

# FLORIDA STATE UNIVERSITY

ANNUAL REPORT 2021-2022





FLORIDA STATE UNIVERSITY



# Florida State University

## Annual Report 2021–2022

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## MESSAGE FROM THE PRESIDENT

When I became president in August 2021, I outlined a series of goals to advance Florida State University and elevate its national and international prominence, and together we have made tremendous progress on this ambitious agenda. The past fiscal year was one of remarkable achievement as we continued to build on our foundation as a Top 20 public university and pursue a bold vision for the future.

We built a strong leadership team and recruited world-class faculty, staff, and administrators to join our FSU family; invested in academic excellence, student success, and faculty and staff; grew our research portfolio; encouraged student and faculty entrepreneurial endeavors; cultivated relationships with elected officials and community leaders; enhanced fundraising efforts; and promoted athletic success.

We saw our investments in these strategic areas pay off in fiscal year 2022. Our graduation rates and freshman retention rates continued to place among the best in the country, and we were ranked No. 8 among public universities on the list of the nation's Best Value Colleges and the highest among the state universities in Florida. We received record-breaking numbers of first-year student applications, and applications to our graduate programs also were up.

We also focused on providing faculty support and expanding the university's research enterprise. Expenditures of funding from federal, state, and private sources were at an all-time high, allowing our researchers to conduct groundbreaking studies and produce creative works and original scholarship.

In addition, the Florida Legislature appropriated \$125 million to build a new academic health center in Tallahassee to launch the FSU Health initiative — one of the largest and most ambitious projects in Florida State history. This initiative will transform health care delivery, education, and biomedical research in North Florida and is already attracting world-renowned faculty and creating opportunities to significantly increase our funding from the National Institutes of Health. As part of the FSU Health initiative, FSU partnered with St. Joe and Tallahassee Memorial HealthCare to build a medical campus in Panama City Beach that will include a building for primary care physicians, an urgent care facility and a 100-bed hospital.

We also nurtured the entrepreneurial culture at FSU. While faculty members created start-up companies based on new licensed technology, undergraduate students started 100 new businesses in the past year.

When it came to fundraising, we made tremendous headway in expanding our network of alumni and friends and connecting them to areas of the university for which they have a passion. The FSU Foundation alone raised the highest total of gifts and pledges in the past 12 years apart from 2015 when we received a \$100 million gift from Jan Moran and the Jim Moran Foundation.

We continued our storied tradition in athletics, which has played an important role in advancing the mission of the university by keeping our alumni connected and contributing to the national visibility of our brand.

With all this success, I think it's very clear that Florida State University is an academic powerhouse on the rise, and I look to the future with great confidence, excitement, and optimism.

Sincerely,



Richard McCullough, *President*  
*Florida State University*



FLORIDA STATE UNIVERSITY

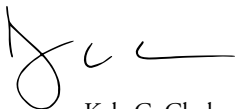
WELCOME BUILDING  
NEW HALLWAY & STAIRWAY

## INTRODUCTION FROM THE SENIOR VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

I am pleased to present the 2021–22 Annual Financial Report for Florida State University. This report provides information about the university, its financial activities during the fiscal year, and its financial condition at fiscal year-end. Below are some of the notable items that took place over the past year:

- The university’s Board of Trustees passed a \$2.3 billion operating budget for the fiscal year ending June 30, 2023, which represented the largest budget in FSU’s history and included almost \$232 million of new State appropriations.
- Construction was substantially completed on FSU’s new Student Union building which will serve as a hub for collaboration and engagement on campus. The nearly 250,000 gross square foot facility draws from the past while rising towards the future and provides much needed space to meet the demands of the student body population, which has grown significantly since its original construction in 1952. The new building space and amenities will offer a variety of high-quality experiences to a diverse range of university constituents, and includes a ballroom, meeting rooms, lounges, offices, student activity venues, dining venues, bookstore, and support/storage space.
- The university has broken ground on the Interdisciplinary Research and Commercialization Building, a new facility that will serve as a collaborative space for researchers from a variety of fields focused on creating and advancing new materials. The 116,000-square-foot building is designed to facilitate interactions in laboratories, core facilities, and strategically placed collaboration spaces. The building is the university’s latest addition to the southwest campus, which is intertwined with Innovation Park, and will complement FSU’s already existing research buildings in that area, including the FAMU-FSU College of Engineering, the National High Magnetic Field Laboratory, the High-Performance Materials Institute, and the Aero-Propulsion, Mechatronics and Energy Building, among others. The facility is projected to open in 2024.
- Finally, FSU has regularly maintained very high bond ratings and continues to be a strong investment, according to the most recent credit ratings released by S&P Global, Fitch, and Moody’s. The university has the highest-rated credit of a public university in the state of Florida, with ratings of AA+, AA+, and Aa1 from S&P, Fitch, and Moody’s, respectively. These ratings, as S&P stated, reflect Florida State’s “solid market position as a preeminent research university in the state, impressive fundraising capabilities, growing endowment, and steady institutional leadership.”

From unprecedented operating investments to transformative capital projects, Florida State University continues to strive more and more toward excellence under the leadership of President McCullough. Our commitment to and pursuit of the bold vision for the university’s future laid out by the President will continue to generate positive momentum for FSU as one of the top public universities in the nation.



Kyle C. Clark, *Senior Vice President*  
*Florida State University*

# UNIVERSITY OVERVIEW

## About FSU

Florida State University is a premier, comprehensive, graduate research university offering a broad array of academic and professional programs at all degree levels. Located in Tallahassee, Florida's capital city, and founded in 1851, FSU is the oldest of the twelve public institutions of higher learning in the State University System. The university is fully accredited by the Commission on Colleges of the Southern Association of Colleges and Schools and is officially designated as a preeminent research university in the state by the Florida Legislature.

## Mission and Vision

Florida State University preserves, expands, and disseminates knowledge in the sciences, technology, arts, humanities, and professions, while embracing a philosophy of learning strongly rooted in the traditions of the liberal arts. The university is dedicated to excellence in teaching, research, creative endeavors, and service. The university strives to instill the strength, skill, and character essential for lifelong learning, personal responsibility, and sustained achievement within a community that fosters free inquiry and embraces diversity.

Florida State University will be among the nation's most entrepreneurial and innovative universities, transforming the lives of our students and shaping the future of our state and society through exceptional teaching, research, creative activity, and service. We will amplify these efforts through our distinctive climate—one that places a premium on interdisciplinary inquiry and draws from the rich intellectual and personal diversity of our students, faculty, staff, and alumni. These three forces—entrepreneurship, interdisciplinary, and diversity—deepen FSU's impact and result in a powerful return to our students and the people of Florida for their continued support and trust.







## Academics

Florida State University offers leading undergraduate, graduate, and professional programs, many of which consistently rank among the nation's top twenty-five public universities. Baccalaureate degrees are offered in 103 programs, master's degrees in 107 programs, advanced master's/specialist degrees in six programs, doctorates in 63 programs, and four professional degrees.

## Students

Designated as a Carnegie Research University (designating very high research activity), Florida State awards more than 3,000 graduate and professional degrees each year, and is recognized as a national leader in the number of doctorates awarded to African-American students and in the graduation rate of African-American undergraduates.

During the Fall 2021 semester, there were 59 freshmen and 142 total undergraduate National Merit Scholars enrolled at Florida State University. The middle 50 percent high school GPA for the Fall 2021 freshman class was 4.1-4.5 and middle 50 percent SAT scores were 1230-1360.

With more than 45,000 students enrolled in Fall 2021, the student body was comprised of 74 percent undergraduates, 22 percent graduates, 3 percent professional, and 1 percent unclassified. Our student body is diverse and represents every county in Florida, all 50 states, and 130 countries. Minorities represent 38 percent, and women represent 58 percent of our students.

