal year, Student Wellness Center fee assessments totaled \$1,261,577.18, while interest subsidies received for the bonds totaled \$261,462.91.

On July 13, 2021, the Board of Governors issued \$8,875,000 of University of North Florida Mandatory Student Fee Revenue Bonds (Series 2021A) to directly liquidate the remaining balance of the University of North Florida Mandatory Student Fee Revenue Bonds (Series 2010B Build America Bonds). See Note 16. for additional details related to this subsequent event.

Loans and Notes Payable. In November 2013, the Financing Corporation purchased a 67,224 square foot warehouse on a parcel of land adjacent to the University and entered into a loan agreement for \$2,724,915 with a fixed interest rate of 2.32 percent. Principal and interest payments of \$25,505.82 are made monthly over the 10-year term of the note.

In December 2014, the Financing Corporation entered into a loan agreement with the Foundation for \$1,200,000 with a fixed interest rate of 3 percent for funds to be used for improvement and renovation of the warehouse. Principal and interest payments of \$34,848.85 are made quarterly over the 10-year term of the note.

As noted under Bonds Payable above, on November 23, 2016, the Financing Corporation issued a \$50,000,000 Capital Improvement Refunding Revenue Note, Series 2016, in connection with the advance refunding of outstanding Capital Improvement Revenue Bonds (Student Housing Project), Series 2007, and prepayment of the loan for The Flats at Kernan student housing complex. The note has a fixed interest rate of 2.67 percent, with principal payments ranging from \$2,295,000 to \$2,815,000 made annually, and interest payments made semi-annually, paid solely from funds derived from pledged housing revenues over the remaining term of the note.

On January 31, 2018, the Financing Corporation entered into a fixed rate loan agreement in the amount of \$5,500,000, authorizing the refunding of the Remarketed Parking System Bonds, Series 1998, which resulted in a defeasance of the variable rate revenue bonds. The proceeds from the fixed rate loan were used to refund the outstanding principal of the remarketed Parking System Bonds, Series 1998, of \$5,500,000. The loan is collateralized by Parking System revenues and the principal and interest payments are due the first day of each month in the amount of \$53,272 at a fixed interest rate of 2.71 percent per annum to the January 1, 2028, maturity date. The covenants of the Parking System loan require the University to charge such rates and fees for use of the Parking System to produce pledged revenues sufficient to pay 100 percent of the costs of operation and maintenance of the facility plus 120 percent of debt service during each year.

The provisions of the various loan and note agreements generally provide that, in the event of default, the outstanding principal amount of the loan or note shall become immediately due and payable to the lender. The Financing Corporation had the following loans and notes payable activity for the fiscal year ended June 30, 2021, as shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Direct Borrowings and Direct Placements:				
Warehouse Acquisition	\$ 1,003,846.36	\$ 285,516.50	\$ 718,329.86	\$ 292,305.36
Warehouse Improvements and Renovations	584,633.73	123,193.23	461,440.50	126,940.26
Student Housing Refunding Revenue Note, Series 2016	44,065,000.00	2,185,000.00	41,880,000.00	2,295,000.00
Parking System, Fixed Interest Rate Loan	4,377,625.29	527,147.64	3,850,477.65	541,612.14
Total Loans and Notes Payable	<u>\$ 50,031,105.38</u>	<u>\$ 3,120,857.37</u>	<u>\$ 46,910,248.01</u>	<u>\$ 3,255,857.76</u>

Annual requirements to amortize the outstanding loans and notes as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 3,255,857.76	\$ 1,211,430.91	\$ 4,467,288.67
2023	3,401,530.42	1,122,879.75	4,524,410.17
2024	3,373,291.25	1,031,417.95	4,404,709.20
2025	3,321,350.05	941,656.38	4,263,006.43
2026	2,908,549.41	858,410.02	3,766,959.43
2027-2031	13,549,669.12	3,156,414.04	16,706,083.16
2032-2036	12,640,000.00	1,426,981.50	14,066,981.50
2037-2038	4,460,000.00	120,283.50	4,580,283.50
Total	\$ 46,910,248.01	\$ 9,869,474.05	\$ 56,779,722.06

Capital Leases Payable. The University entered into capital lease agreements in prior fiscal years to acquire two electron microscopes with a total cost of \$811,798 and an interest rate of 1.8162 percent, and to acquire athletic turf equipment with a total cost of \$248,642 and an imputed interest rate of 2.6716 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 180,142.17
2023	30,952.11
Total Minimum Payments	211,094.28
Less, Amount Representing Interest	<u>(2,986.96)</u>
Present Value of Minimum Payments	<u><u>\$ 208,107.32</u></u>

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, 2021, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$20,692,519.79. The current portion of the compensated absences liability, \$1,862,326.78, is the amount expected to be paid in the coming fiscal year and is based on the actual payouts over the last 3 fiscal years calculated as a percentage of those 3 years' total compensated absences liability.