# UNIVERSITY OVERVIEW



## Faculty

At Florida State University, we are fortunate that our faculty comprises men and women who are widely acknowledged as the finest in their fields. They have distinguished themselves in many disciplines and have gained the high regard of peers around the world. Their academic careers are marked by excellence and the excitement of discovery so important to educating the next generation.

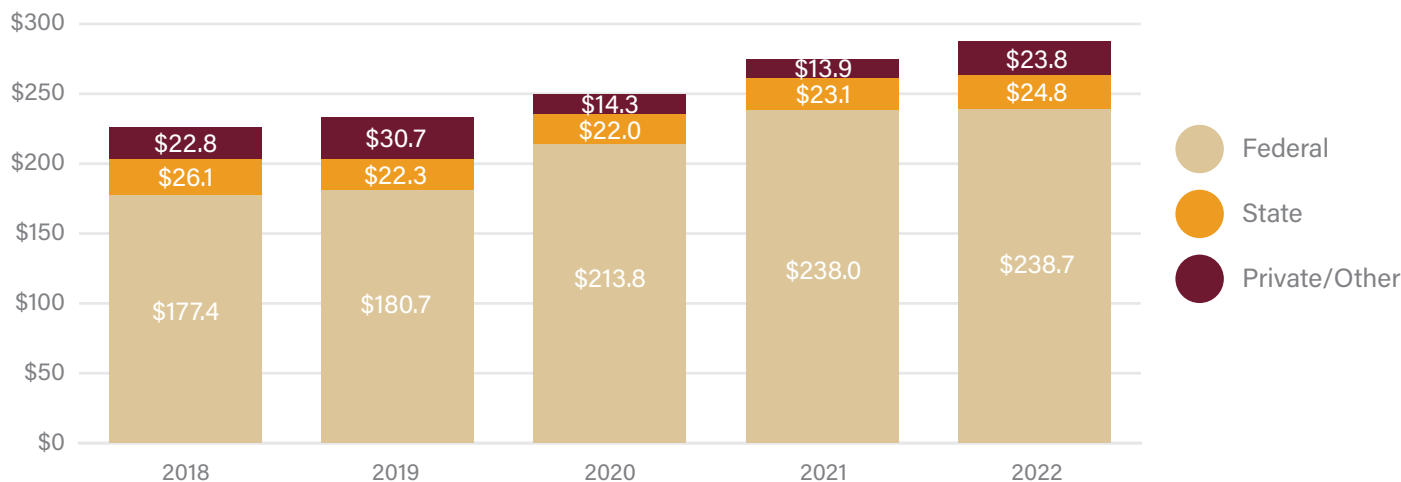
Our faculty members continually strive to build stronger programs in critical areas of technology and science and in the arts and humanities. The result is the expansion of knowledge as well as the discovery of new inventions, products, and processes benefiting the state of Florida, our nation, and the world.

## Research

Research and creative activity is about discovery. It is about having an idea and finding the right environment in which to explore that idea. At FSU, we take great pride in our ability to provide supportive environments for the exploration of all types of ideas; and with approximately \$200 million in research expenditures each year, and more than 50 prominent research centers and institutes calling our campuses home, FSU continues to be one of the top idea-incubators in the nation.

Florida State University is also home to the National High Magnetic Field Laboratory (NHMFL), funded by the National Science Foundation. The only national lab in Florida, the NHMFL holds the most world records for the most powerful magnets on earth. Other research centers, such as the Center for Advanced Power Systems (CAPS), are supported by the U.S. Departments of Defense and Energy. The NHMFL and CAPS, among other labs, place Florida State University at the cutting edge of research and its application to industry.

**SPONSORED PROGRAM AWARDS (\$ IN MILLIONS)**



# UNIVERSITY OVERVIEW

## Diversity

At Florida State University, we recognize that every competitive advantage begins with people. By valuing, celebrating, and leveraging the differences and similarities of our students, faculty, and staff, we inspire an environment of innovation and passion—one that enables us to create a teaching, research, and service environment that better reflects the needs of our students, faculty, staff, customers, constituents, communities, and other key stakeholders.

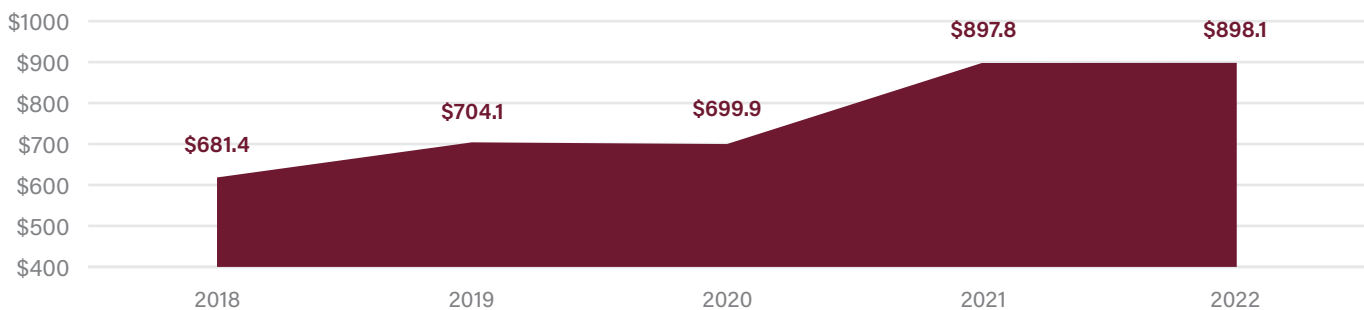
## Veterans

The Florida State University Veterans Alliance represents the University's campus-wide commitment to veteran support and success. The Veterans Alliance encompasses FSU's initiatives that ease the transition from military service to campus life, foster a community of past, present, and future veterans, raise awareness of veterans issues among campus and local communities, and support student veterans through graduation and into rewarding careers and graduate-education programs. It is the goal of the Veterans Alliance that FSU be the most veteran-friendly and veteran-empowering university in the country.

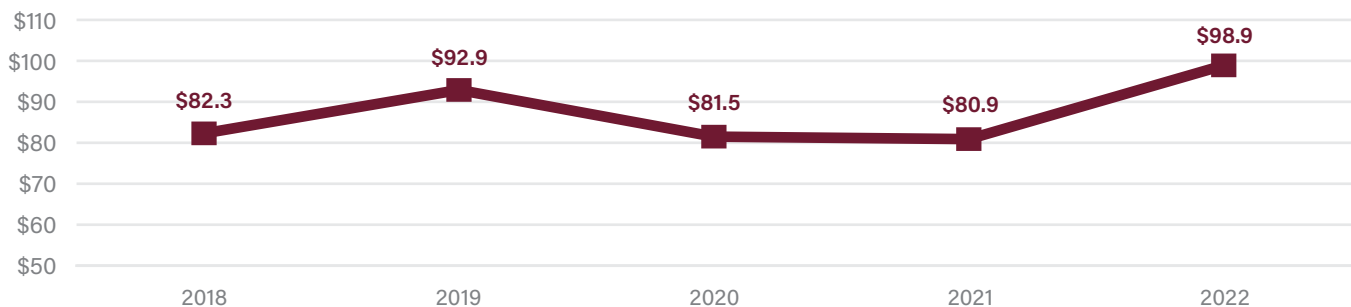
## Endowment

The Total Endowment and Gifts comprises endowments and gifts from the following university direct support organizations: FSU Foundation, Seminole Boosters, FSU Research Foundation, and The John and Mable Ringling Museum of Art Foundation. The FSU Foundation enhances the academic vision and priorities of FSU through its organized fundraising activities and funds management. The Seminole Boosters acts as the fundraising arm of Florida State University Athletics. The FSU Research Foundation promotes and encourages, and provides assistance to, the research and training activities of faculty, staff and students at FSU. The John and Mable Ringling Museum of Art Foundation provides charitable and educational aid to the university's John and Mable Ringling Museum of Art.