Other Postemployment Benefits Payable. 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 \$135,564,587 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2020, the University's proportionate share, determined by its proportion of total benefit payments made, was 1.317 percent, which was an increase of 0.151 from its proportionate share reported as of June 30, 2019.

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	Varies by FRS Class
Discount rate	2.66 percent
Healthcare cost trend rates	
Preferred Provider Option Plan	7.78 percent for 2021, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
Health Maintenance Organization Plan	5.66 percent for 2021, decreasing to an ultimate rate of 4.04 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 Standard & Poor's Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the Pub-2010 mortality tables with fully generational mortality improvement using Scale MP-2018.

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

The following changes have been made since the prior valuation:

- **Census Data** - The census data reflects changes in status for the 12-month period since July 1, 2020.
- **Discount Rate** - The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.79 percent to 2.66 percent.
- **Mortality** - Mortality rates were updated to align with those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019. Rates were previously based on RP-2000 mortality tables with fully generational improvement using Scale BB. Underlying tables were updated to use Pub-2010 mortality tables with fully generational improvement using Scale MP-2018. This change decreased the Total OPEB Liability by about 5 percent.
- **Excise ("Cadillac") Tax** - The previous valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12 percent. Since the previous valuation, this tax was repealed. The current valuation reflects this. The impact of this change is a decrease in the Total OPEB Liability of about 13 percent.
- **Claims Costs and Premium Rates** - The assumed claims and premiums reflect the actual claims information that were provided as well as the premiums that are actually being charged to participants. The recent favorable claims experience resulted in lower liabilities as of June 30, 2020.
- **Trend Rate** - The medical trend assumption is updated each year based on the Getzen Model. Medical trend rates consistent with the August 2020 Report on Financial Outlook of the Plan were used along with information from the Getzen Model and actuarial judgement. The impact of the trend rate changes is a small decrease in the liability, due primarily to lower trend rates in the first several years.

- Active Medical Plan Elections - Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement. For those who are not currently covered under the health plan, 72 percent are assumed to elect PPO coverage in retirement. The remaining 28 percent are assumed to elect HMO coverage. This assumption is based on guidance provided by the DSGI in an email on September 22, 2020. This change resulted in a small decrease in the Total OPEB Liability.

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 (1.66 percent) or 1 percentage point higher (3.66 percent) than the current rate:

	<u>1% Decrease (1.66%)</u>	<u>Current Discount Rate (2.66%)</u>	<u>1% Increase (3.66%)</u>
University’s proportionate share of the total OPEB liability	\$169,327,825	\$135,564,587	\$110,083,595

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:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University’s proportionate share of the total OPEB liability	\$107,654,558	\$135,564,587	\$173,861,599

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

For the fiscal year ended June 30, 2021, the University recognized OPEB expense of \$8,702,727.13. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,627,211.45
Change of assumptions or other inputs	21,593,801.75	59,267,730.70
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	22,181,962.73	-
Transactions subsequent to the measurement date	1,963,794.67	-
Total	\$ 45,739,559.15	\$ 62,894,942.15

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,963,794.67 resulting from transactions 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ (4,741,586.76)
2023	(4,741,586.76)
2024	(4,741,586.76)
2025	(4,741,586.76)
2026	(2,049,067.42)
Thereafter	1,896,236.79
Total	\$ (19,119,177.67)

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 benefit plans. As of June 30, 2021, the University's proportionate share of the net pension liabilities totaled \$96,908,861. Note 8. includes a complete discussion of defined benefit pension plans.

Component Units – Loans and Notes Payable. On May 20, 2010, the TSI purchased a building and 7.71 acres of land adjacent to the University for \$17,408,190. The TSI executed three loan and note agreements totaling \$17,279,294 on May 20, 2010, through its financing corporation, UNF TSI Investments, LLC. A summary of the long-term debt activity associated with the purchase is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bank Note Payable in Monthly Installments of Principal and Interest at 8.3 Percent	\$ 521,041	\$ 521,041	\$ -	\$ -
Loan Payable to Foundation Payable in Full or in Part Prior to Maturity at 4.5 Percent (1)	4,518,000	72,000	4,446,000	919,000
Total	\$ 5,039,041	\$ 593,041	\$ 4,446,000	\$ 919,000

(1) Pursuant to a Memorandum of Understanding entered into between the TSI, UNF TSI Investments, LLC, and the Foundation, total loan funding to UNF TSI Investments, LLC from the Foundation will not exceed \$4.8 million and the TSI will be restricted from making any additional loans or otherwise pledging, collateralizing, or encumbering the property purchased or funding any capital projects as long as any portion of the loan remains unpaid.

On April 7, 2021, MOCA received a second amount of loan proceeds through a financial institution in the amount of \$252,125 pursuant to the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan and accrued interest are forgivable in full after 8 weeks or 24 weeks (period to be chosen by MOCA) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, and rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 8- or 24-week period chosen. The terms of the PPP loan, dated April 1, 2021, require monthly principal and interest payments of \$5,838.21 with a fixed interest rate of 1 percent per annum and maturing on April 1, 2026. While MOCA believes that its use of the loan proceeds will meet the conditions for loan forgiveness, the PPP loan cannot be forgiven until MOCA submits a loan forgiveness application and the application is approved by the financial institution and the United States Small Business Administration (USSBA). On February 26, 2021, the financial institution received final payment of the previous loan totaling \$234,600 disbursed on May 2, 2020, and forgiveness of the full amount of the previous loan was approved by the USSBA.

Loans and notes payable at June 30, 2021, for the Foundation and MOCA are as follows:

<u>Description</u>	<u>Current</u>	<u>Noncurrent</u>
Foundation:		
Noninterest bearing note (\$1,134,946) from vendor for scoreboards maturing August 2021, as amended in October 2017 and June 2021	\$ 105,446	\$ -
MOCA:		
Forgivable Loan from Regions Bank	252,125	-
Noninterest bearing revolving line of credit (\$500,000) from University (see Note 4.)	50,000	75,000
Total	\$ 407,571	\$ 75,000

8. 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. An annual comprehensive 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 \$18,370,431 for the fiscal year ended June 30, 2021.

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:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
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 2020-21 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
FRS, Special Risk	3.00	24.45
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
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 \$6,928,198 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of \$75,672,435 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.174595897 percent, which was a decrease of 0.006845736 from its proportionate share measured as of June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$16,340,267. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,896,138	\$ -
Change of assumptions	13,699,118	-
Net difference between projected and actual earnings on FRS Plan investments	4,505,610	-
Changes in proportion and differences between University contributions and proportionate share of contributions	820,400	1,735,971
University FRS contributions subsequent to the measurement date	6,928,198	-
Total	\$ 28,849,464	\$ 1,735,971

The deferred outflows of resources totaling \$6,928,198, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 4,256,161
2023	6,557,691
2024	5,605,267
2025	3,238,891
2026	527,285
Total	\$ 20,185,295

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 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 2020 valuation was updated from 6.90 percent to 6.80 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 6.80 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 (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
University's proportionate share of the net pension liability	\$120,836,161	\$75,672,435	\$37,951,494

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 Annual Comprehensive Financial Report.

Payables to the Pension Plan. At June 30, 2021, the University reported a payable of \$800,916.49 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2021.

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, 2021, 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, 2021, 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 \$1,053,358 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of \$21,236,426 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.173928821 percent, which was an increase of 0.000388467 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the University recognized pension expense of \$2,030,164. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 868,699	\$ 16,383
Change of assumptions	2,283,521	1,234,815
Net difference between projected and actual earnings on HIS Plan investments	16,955	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	600,732	184,150
University HIS contributions subsequent to the measurement date	1,053,358	-
Total	<u>\$ 4,823,265</u>	<u>\$ 1,435,348</u>

The deferred outflows of resources totaling \$1,053,358, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 790,020
2023	490,591
2024	104,837
2025	266,207
2026	374,117
Thereafter	<u>308,787</u>
Total	<u>\$ 2,334,559</u>

Actuarial Assumptions. The total pension liability at July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

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 2.21 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 2020 valuation was updated from 3.50 percent to 2.21 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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
University's proportionate share of the net pension liability	\$24,548,360	\$21,236,426	\$18,525,617

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 Annual Comprehensive Financial Report.

Payables to the Pension Plan. At June 30, 2021, the University reported a payable of \$146,399.79 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2021.

9. 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 Annual Comprehensive 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 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
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. Non-vested 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, 2021, 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 \$2,508,108.64 for the fiscal year ended June 30, 2021.

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, 3.44 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.59 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 \$5,049,147.31, and employee contributions totaled \$2,889,784.50 for the 2020-21 fiscal year.

10. Construction Commitments

The University's construction commitments at June 30, 2021, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Competition Pool	\$ 10,284,266.09	\$ 9,047,837.33	\$ 1,236,428.76
Campus Wireless Upgrade	6,183,740.13	4,129,892.24	2,053,847.89
Track and Field Improvements	2,566,221.16	1,009,219.86	1,557,001.30
Subtotal	19,034,227.38	14,186,949.43	4,847,277.95
Other Projects (1)	4,045,660.16	2,252,221.95	1,793,438.21
Total	\$ 23,079,887.54	\$ 16,439,171.38	\$ 6,640,716.16

(1) Individual projects with a total commitment of less than \$3 million and a current balance committed of less than \$1 million at June 30, 2021.

11. 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 2020-21 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 \$62.75 million for named windstorm and flood through February 14, 2021, and decreased to \$57.5 million starting February 15, 2021. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$162.25 million through February 14, 2021, and increased to \$167.5 million starting February 15, 2021; 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.