**ENDOWMENT FAIR MARKET VALUE (\$ IN MILLIONS)**



**TOTAL GIFTS (\$ IN MILLIONS)**





### Florida State University in 2021–22

FSU's rankings and achievements during fiscal year 2021–22 include:

- ◆ Florida State University retained its place in the Top 20 among national public universities in the latest *U.S. News & World Report* rankings.
- ◆ FSU had the most first-year student applications of any institution in the State University System of Florida with about 80,000.
- ◆ The university invested additional resources to enhance programming for first-generation students through the Center for Academic Retention and Enhancement, or CARE, allocated funding to double the number of Honors students from 400 to 800, and raised \$15 million in gifts to support and grow the Presidential Scholars Program – FSU's premier undergraduate scholarship.
- ◆ FSU's four-year graduation rate is among the highest in the country at 74%. FSU's six-year graduation rate rose to a record 85 percent, also among the highest in the nation.
- ◆ The Florida Legislature appropriated \$125 million to build a new academic health center in Tallahassee. The project promises to transform health care delivery, education, and biomedical research in the region and make Tallahassee a health care destination.
- ◆ FSU has been named the No. 8 Best Value College in the nation among public colleges and universities according to *U.S. News & World Report's* "Best Colleges 2022-2023" guidebook.
- ◆ Florida State continues to be a strong investment with the highest-rated credit of any public university in the state of Florida with an AA+ rating by S&P and Fitch and an equivalent Aa1 rating by Moody's.
- ◆ FSU was recognized for a seventh consecutive year by *INSIGHT Into Diversity* magazine as a "Diversity Champion" in higher education.
- ◆ Florida State was selected for the top award in international education and study abroad programming by the Association for Public and Land Grant Universities (APLU). FSU also won the 2021 Degree Completion Award from the APLU, recognized as the most prominent award in the country for student success.







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 Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Florida State University and of its aggregate discretely presented component units as of June 30, 2022, 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.

We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Emphasis of Matter***

As discussed in Note 2. to the financial statements, the University adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*, which is a change in accounting principle that addresses accounting and financial reporting for leases. This affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 fiscal year. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 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 **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in this report. The other information comprises the Message from the President, Introduction from the Senior Vice President for Finance and Administration, and University Overview, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023, on our consideration of the Florida State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 1, 2023  
Audit Report No. 2023-111

# 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, 2022, 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, 2022, and June 30, 2021.

## OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the university's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the university and its component units. Based upon the application of the criteria for determining component units, twelve component units are included within the university reporting entity as discretely presented component units. Information regarding these component units, including summaries of the 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 component units. The component units' MD&A information is included in their separately issued audit reports.

### 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.

#### Condensed Statement of Net Position at June 30

(In Thousands)

|                                       | 2022                | 2021                |
|---------------------------------------|---------------------|---------------------|
| <b>Assets</b>                         |                     |                     |
| Current Assets                        | \$ 1,072,401        | \$ 952,858          |
| Capital Assets, Net                   | 2,087,045           | 2,057,673           |
| Other Noncurrent Assets               | 159,990             | 106,938             |
| <b>Total Assets</b>                   | <b>3,319,436</b>    | <b>3,117,469</b>    |
| <b>Deferred Outflows of Resources</b> | <b>149,065</b>      | <b>198,649</b>      |
| <b>Liabilities</b>                    |                     |                     |
| Current Liabilities                   | 241,996             | 188,740             |
| Noncurrent Liabilities                | 609,433             | 894,318             |
| <b>Total Liabilities</b>              | <b>851,429</b>      | <b>1,083,058</b>    |
| <b>Deferred Inflows of Resources</b>  | <b>290,947</b>      | <b>98,131</b>       |
| <b>Net Position</b>                   |                     |                     |
| Net Investment in Capital Assets      | 1,873,134           | 1,845,944           |
| Restricted                            | 363,335             | 287,318             |
| Unrestricted                          | 89,656              | 1,667               |
| <b>Total Net Position</b>             | <b>\$ 2,326,125</b> | <b>\$ 2,134,929</b> |

The university's total assets as of June 30, 2022, increased by \$202 million, or 6.5 percent. Current assets increased by \$119.5 million, or 12.5 percent, driven by a \$65.7 million rise in unrestricted total investments combined with increased capital appropriations due from the State of \$52.1 million related to new allocations for the university's Legacy Hall and Interdisciplinary Research and Commercialization Building (IRCB) projects. The unrestricted investment balance growth was primarily a result of drawdowns of the institutional portion of funds under the Higher Education Emergency Relief Fund (HEERF) grant program which were used to replace auxiliary revenue losses along with the significantly improved cash position of the university's department of intercollegiate athletics (Athletics). Other noncurrent assets increased by \$53.1 million, or 49.6 percent, largely due to an increase in restricted investments of \$45.6 million mainly related to the receipt of capital project funds earmarked for the construction of the IRCB. Net capital assets increased by \$29.4 million, or 1.4 percent.

Total liabilities as of June 30, 2022, decreased by \$231.6 million, or 21.4 percent. Current liabilities grew by \$53.3 million, or 28.2 percent.

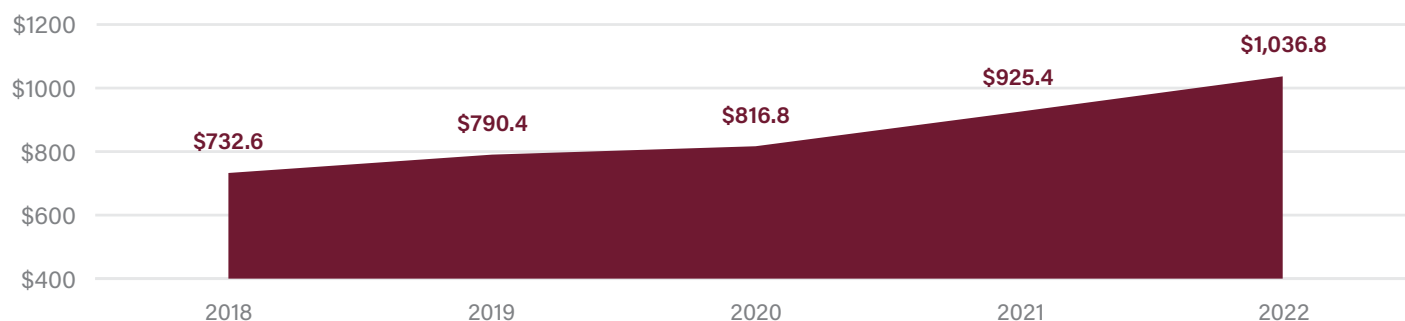
This increase was principally caused by a rise in unearned revenues for State funded capital projects which included \$24.9 million for Legacy Hall, \$19.4 million for the IRCB, and \$6.5 million for the National High Magnetic Field Laboratory Electrical Expansion. Noncurrent liabilities decreased by \$284.9 million, or 31.9 percent, due to decreases in the university's proportional share of the State's net pension liability of \$267.5 million, and a reduction in capital improvement debt payable of \$16.4 million. Pensions, other postemployment benefits, and leases also drove deferred outflows and deferred inflows of resources, which decreased by \$49.6 million and increased by \$192.8 million, respectively.