12. 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:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 104,334,788.59
Research	11,140,738.64
Public Services	1,880,778.06
Academic Support	55,952,631.29
Student Services	15,356,349.61
Institutional Support	38,859,923.57
Operation and Maintenance of Plant	18,210,998.21
Scholarships, Fellowships, and Waivers	42,073,437.51
Depreciation	21,808,217.75
Auxiliary Enterprises	41,585,885.72
Total Operating Expenses	\$ 351,203,748.95

13. 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 and liabilities are required to be accounted for separately. The following financial information for the University’s Parking System, Housing System, Student Union, and Student Wellness Center represents identifiable activities for which one or more bonds and/or loans or notes are outstanding:

Condensed Statement of Net Position

	Parking System	Housing System	Student Union	Student Wellness Center
Assets				
Current Assets	\$ 9,460,801.62	\$ 20,266,163.68	\$ 2,840,205.42	\$ 1,810,945.60
Capital Assets, Net	11,356,676.19	106,951,621.76	36,326,585.15	15,491,310.13
Other Noncurrent Assets	702,525.55	124,130.70	0.90	258,927.69
Total Assets	<u>21,520,003.36</u>	<u>127,341,916.14</u>	<u>39,166,791.47</u>	<u>17,561,183.42</u>
Deferred Outflows of Resources	-	1,220,649.40	748,924.55	-
Liabilities				
Current Liabilities	548,438.70	6,324,550.07	651,304.37	11,198,022.46
Noncurrent Liabilities	3,308,865.51	93,939,150.72	15,711,070.93	-
Total Liabilities	<u>3,857,304.21</u>	<u>100,263,700.79</u>	<u>16,362,375.30</u>	<u>11,198,022.46</u>
Net Position				
Net Investment in Capital Assets	7,506,198.54	8,498,120.44	20,729,438.77	4,421,310.13
Restricted - Expendable	648,515.19	-	-	258,927.69
Unrestricted	9,507,985.42	19,800,744.31	2,823,901.95	1,682,923.14
Total Net Position	<u>\$ 17,662,699.15</u>	<u>\$ 28,298,864.75</u>	<u>\$ 23,553,340.72</u>	<u>\$ 6,363,160.96</u>

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

	Parking System	Housing System	Student Union	Student Wellness Center
Operating Revenues	\$ 1,888,030.50	\$ 13,228,812.72	\$ 1,819,404.14	\$ 1,263,192.41
Depreciation Expense	(711,224.18)	(4,267,547.83)	(1,304,721.89)	(500,065.20)
Other Operating Expenses	(776,945.46)	(10,199,160.77)	(661,069.03)	(150,380.20)
Operating Income (Loss)	<u>399,860.86</u>	<u>(1,237,895.88)</u>	<u>(146,386.78)</u>	<u>612,747.01</u>
Nonoperating Revenues (Expenses):				
Nonoperating Revenue (1)	1,958,192.76	13,525,263.17	1,170,971.31	404,338.64
Interest Expense	(110,927.56)	(3,455,412.59)	(549,562.54)	(775,907.00)
Other Nonoperating Expense	(1,024,400.64)	(74,537.28)	-	(49,757.06)
Net Nonoperating Revenues (Expenses)	<u>822,864.56</u>	<u>9,995,313.30</u>	<u>621,408.77</u>	<u>(421,325.42)</u>
Increase in Net Position	<u>1,222,725.42</u>	<u>8,757,417.42</u>	<u>475,021.99</u>	<u>191,421.59</u>
Net Position, Beginning of Year	16,439,973.73	19,541,447.33	23,078,318.73	6,171,739.37
Net Position, End of Year	<u>\$ 17,662,699.15</u>	<u>\$ 28,298,864.75</u>	<u>\$ 23,553,340.72</u>	<u>\$ 6,363,160.96</u>

- (1) Nonoperating revenues includes COVID lost revenue reimbursements totaling \$1,290,631 for Parking, \$12,503,824 for Housing, and \$27,690 for Student Union. HEERF guidelines require these reimbursements to be recorded as nonoperating revenue.

Condensed Statement of Cash Flows

	Parking System	Housing System	Student Union	Student Wellness Center
Net Cash Provided (Used) by:				
Operating Activities	\$ 483,264.57	\$ 2,318,392.35	\$ 706,823.22	\$ 1,065,500.21
Noncapital Financing Activities	219,079.32	6,894,854.75	445,661.06	36,673.61
Capital and Related Financing Activities	(925,346.79)	(8,965,412.59)	(1,179,092.69)	(1,034,444.09)
Investing Activities	275,893.86	346,049.32	74,546.92	(78,185.86)
Net Increase (Decrease) in Cash and Cash Equivalents	52,890.96	593,883.83	47,938.51	(10,456.13)
Cash and Cash Equivalents, Beginning of Year	843,433.91	1,129,262.69	196,516.97	166,395.07
Cash and Cash Equivalents, End of Year	\$ 896,324.87	\$ 1,723,146.52	\$ 244,455.48	\$ 155,938.94