As a result, the university's overall net position increased by \$191.2 million, or 9 percent.

### Investments

As of June 30, 2022, the university had \$892.6 million of unrestricted investments plus another \$144.2 million of restricted investments, for total investments of over \$1 billion. Over 98 percent of the university's investments are held in the State Treasury Special Purpose Investment Account.

### TOTAL INVESTMENTS (\$ IN MILLIONS)



Additional information about the university's investments is presented in Note 4 to the financial statements.

### Capital Assets

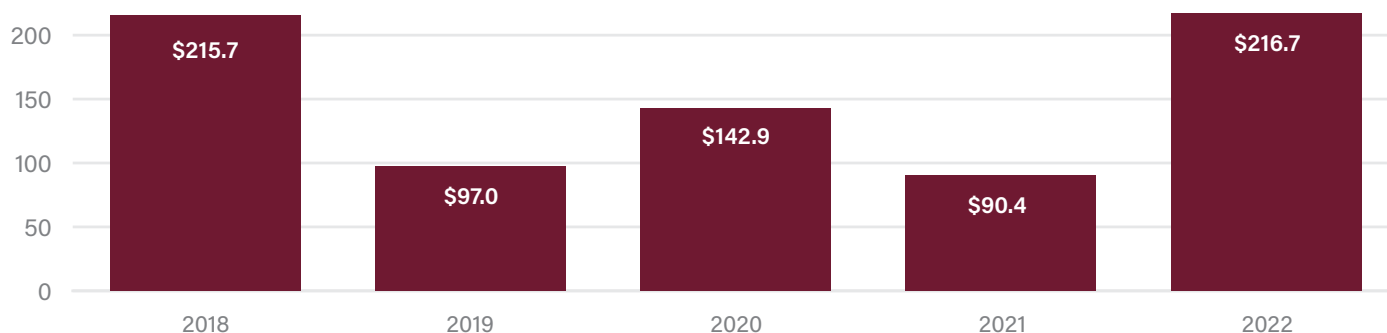
At June 30, 2022, the university had \$3.5 billion in capital assets, less accumulated depreciation of \$1.4 billion, for net capital assets of \$2.1 billion. Depreciation charges for the current fiscal year totaled \$95.6 million. Effective July 1, 2021, the university reclassified capital assets previously reported as property under capital lease to either buildings or equipment, and added right-to-use lease assets, due to the implementation of GASB Statement No. 87, *Leases*.

### Capital Assets, Net at June 30 (In Thousands)

|                                       | 2022                | 2021                |
|---------------------------------------|---------------------|---------------------|
| Land                                  | \$ 95,536           | \$ 95,138           |
| Buildings                             | 1,666,508           | 1,552,238           |
| Infrastructure and Other Improvements | 77,465              | 79,297              |
| Furniture and Equipment               | 97,130              | 100,556             |
| Library Resources                     | 36,934              | 35,974              |
| Property Under Capital Lease          | -                   | 5,320               |
| Right-to-Use Lease Assets             | 6,360               | -                   |
| Works of Art and Historical Treasures | 85,846              | 85,429              |
| Construction in Progress              | 21,266              | 103,721             |
| <b>Capital Assets, Net</b>            | <b>\$ 2,087,045</b> | <b>\$ 2,057,673</b> |

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## CAPITAL ASSET ADDITIONS (\$ IN MILLIONS)



Capital asset additions includes depreciable and nondepreciable capital asset activity except for construction in progress. Additional information about the university's capital assets is presented in Note 8 to the financial statements.

### Capital Expenses and Commitments

Major capital expenses completed to date on the university's largest ongoing projects included the IRCB (\$4.8 million) as well as Legacy Hall (\$2.7 million). The university's construction commitments are as follows:

#### Major Capital Commitments, at June 30 (In Thousands)

|                          | 2022              |
|--------------------------|-------------------|
| Total Committed          | \$ 761,098        |
| Completed to Date        | (21,266)          |
| <b>Balance Committed</b> | <b>\$ 739,832</b> |

Additional information about the university's capital commitments is presented in Note 14 to the financial statements.

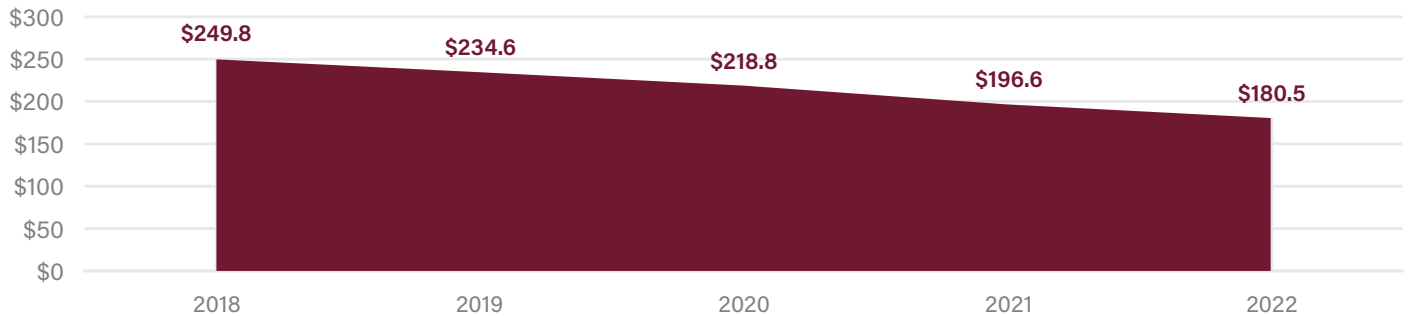
### Debt Administration

As of June 30, 2022, the university had \$180.5 million in outstanding capital improvement debt payable, representing a decrease of \$16.1 million, or 8.2 percent, from the prior fiscal year. Effective July 1, 2021, the university reclassified long-term debt previously reported as capital leases payable to other noncurrent liabilities, and added leases payable, due to the implementation of GASB Statement No. 87, *Leases*.

#### Long-Term Debt, at June 30 (In Thousands)

|                                  | 2022              | 2021              |
|----------------------------------|-------------------|-------------------|
| Capital Improvement Debt Payable | \$ 180,473        | \$ 196,551        |
| Capital Leases Payable           | -                 | 9,147             |
| Leases Payable                   | 6,551             | -                 |
| Other Noncurrent Liabilities     | 7,833             | -                 |
| <b>Total</b>                     | <b>\$ 194,857</b> | <b>\$ 205,698</b> |

## CAPITAL IMPROVEMENT DEBT PAYABLE (\$ IN MILLIONS)



Additional information about the university's long-term debt is presented in Note 10 to the financial statements.

### 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.

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

|  | 2021-22             | 2020-21             |
|--|---------------------|---------------------|
| Operating Revenues                         | \$ 798,139          | \$ 697,693          |
| Less, Operating Expenses                   | (1,512,026)         | (1,434,270)         |
| <b>Operating Loss</b>                      | <b>(713,887)</b>    | <b>(736,577)</b>    |
| Net Nonoperating Revenues                  | 840,225             | 735,853             |
| <b>Income (Loss) Before Other Revenues</b> | <b>126,338</b>      | <b>(724)</b>        |
| Other Revenues                             | 64,858              | 19,584              |
| <b>Net Increase in Net Position</b>        | <b>191,196</b>      | <b>18,860</b>       |
| Net Position, Beginning of Year            | 2,134,929           | 2,116,069           |
| <b>Net Position, End of Year</b>           | <b>\$ 2,326,125</b> | <b>\$ 2,134,929</b> |

### Revenues

#### Revenues (In Thousands)

|  | 2021-22             | 2020-21             |
|--|---------------------|---------------------|
| Net Tuition and Fees                           | \$ 314,240          | \$ 280,911          |
| Grants and Contracts                           | 231,025             | 221,976             |
| Sales and Services of Auxiliary Enterprises    | 241,966             | 185,048             |
| Other  | 10,908              | 9,758               |
| <b>Operating Revenues</b>                      | <b>798,139</b>      | <b>697,693</b>      |
| State Noncapital Appropriations                | 519,136             | 507,295             |
| Federal and State Student Financial Aid        | 227,680             | 191,681             |
| Noncapital Grants, Contracts, and Gifts        | 132,559             | 59,117              |
| Other  | 11,546              | 23,667              |
| <b>Nonoperating Revenues</b>                   | <b>890,921</b>      | <b>781,760</b>      |
| State Capital Appropriations                   | 15,297              | 6,447               |
| Capital Grants, Contracts, Donations, and Fees | 49,561              | 13,137              |
| <b>Other Revenues</b>                          | <b>64,858</b>       | <b>19,584</b>       |
| <b>Total Revenues</b>                          | <b>\$ 1,753,918</b> | <b>\$ 1,499,037</b> |

# MANAGEMENT'S DISCUSSION AND ANALYSIS

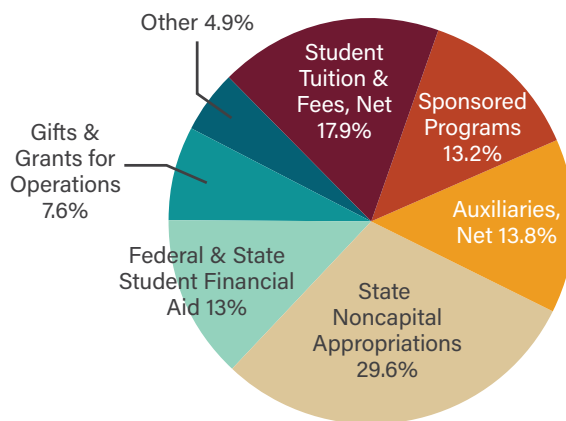
The university's total operating revenues were higher by \$100.4 million, or 14.4 percent, over the 2020-21 fiscal year. Net tuition and fees increased by \$33.3 million predominantly due to a \$15.2 million increase in tuition and fees assessed resulting from the reopening of the university's international study centers and study abroad programs coupled with a slight increase in overall enrollment. Sales and services of auxiliary enterprises increased by \$56.9 million, or 30.8 percent, as the university transitioned into a post-pandemic environment and auxiliaries were fully operational during the fiscal year. The largest drivers of the overall auxiliary revenue increase were Athletics (\$21.9 million) and University Housing (\$16.3 million).

Nonoperating revenues increased by \$109.2 million, or 14 percent, from the 2020-21 fiscal year. State noncapital appropriations increased by \$11.8 million, or 2.3 percent. Federal and State student financial aid increased by \$36 million, 18.8 percent, due to the drawdown of student aid funds under the HEERF grant program. Noncapital grants, contracts, and gifts were higher by \$73.4 million, or 124.2 percent, mainly driven by the drawdown of the institutional portion of funds under the HEERF grant program.

Other revenues, which are comprised of capital appropriations, grants, contracts, donations, and fees, increased by \$45.3 million, or 231.2 percent, primarily due to increases in general revenue appropriations and, capital donations from the university's component units, related to the IRCB.

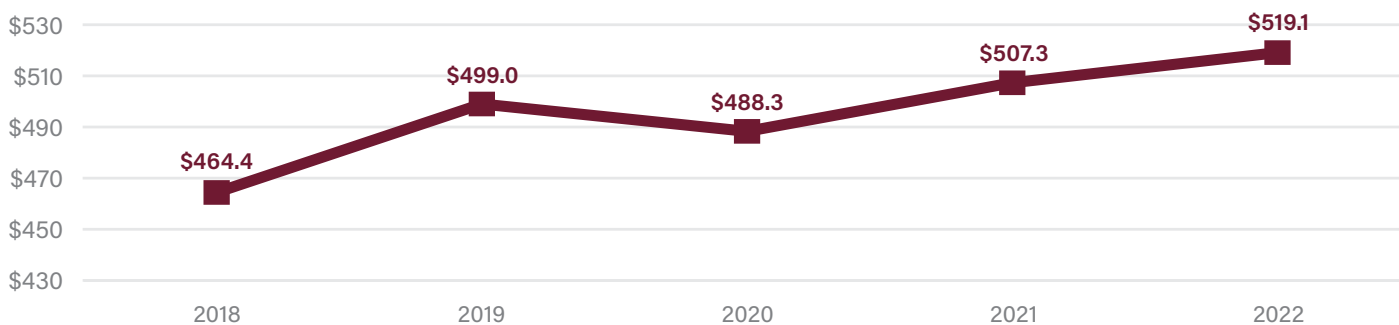
Generally, the university has a diversified revenue base. The single largest major source generated less than 30 percent of total revenues in fiscal year 2022.

## 2022 REVENUES BY MAJOR SOURCE



While revenues are well diversified, the university's largest source, State noncapital appropriations, have been steadily rising over the past five years. This rise highlights the consistent support the university receives from the State of Florida.

## STATE NONCAPITAL APPROPRIATIONS (\$ IN MILLIONS)





## 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.

### Expenses (In Thousands)

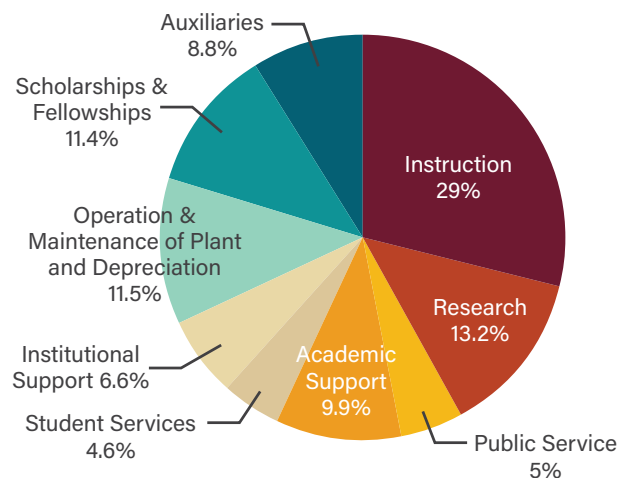
|   | 2021-22             | 2020-21             |
|---|---------------------|---------------------|
| Compensation and Employee Benefits            | \$ 869,671          | \$ 913,731          |
| Services and Supplies                         | 338,689             | 256,997             |
| Utilities and Communications                  | 35,566              | 29,748              |
| Scholarships and Fellowships                  | 172,537             | 141,619             |
| Depreciation                                  | 95,563              | 92,175              |
| <b>Operating Expenses</b>                     | <b>1,512,026</b>    | <b>1,434,270</b>    |
| Net Decrease in the Fair Value of Investments | 42,297              | 33,099              |
| Other Nonoperating Expenses                   | 8,399               | 12,808              |
| <b>Nonoperating Expenses</b>                  | <b>50,696</b>       | <b>45,907</b>       |
| <b>Total Expenses</b>                         | <b>\$ 1,562,722</b> | <b>\$ 1,480,177</b> |

Operating expenses increased by \$77.8 million, or 5.4 percent, over the 2020-21 fiscal year. Compensation and employee benefits were lower by \$44.1 million, or 4.8 percent, largely due to the university's proportional share of the State's net pension and other postemployment benefit expenses, which saw a \$76.6 million decrease. Excluding this significant reduction, compensation and employee benefits otherwise rose by \$32.5 million due to a combination of salary increases, a one-time bonus payment, and expanded grant and contract activity. Services and supplies expenses grew by \$81.7 million, or 31.8 percent. The change was mostly due to increases in demand for professional services, travel, software maintenance, and materials and supplies as the university transitioned into a post-pandemic environment and was fully operational during the fiscal year. Utilities and communications expenses rose by \$5.8 million, or 19.6 percent, returning to pre-pandemic levels. Scholarships and fellowships were higher by \$30.9 million, or 21.8 percent, primarily driven by the distribution of the student aid portion of funds under the HEERF grant program.