Segment Information – Component Unit. The following financial information for the UNF TSI and its blended component unit, UNF TSI Investments, LLC, represents identifiable activities for which long-term indebtedness is outstanding and with a revenue stream pledged in support of the debt:

Condensed Statement of Net Position

	UNF TSI		
	UNF TSI, Inc.	Investments, LLC	Total
Assets:			
Current Assets	\$ 3,807,687	\$ 565,695	\$ 4,373,382
Capital Assets, Net	-	11,109,907	11,109,907
Other Noncurrent Assets	846,836	-	846,836
Total Assets	4,654,523	11,675,602	16,330,125
Liabilities:			
Current Liabilities	2,316,947	1,631,721	3,948,668
Noncurrent Liabilities	-	3,527,000	3,527,000
Total Liabilities	2,316,947	5,158,721	7,475,668
Net Position:			
Net Investment in Capital Assets	-	6,663,907	6,663,907
Unrestricted	2,337,576	(147,026)	2,190,550
Total Net Position	\$ 2,337,576	\$ 6,516,881	\$ 8,854,457

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

	UNF TSI		Total
	UNF TSI, Inc.	Investments, LLC	
Operating Revenues	\$ 4,182,795	\$ 1,155,021	\$ 5,337,816
Depreciation Expense	-	(564,025)	(564,025)
Operating Expenses	(17,854,965)	(317,772)	(18,172,737)
Operating Income (Loss)	(13,672,170)	273,224	(13,398,946)
Net Nonoperating Revenues (Expenses):			
Nonoperating Revenues	15,735,411	-	15,735,411
Interest Expense	-	(210,242)	(210,242)
Net Nonoperating Revenues (Expenses)	15,735,411	(210,242)	15,525,169
Income Before Transfers To/From	2,063,241	62,982	2,126,223
Transfer To/From	(416,551)	416,551	-
Increase in Net Position	1,646,690	479,533	2,126,223
Net Position, Beginning of Year	690,886	6,037,348	6,728,234
Net Position, End of Year	\$ 2,337,576	\$ 6,516,881	\$ 8,854,457

Condensed Statement of Cash Flows

	UNF TSI		Total
	UNF TSI, Inc.	Investments, LLC	
Net Cash Provided (Used) by:			
Operating Activities	\$ (12,935,275)	\$ 178,843	\$ (12,756,432)
Noncapital Financing Activities	14,263,362	31,399	14,294,761
Capital and Related Financing Activities	(686,954)	(210,242)	(897,196)
Investing Activities	9,948	-	9,948
Net Increase in Cash and Cash Equivalents	651,081	-	651,081
Cash and Cash Equivalents, Beginning of Year	628,520	-	628,520
Cash and Cash Equivalents, End of Year	\$ 1,279,601	\$ -	\$ 1,279,601

UNF TSI Investments, LLC, records revenue for payments made by the tenant under an operating lease with an expiration date of August 31, 2025. As of June 30, 2021, future minimum rents totaled \$4,394,615.

14. Blended Component Unit

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

Condensed Statement of Net Position

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
Assets:				
Prepaid Rent Receivable	\$ 56,097,929.85	\$ -	\$ (56,097,929.85)	\$ -
Other Current Assets	790,509.42	176,834,527.80	(678,988.17)	176,946,049.05
Capital Assets, Net	30,275,676.19	409,432,356.87	-	439,708,033.06
Other Noncurrent Assets	177,403.74	4,608,747.16	-	4,786,150.90
Total Assets	87,341,519.20	590,875,631.83	(56,776,918.02)	621,440,233.01
Deferred Outflows of Resources	1,969,573.95	79,412,288.15	-	81,381,862.10
Liabilities:				
Prepaid Rent Payable	-	56,097,929.85	(56,097,929.85)	-
Other Current Liabilities	8,012,345.93	36,079,966.80	(678,988.17)	43,413,324.56
Noncurrent Liabilities	113,719,611.90	249,571,607.35	-	363,291,219.25
Total Liabilities	121,731,957.83	341,749,504.00	(56,776,918.02)	406,704,543.81
Deferred Inflows of Resources	-	66,066,261.15	-	66,066,261.15
Net Position:				
Net Investment in Capital Assets	(16,634,572.68)	325,983,602.71	-	309,349,030.03
Restricted - Expendable	-	11,449,531.73	-	11,449,531.73
Unrestricted	(15,786,292.00)	(74,960,979.61)	-	(90,747,271.61)
Total Net Position	\$ (32,420,864.68)	\$ 262,472,154.83	\$ -	\$ 230,051,290.15

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

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
Operating Revenues	\$ 11,395,209.37	\$ 139,483,898.84	\$ (11,395,209.37)	\$ 139,483,898.84
Depreciation Expense	(860,828.58)	(20,947,389.17)	-	(21,808,217.75)
Other Operating Expenses	(3,490,717.13)	(329,339,381.23)	3,434,567.16	(329,395,531.20)
Operating Income (Loss)	7,043,663.66	(210,802,871.56)	(7,960,642.21)	(211,719,850.11)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	31.62	222,560,909.70	(3,434,567.16)	219,126,374.16
Interest Expense	(4,152,592.95)	(781,912.35)	-	(4,934,505.30)
Other Nonoperating Expense	-	(15,919,560.17)	11,395,209.37	(4,524,350.80)
Net Nonoperating Revenues (Expenses)	(4,152,561.33)	205,859,437.18	7,960,642.21	209,667,518.06
Other Revenues	-	5,036,010.89	-	5,036,010.89
Increase in Net Position	2,891,102.33	92,576.51	-	2,983,678.84
Net Position, Beginning of Year	(35,311,967.01)	262,379,578.32	-	227,067,611.31
Net Position, End of Year	\$ (32,420,864.68)	\$ 262,472,154.83	\$ -	\$ 230,051,290.15

Condensed Statement of Cash Flows

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ 11,389,857.32	\$ (186,370,477.65)	\$ 7,960,642.21	\$ (167,019,978.12)
Noncapital Financing Activities	-	223,081,292.48	(7,960,642.21)	215,120,650.27
Capital and Related Financing Activities	(11,374,891.00)	(8,812,691.56)	-	(20,187,582.56)
Investing Activities	31.62	(26,303,029.33)	-	(26,302,997.71)
Net Increase in Cash and Cash Equivalents	14,997.94	1,595,093.94	-	1,610,091.88
Cash and Cash Equivalents, Beginning of Year	142,044.02	13,117,850.88	-	13,259,894.90
Cash and Cash Equivalents, End of Year	\$ 157,041.96	\$ 14,712,944.82	\$ -	\$ 14,869,986.78

15. Discretely Presented Component Units

The University has three 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			Total
	University of North Florida Foundation, Inc.	The University of North Florida Training and Service Institute, Inc.	Museum of Contemporary Art Jacksonville, Inc.	
Assets:				
Current Assets	\$ 8,088,014	\$ 4,373,382	\$ 806,897	\$ 13,268,293
Capital Assets, Net	9,820,923	11,109,911	614,368	21,545,202
Other Noncurrent Assets	163,000,722	846,836	8,072,719	171,920,277
Total Assets	180,909,659	16,330,129	9,493,984	206,733,772
Liabilities:				
Current Liabilities	284,296	3,948,669	1,033,449	5,266,414
Noncurrent Liabilities	-	3,527,000	75,000	3,602,000
Total Liabilities	284,296	7,475,669	1,108,449	8,868,414
Net Position:				
Net Investment in Capital Assets	9,715,478	6,663,909	614,368	16,993,755
Restricted - Nonexpendable	141,106,152	-	8,157,339	149,263,491
Restricted - Expendable	27,741,671	-	636,180	28,377,851
Unrestricted	2,062,062	2,190,551	(1,022,352)	3,230,261
Total Net Position	\$ 180,625,363	\$ 8,854,460	\$ 8,385,535	\$ 197,865,358

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

	Direct-Support Organizations			Eliminations (1)	Total
	University of North Florida Foundation, Inc.	The University of North Florida Training and Service Institute, Inc.	Museum of Contemporary Art Jacksonville, Inc.		
Operating Revenues	\$ 45,667,936	\$ 5,337,816	\$ 1,311,825	\$ -	\$ 52,317,577
Depreciation Expense	(126,744)	(564,025)	(284,777)	-	(975,546)
Operating Expenses	(10,215,372)	(18,172,738)	(1,682,836)	-	(30,070,946)
Operating Income (Loss)	35,325,820	(13,398,947)	(655,788)	-	21,271,085
Net Nonoperating Revenues (Expenses):					
Nonoperating Revenues	-	15,735,411	7,121,920	(6,256,883)	16,600,448
Interest Expense	-	(210,242)	-	-	(210,242)
Other Nonoperating Expenses	(6,256,883)	-	-	6,256,883	-
Net Nonoperating Revenues (Expenses)	(6,256,883)	15,525,169	7,121,920	-	16,390,206
Other Revenues	1,496,687	-	-	-	1,496,687
Increase in Net Position	30,565,624	2,126,222	6,466,132	-	39,157,978
Net Position, Beginning of Year	150,059,739	6,728,238	1,919,403	-	158,707,380
Net Position, End of Year	\$ 180,625,363	\$ 8,854,460	\$ 8,385,535	\$ -	\$ 197,865,358

(1) During the fiscal year ended June 30, 2021, the Foundation transferred ownership of the endowment established for providing unrestricted operational support to the Museum. As a result, the Foundation and MOCA reported transfers in the amount of \$6,256,883 as nonoperating expense and revenue, respectively, to correctly reflect the transfer of ownership of the endowment. These amounts were eliminated from the combined (total) column in the Statement of Revenues, Expenses, and Changes in Net Position to correctly present the combined discretely presented component units' activity for the 2020-21 fiscal year.