Nonoperating expenses increased by \$4.8 million, or 10.4 percent, mainly due to unrealized losses from the change in the fair value of underlying securities held in the State Treasurer's Investment Pool.

A proportional breakdown of operating expenses by functional classification follows.

### 2022 OPERATING EXPENSES BY FUNCTION



Additional information on the functional distribution of operating expenses is presented in Note 16 to the financial statements.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Statement of Cash Flows

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

### Condensed Statement of Cash Flows (In Thousands)

|   | 2021-22          | 2020-21          |
|---|------------------|------------------|
| Cash Provided (Used) by:                                    |                  |                  |
| Operating Activities  | \$ (621,858)     | \$ (577,538)     |
| Noncapital Financing Activities                             | 864,789          | 797,683          |
| Capital and Related Financing Activities                    | (91,376)         | (92,821)         |
| Investing Activities  | (146,779)        | (127,823)        |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>4,776</b>     | <b>(499)</b>     |
| Cash and Cash Equivalents, Beginning of Year                | 12,679           | 13,178           |
| <b>Cash and Cash Equivalents, End of Year</b>               | <b>\$ 17,455</b> | <b>\$ 12,679</b> |

Major sources of funds came from State noncapital appropriations (\$518.8 million), net student tuition and fees (\$315.8 million), grants and contracts (\$232.1 million), sales and services of auxiliary enterprises (\$247.3 million), Federal and State student financial aid (\$227.7 million), and noncapital grants, contracts, and gifts (\$132.3 million). Major uses of funds were for payments made to and on behalf of employees (\$893.2 million), payments to suppliers (\$369.3 million), payments to and on behalf of students for scholarships (\$172.5 million), and the purchase or construction of capital assets (\$120.1 million).

## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

As a public institution, the condition of the State of Florida's economy is the primary factor impacting the university's future. In July 2022, the Florida Economic Estimating Conference adopted a new forecast for the State's economy. Most economic variables performed slightly better than or as well as expected in Fiscal Year 2021-22; however, many of the growth rates for the short term have been lowered, especially in Fiscal Year 2022-23. A weaker national economic outlook with strong headwinds from inflation, near-record energy prices, and labor shortages colors the new forecast; however, the long-term growth path from the pre-pandemic conference held in December 2019 is generally maintained, and in some cases exceeded. The Conference anticipates that the State's economy will expand only 1 percent this fiscal year as economic imbalances weigh down the economy, but beginning next year (Fiscal Year 2023-24), it will grow at a more characteristic 2 percent per year.

The university's 2022-23 operating budget adopted by the Florida Legislature included total recurring General Revenue and Lottery funding for the University of \$517.2 million, which represented an 11.1 percent increase as compared to the prior fiscal year. The record-breaking budget, the largest in State history, was the primary driver behind the double-digit percentage increase. Also, State Capital Appropriations included \$125 million to build a new academic health center in Tallahassee, \$71.2 million for deferred building maintenance, and \$8.3 million for critical electrical infrastructure at the National High Magnetic Field Laboratory. Overall tuition revenues are expected to rise due to the full reopening of the university's international study centers and study abroad programs. On the other hand, somewhat offsetting the benefits of the overall revenue growth are inflation; student tuition, which has remained unchanged for the ninth consecutive year; and enrollment growth, which is expected to remain unchanged at current levels going forward.

Fueled by a steadfast commitment to student success and academic excellence, Florida State University continued its reign as a Top 20 national public university. FSU is competing at the highest levels with the best universities in the world, and has a continued goal to rise to the Top 15 and beyond.

## 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 University Controller's Office, Florida State University, 2200A University Center, Tallahassee, Florida 32306.



# STATEMENT OF NET POSITION

AS OF JUNE 30, 2022 (in thousands)

|  | <u>UNIVERSITY</u> | <u>COMPONENT UNITS</u> |
|--|-------------------|------------------------|
| <b>ASSETS</b>                            |                   |                        |
| <b>Current Assets:</b>                   |                   |                        |
| Cash and Cash Equivalents                | \$ 15,994         | \$ 30,112              |
| Investments                              | 892,624           | 197,770                |
| Accounts Receivable, Net                 | 55,895            | 19,130                 |
| Loans and Notes Receivable, Net          | 463               | -                      |
| Leases Receivable                        | 429               | -                      |
| Due from State                           | 87,925            | 316                    |
| Due from Component Units/University      | 5,463             | 41,280                 |
| Inventories                              | 2,595             | 171                    |
| Other Current Assets                     | 11,013            | 12,334                 |
| <b>Total Current Assets</b>              | <b>1,072,401</b>  | <b>301,113</b>         |
| <b>Noncurrent Assets:</b>                |                   |                        |
| Restricted Cash and Cash Equivalents     | 1,461             | 26,792                 |
| Restricted Investments                   | 144,168           | 846,926                |
| Loans and Notes Receivable, Net          | 2,927             | 39,762                 |
| Leases Receivable                        | 7,693             | -                      |
| Depreciable Capital Assets, Net          | 1,884,398         | 257,040                |
| Nondepreciable Capital Assets            | 202,647           | 17,588                 |
| Other Noncurrent Assets                  | 3,741             | 185,109                |
| <b>Total Noncurrent Assets</b>           | <b>2,247,035</b>  | <b>1,373,217</b>       |
| <b>TOTAL ASSETS</b>                      | <b>3,319,436</b>  | <b>1,674,330</b>       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>    |                   |                        |
| Related to Pensions                      | 93,869            | -                      |
| Related to Other Postemployment Benefits | 55,196            | -                      |
| Loss on Debt Refunding                   | -                 | 1,293                  |
| <b>LIABILITIES</b>                       |                   |                        |
| <b>Current Liabilities:</b>              |                   |                        |
| Accounts Payable                         | \$ 14,628         | \$ 13,277              |
| Construction Contracts Payable           | 11,465            | -                      |
| Salaries and Wages Payable               | 18,346            | -                      |
| Deposits Payable                         | 5,886             | 55                     |
| Due to Component Units/University        | 42,946            | 4,481                  |
| Unearned Revenue                         | 103,066           | 10,082                 |
| Other Current Liabilities                | 929               | 10,022                 |
| Long-Term Liabilities - Current Portion: |                   |                        |
| Capital Improvement Debt Payable         | 16,358            | -                      |
| Bonds Payable                            | -                 | 6,889                  |
| Loans and Notes Payable                  | -                 | 1,929                  |
| Leases Payable                           | 948               | 681                    |
| Compensated Absences Payable             | 6,484             | -                      |
| Other Postemployment Benefits Payable    | 3,543             | -                      |
| Revenue Received in Advance              | 2,823             | 24,717                 |
| Net Pension Liability                    | 403               | -                      |
| Other Noncurrent Liabilities             | 14,171            | -                      |
| <b>Total Current Liabilities</b>         | <b>241,996</b>    | <b>72,133</b>          |