16. Subsequent Events

On July 13, 2021, the Florida Board of Governors, on behalf of the University, issued \$8,875,000 University of North Florida Mandatory Student Fee Revenue Refunding Bonds, Series 2021A. The bonds will be secured by a first lien on revenues of a mandatory per-credit hour Student Health Fee charged to all main campus students at the University. The proceeds will refund the outstanding University of North Florida Mandatory Student Fee Revenue Bonds, Series 2010B Build America Bonds (Federally Taxable-Issuer Subsidy) maturing in the fiscal year 2036 in the outstanding principal amount of \$11,070,000. The average interest rate on the debt being refinanced is 4.70 percent (net of the Federal subsidy) compared to the interest rate of 1.07 percent on the refunding bonds. The new bonds mature on May 1, 2033. Principal amortization payments are due annually on November 1, beginning November 1, 2021, and interest amortization payments are due semiannually on May 1 and November 1, beginning November 1, 2021. The bonds were issued to achieve net present value savings of \$3.1 million.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017
University's proportion of the total other postemployment benefits liability	1.32%	1.17%	1.10%	1.10%
University's proportionate share of the total other postemployment benefits liability	\$ 135,564,587	\$ 147,599,377	\$ 116,067,000	\$ 118,947,000
University's covered-employee payroll	\$ 138,318,767	\$ 135,274,155	\$ 129,721,039	\$ 126,290,474
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	98.01%	109.11%	89.47%	94.19%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the FRS net pension liability	0.174595897%	0.181441633%	0.180577414%	0.174650787%
University's proportionate share of the FRS net pension liability	\$ 75,672,435	\$ 62,485,972	\$ 54,390,853	\$ 51,660,531
University's covered payroll (2)	\$ 138,318,767	\$ 135,274,155	\$ 129,721,039	\$ 126,290,474
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	54.71%	46.19%	41.93%	40.91%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	78.85%	82.61%	84.26%	83.89%

(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

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required FRS contribution	\$ 6,928,198	\$ 5,801,048	\$ 5,626,000	\$ 5,146,310
FRS contributions in relation to the contractually required contribution	<u>(6,928,198)</u>	<u>(5,801,048)</u>	<u>(5,626,000)</u>	<u>(5,146,310)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 147,423,248	\$ 138,318,767	\$ 135,274,155	\$ 129,721,039
FRS contributions as a percentage of covered payroll	4.70%	4.19%	4.16%	3.97%

(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.

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.179598277%	0.178641093%	0.163861902%	0.129164862%
\$ 45,348,706	\$ 23,073,893	\$ 9,997,986	\$ 22,235,021
\$ 129,192,013	\$ 125,990,236	\$ 117,535,569	\$ 115,332,300
35.10%	18.31%	8.51%	19.28%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 4,546,590	\$ 4,379,790	\$ 4,355,422	\$ 3,589,271
<u>(4,546,590)</u>	<u>(4,379,790)</u>	<u>(4,355,422)</u>	<u>(3,589,271)</u>
\$ -	\$ -	\$ -	\$ -
\$ 126,290,474	\$ 129,192,013	\$ 125,990,236	\$ 117,535,569
3.60%	3.39%	3.46%	3.05%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the HIS net pension liability	0.173928821%	0.173540354%	0.171430474%	0.172229039%
University's proportionate share of the HIS net pension liability	\$ 21,236,426	\$ 19,417,429	\$ 18,144,394	\$ 18,415,523
University's covered payroll (2)	\$ 60,557,744	\$ 58,271,193	\$ 55,939,096	\$ 54,913,954
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.07%	33.32%	32.44%	33.54%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.00%	2.63%	2.15%	1.64%

(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

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required HIS contribution	\$ 1,053,358	\$ 1,002,270	\$ 963,653	\$ 929,672
HIS contributions in relation to the contractually required HIS contribution	<u>(1,053,358)</u>	<u>(1,002,270)</u>	<u>(963,653)</u>	<u>(929,672)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 63,502,457	\$ 60,557,744	\$ 58,271,193	\$ 55,939,096
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.65%	1.66%

(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.

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.175358731%	0.169564152%	0.153930987%	0.151530964%
\$ 20,437,334	\$ 17,292,876	\$ 14,392,923	\$ 13,192,763
\$ 54,205,326	\$ 51,632,616	\$ 45,798,877	\$ 44,164,199
37.70%	33.49%	31.43%	29.87%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 911,486	\$ 898,825	\$ 648,180	\$ 527,316
<u>(911,486)</u>	<u>(898,825)</u>	<u>(648,180)</u>	<u>(527,316)</u>
\$ -	\$ -	\$ -	\$ -
\$ 54,913,954	\$ 54,205,326	\$ 51,632,616	\$ 45,798,877
1.66%	1.66%	1.26%	1.15%

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 was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.79 percent to 2.66 percent.