# STATEMENT OF NET POSITION

AS OF JUNE 30, 2022 (in thousands)

|   | <u>UNIVERSITY</u>   | <u>COMPONENT UNITS</u> |
|---|---------------------|------------------------|
| <b>Noncurrent Liabilities:</b>                    |                     |                        |
| Capital Improvement Debt Payable                  | 164,115             | -                      |
| Bonds Payable                                     | -                   | 129,646                |
| Loans and Notes Payable                           | -                   | 89,522                 |
| Leases Payable                                    | 5,603               | 3,201                  |
| Accrued Self-Insurance Claims                     | 496                 | -                      |
| Compensated Absences Payable                      | 80,119              | 366                    |
| Other Postemployment Benefits Payable             | 198,952             | -                      |
| Revenue Received in Advance                       | 20,961              | 7,071                  |
| Net Pension Liability                             | 129,584             | -                      |
| Other Noncurrent Liabilities                      | 9,603               | 14,686                 |
| <b>Total Noncurrent Liabilities</b>               | <b>609,433</b>      | <b>244,492</b>         |
| <b>TOTAL LIABILITIES</b>                          | <b>851,429</b>      | <b>316,625</b>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                     |                        |
| Related to Pensions                               | 204,866             | -                      |
| Related to Other Postemployment Benefits          | 78,107              | -                      |
| Leases  | 7,974               | 3,506                  |
| Split-Interest Agreements for Remainder Interests | -                   | 3,095                  |
| Trusts Held by Others                             | -                   | 8,269                  |
| Other   | -                   | 1,453                  |
| <b>NET POSITION</b>                               |                     |                        |
| Net Investment in Capital Assets                  | \$ 1,873,134        | \$ 92,160              |
| Restricted for Nonexpendable, Endowment           | -                   | 547,004                |
| Restricted for Expendable:                        |                     |                        |
| Debt Service                                      | 217                 | 57,277                 |
| Loans   | 4,101               | -                      |
| Capital Projects                                  | 142,042             | 52,510                 |
| Other   | 216,975             | 12,225                 |
| Endowment   | -                   | 425,276                |
| Unrestricted                                      | 89,656              | 156,223                |
| <b>TOTAL NET POSITION</b>                         | <b>\$ 2,326,125</b> | <b>\$ 1,342,675</b>    |

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

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

## FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (in thousands)

|  | UNIVERSITY          | COMPONENT UNITS     |
|--|---------------------|---------------------|
| <b>OPERATING REVENUES</b>  |                     |                     |
| Student Tuition and Fees, Net of Scholarship Allowances of \$136,566                   | \$ 314,240          | \$ -                |
| Federal Grants and Contracts   | 192,009             | -                   |
| State and Local Grants and Contracts   | 27,340              | -                   |
| Nongovernmental Grants and Contracts   | 11,676              | -                   |
| Sales and Services of Auxiliary Enterprises, Net of Scholarship Allowances of \$18,785 | 241,966             | -                   |
| Sales and Services of Component Units  | -                   | 35,054              |
| Royalties and Licensing Fees   | -                   | 5,290               |
| Gifts and Donations  | -                   | 84,518              |
| Interest on Loans and Notes Receivable   | 459                 | -                   |
| Other Operating Revenues   | 10,449              | 18,105              |
| <b>Total Operating Revenues</b>  | <b>798,139</b>      | <b>142,967</b>      |
| <b>OPERATING EXPENSES</b>  |                     |                     |
| Compensation and Employee Benefits   | 869,671             | 31,782              |
| Services and Supplies  | 338,689             | 130,686             |
| Utilities and Communications   | 35,566              | 301                 |
| Scholarships and Fellowships   | 172,537             | -                   |
| Depreciation   | 95,563              | 11,611              |
| <b>Total Operating Expenses</b>  | <b>1,512,026</b>    | <b>174,380</b>      |
| <b>OPERATING LOSS</b>  | <b>(713,887)</b>    | <b>(31,413)</b>     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |                     |                     |
| State Noncapital Appropriations  | 519,136             | -                   |
| Federal and State Student Financial Aid  | 227,680             | -                   |
| Noncapital Grants, Contracts, and Gifts  | 132,559             | 3,255               |
| Investment Income, Net of Expenses   | 7,437               | 61,262              |
| Net Increase (Decrease) in the Fair Value of Investments                               | (42,297)            | (91,038)            |
| Other Nonoperating Revenues  | 2,058               | 5,863               |
| Gain (Loss) on Disposal of Capital Assets  | 2,051               | (1,944)             |
| Interest on Capital Asset-Related Debt   | (7,959)             | (6,444)             |
| Other Nonoperating Expenses  | (440)               | (1,634)             |
| <b>NET NONOPERATING REVENUES (EXPENSES)</b>  | <b>840,225</b>      | <b>(30,680)</b>     |
| <b>Income (Loss) Before Other Revenues</b>   | <b>126,338</b>      | <b>(62,093)</b>     |
| State Capital Appropriations   | 15,297              | -                   |
| Capital Grants, Contracts, Donations, and Fees   | 49,561              | 10,529              |
| Additions to Permanent Endowments  | -                   | 22,329              |
| <b>Increase (Decrease) in Net Position</b>   | <b>191,196</b>      | <b>(29,235)</b>     |
| Net Position, Beginning of Year  | 2,134,929           | 1,371,910           |
| <b>NET POSITION, END OF YEAR</b>   | <b>\$ 2,326,125</b> | <b>\$ 1,342,675</b> |

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

# STATEMENT OF CASH FLOWS

## FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (in thousands)

|   | <u>UNIVERSITY</u>          |
|---|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                            |
| Tuition and Fees, Net   | \$ 315,798                 |
| Grants and Contracts  | 232,105                    |
| Sales and Services of Auxiliary Enterprises   | 247,258                    |
| Interest on Loans and Notes Receivable  | 459                        |
| Other Operating Receipts  | 16,931                     |
| Payments to Employees   | (893,240)                  |
| Payments to Suppliers for Goods and Services  | (369,274)                  |
| Payments to Students for Scholarships and Fellowships   | (172,537)                  |
| Self-Insurance Claims   | 25                         |
| Collections on Loans to Students  | 617                        |
| <b>Net Cash Used by Operating Activities</b>  | <u><b>(621,858)</b></u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                            |
| State Noncapital Appropriations   | 518,849                    |
| Noncapital Grants, Contracts, and Gifts   | 132,309                    |
| Federal and State Student Financial Aid   | 227,680                    |
| Federal Direct Loan Program Receipts  | 160,730                    |
| Federal Direct Loan Program Disbursements   | (160,771)                  |
| Net Change in Funds Held for Others   | (3,872)                    |
| Other Nonoperating Receipts   | 1,326                      |
| Other Nonoperating Disbursements  | (11,462)                   |
| <b>Net Cash Provided by Noncapital Financing Activities</b>   | <u><b>864,789</b></u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                            |
| State Capital Appropriations  | 8,672                      |
| Capital Grants, Contracts, Donations, and Fees  | 49,135                     |
| Capital Subsidies and Transfers   | (139)                      |
| Purchase or Construction of Capital Assets  | (120,109)                  |
| Principal Paid on Capital Debt and Leases   | (19,650)                   |
| Interest Paid on Capital Debt and Leases  | (9,814)                    |
| Principal Received on Leases  | 357                        |
| Interest Received on Leases   | 172                        |
| <b>Net Cash Used by Capital and Related Financing Activities</b>  | <u><b>(91,376)</b></u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                            |
| Proceeds from Sales and Maturities of Investments   | 995,358                    |
| Purchase of Investments   | (1,149,458)                |
| Investment Income   | 7,321                      |
| <b>Net Cash Used by Investing Activities</b>  | <u><b>(146,779)</b></u>    |
| Net Increase in Cash and Cash Equivalents   | 4,776                      |
| Cash and Cash Equivalents, Beginning of Year  | 12,679                     |
| <b>Cash and Cash Equivalents, End of Year</b>   | <u><b>\$ 17,455</b></u>    |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>  |                            |
| <b>Operating Loss</b>   | \$ (713,887)               |
| <b>Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities</b>   |                            |
| Depreciation Expense  | 95,563                     |
| <b>Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:</b>  |                            |
| Other Receivables, Net  | 8,804                      |
| Inventories   | (491)                      |
| Loans and Notes Receivable, Net   | 258                        |
| Deferred Charges and Other Assets   | 1,004                      |
| Accounts Payable  | 4,047                      |
| Salaries and Wages Payable  | 3,348                      |
| Self-Insurance Claims   | 25                         |
| Deposits Payable  | (13)                       |
| Compensated Absences Payable  | (1,031)                    |
| Other Postemployment Benefits Payable   | 7,602                      |
| Unearned Revenue  | 6,383                      |
| Pension Liability   | (267,917)                  |
| Pension Deferred Outflows   | 43,491                     |
| Pension Deferred Inflows  | 193,579                    |
| Other Postemployment Benefits Deferred Outflows   | 6,093                      |
| Other Postemployment Benefits Deferred Inflows  | (8,736)                    |
| Other Liabilities   | 20                         |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>  | <u><b>\$ (621,858)</b></u> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES</b>  |                            |
| The following items were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows: |                            |
| Unrealized losses on investments  | \$ (42,297)                |
| Gains on disposal of capital assets   | \$ 2,051                   |