Other changes of assumptions since the prior valuation were the removal of the impact of the Excise Tax that was scheduled to go into effect in 2022 but was repealed, as well as updates to census data, claims costs and premium rates, medical trend rates, mortality rates, and medical plan election percentages. Refer to Note 7. to the financial statements for further detail.

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 6.90 percent to 6.80 percent, and the assumed inflation decreased from 2.60 percent to 2.40 percent.

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 decreased from 3.50 percent to 2.21 percent, the assumed inflation decreased from 2.60 percent to 2.40 percent, and the active member mortality assumption was updated.

SUPPLEMENTARY INFORMATION

Schedule of Receipts and Expenditures City of Jacksonville Grant Funds – Budget and Actual

Small Business Development Center (2020-21 FY Grant)
Contract Administered by the City of Jacksonville Office of Economic Development
Contract Number (612390-21)
Contract Period October 1, 2020 - September 30, 2021

Receipts of City Funds

Amount of Award (Per City of Jacksonville Budget)	\$ 108,000.00
Amount Received in 2020-21 Fiscal Year (1)	<u>(79,642.42)</u>
Amount Remaining to be Distributed as of June 30, 2021	<u>\$ 28,357.58</u>

Expenditures of City Funds

Expenditure Category	City of Jacksonville Grant Budget	University Grant Budget	2020-21 Fiscal Year Expenditures	Carryforward (3)
Compensation				
Salaries and Wages:				
Administrative and Professional	\$ 93,913.00	\$ 68,998.80	\$ 65,030.40	\$ 3,968.40
Lump Sum Payment	-	-	3,485.00	(3,485.00)
Total Salaries and Wages (2)	<u>93,913.00</u>	<u>68,998.80</u>	<u>68,515.40</u>	<u>483.40</u>
Employee Benefits				
Fringe Chargeback Expense (2)	-	24,914.20	24,588.04	326.16
Other				
ORSP Facilities and Admin Costs (Indirect Cost)	14,087.00	14,087.00	13,965.55	121.45
Total Expenditures	<u>\$ 108,000.00</u>	<u>\$ 108,000.00</u>	<u>\$ 107,068.99</u>	<u>\$ 931.01</u>

- (1) The University reported \$24,880.09 as accounts receivable in addition to the amount received of \$79,642.42 and reported total revenues of \$104,522.51 in its financial statements as of June 30, 2021.
- (2) Salaries, including fringe benefits, were reported as a single line item in the approved program budget. However, these categories are reported in the University's budgetary accounts as separate items.
- (3) The Carryforward balance included an additional \$2,546.48 in Salaries and Wages costs that were not included in the accounts receivable and revenue amounts reported in the University's financial statements as of June 30, 2021.

Schedule of Receipts and Expenditures City of Jacksonville Grant Funds – Budget and Actual

Small Business Development Center (2019-20 FY Grant)
Contract Administered by the City of Jacksonville Office of Economic Development
Contract Number (9200-06)

Contract Period October 1, 2019 - September 30, 2020

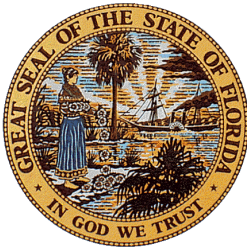
Receipts of City Funds

Amount of Award (Per City of Jacksonville Budget)	\$ 108,000.00
Amount Received in 2019-20 Fiscal Year	(45,888.22)
Amount Received in 2020-21 Fiscal Year	<u>(62,111.78)</u>
Amount Remaining to be Distributed as of June 30, 2021	<u><u>\$ -</u></u>

Expenditures of City Funds

Expenditure Category	City of Jacksonville Grant Budget	University Grant Budget	2019-20 Fiscal Year Expenditures	2020-21 Fiscal Year Expenditures	Carryforward
Compensation					
Salaries and Wages:					
Administrative and Professional	\$ 93,913.00	\$ 68,664.71	\$ 45,651.14	\$ 18,513.57	\$ 4,500.00
Bonus	-	-	4,500.00	-	(4,500.00)
Total Salaries and Wages (1)	93,913.00	68,664.71	50,151.14	18,513.57	-
Employee Benefits					
Fringe Chargeback Expense	-	25,248.29	17,699.96	6,999.99	548.34
Cell Phone Allowances	-	-	548.34	-	(548.34)
Total Employee Benefits (1)	-	25,248.29	18,248.30	6,999.99	-
Other					
ORSP Facilities and Admin Costs (Indirect Cost)	14,087.00	14,087.00	10,259.87	3,827.13	-
Total Expenditures	\$ 108,000.00	\$ 108,000.00	\$ 78,659.31	\$ 29,340.69	\$ -

(1) Salaries, including fringe benefits, were reported as a single line item in the approved program budget. However, these categories are reported in the University's budgetary accounts as separate items.



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 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 University of North Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 15, 2022, 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) as a basis for designing 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 financial statements. 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
February 15, 2022