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

# NOTES TO FINANCIAL STATEMENTS

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Reporting Entity

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

### Discretely Presented Component Units

Based on the application of the criteria for determining component units, the following organizations met all of the financial accountability criteria necessary for inclusion as discretely presented component units and therefore are included within the university reporting entity, or are included based on the nature and significance of their relationship with the university.

These organizations and their purposes are explained as follows:

- ◆ **The Florida State University Foundation, Inc. (Foundation)** - The university's fundraising and private support programs are accounted for and reported separately by the Foundation. The Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. The Foundation expenses include scholarship distributions to students and departmental faculty, staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.
- ◆ **Seminole Boosters, Inc. (Boosters)** - The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of university students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are utilized for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association. The Boosters' financial information includes the activities of the Florida State University Financial Assistance, Inc., as a blended component unit.
- ◆ **The Florida State University Research Foundation, Inc. (Research Foundation)** - The Research Foundation was established to promote and assist the research and training activities of the university through income from contracts, grants, and other sources, including income derived from the development and commercialization of the university's work products.
- ◆ **Florida State University International Programs Association, Inc. (International Programs Association)** - The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University Study-Abroad Programs in England, Italy, Costa Rica, and other sites.
- ◆ **Florida State University Schools, Inc. (School)** - The School is a charter school established pursuant to Section 1002.33(5)(a), Florida Statutes. The School provides a setting where university faculty, School faculty, and graduate students can design, demonstrate, and analyze the effectiveness of new instructional materials, technological advances, and strategies under controlled conditions. It also offers an environment for the systematic research, evaluation, and development of commercial or prototype materials and techniques adaptable to other Florida public schools and is supported by School and university researchers or private sector partners.
- ◆ **Florida State University Alumni Association, Inc. (Alumni Association)** - The Alumni Association serves as a connecting link between alumni and the university. The nature and purpose of the Alumni Association is to aid, strengthen, and expand the university and its alumni. The Alumni Association utilizes private gifts, devises, other contributions, and advertising income to publish and exchange information with university alumni, to assist the university's development programs, and to provide public and community service.
- ◆ **The John and Mable Ringling Museum of Art Foundation, Inc. (Ringling Museum Foundation)** - The Ringling Museum Foundation was established to provide charitable and educational aid to the university's John and Mable Ringling Museum of Art.
- ◆ **Florida Medical Practice Plan, Inc. (FMPP)** - FMPP's purpose is to improve and support medical education in the Florida State University College of Medicine.



- ◆ **Florida State University Magnet Research and Development, Inc. (Magnet Research and Development)** - The Magnet Research and Development organization was incorporated to promote, encourage, and assist the research and training activities of faculty, staff, and students of the university and specifically to design, develop, invent, assemble, construct, test, repair, maintain, and fabricate magnets or magnet systems of any type or design.
- ◆ **The Florida State University Real Estate Foundation, Inc. (Real Estate Foundation)** – The Real Estate Foundation was established to receive, hold, manage, lease, develop, or sell real estate, and to make expenditures, grants, and contributions to or for the benefit of the university.
- ◆ **The Florida State University College of Business Student Investment Fund, Inc. (Student Investment Fund)** – The Student Investment Fund was established to support a student managed investment fund and other FSU College of Business programs.
- ◆ **Florida State University Athletics Association, Inc. (Athletics Association)** – The Athletics Association was established to administer varsity collegiate athletics for and on behalf of Florida State University, including oversight, governance, and coordination between the Department of Intercollegiate Athletics and Seminole Boosters, Inc.

An annual audit of each operational organization’s financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the university Board of Trustees. Additional information on the university’s discretely presented component units, including copies of audit reports, is available by contacting the University Controller. Condensed financial statements for the university’s discretely presented component units are disclosed 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 which 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 entity wide 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

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. The statement of revenues, expenses, and changes in net position is presented by major sources of operating revenues, natural classifications of operating expenses, nonoperating revenues and expenses, and all other activity not otherwise classified. 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*.

### **Measurement Focus and Basis of Accounting**

The university’s and its discretely presented component units’ financial statements are presented using the economic resources measurement focus, which aims to report all inflows, outflows, and balances affecting or reflecting an entity’s net position, and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

### **Cash and Cash Equivalents**

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

**Investments and Fair Value Measurement**

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.

**Other Current Assets**

Other current assets are primarily made up of prepaid items, which represent payments for goods and services that will benefit future periods.

**Capital Assets**

University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, right-to-use leases, and computer software. Except for right-to-use leases, these assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The university has a capitalization threshold of \$5,000 for tangible personal property, \$100,000 for buildings and other improvements, and \$4,000,000 for intangible assets.

Depreciation is computed on the straight-line basis over the following estimated useful lives:

- ◆ Buildings, Infrastructure and Other Improvements – 10 to 50 years
- ◆ Furniture and Equipment – 3 to 20 years
- ◆ Library Resources - 10 years
- ◆ Computer Software – 5 years

**Leases**

Leases consist of contracts that convey control of the right to use an underlying asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The university recognizes a lease receivable and deferred inflow of resources when it is the lessor party to a contract, or an intangible right-to-use lease asset and lease liability when it is the lessee party to a contract. The expected receipts or payments are discounted using the interest rate stated in the contract, if available, or are otherwise discounted using an estimated incremental borrowing rate. The university applies a materiality threshold of \$5,000 for equipment and \$100,000 for space based on the present value of expected receipts or payments over the term of the contract. Lease amounts are amortized over the shorter of the contract term or the useful life of the underlying asset.

**Noncurrent Liabilities**

Noncurrent liabilities include capital improvement debt payable, leases payable, accrued self-insurance claims, compensated absences payable, other postemployment benefits payable, revenue received in advance, net pension liability, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premium or discount. The university amortizes debt premiums and discounts over the life of the debt using the straight-line method.

**Compensated Absences**

Employees earn vacation and sick leave each pay period and can carryforward unused balances up to certain amounts each calendar year. The university calculates the compensated absences liability based on recorded balances of unused leave as of the end of the fiscal year for which the university expects to compensate employees through paid time off or cash payments at termination. Upon termination of employment, employees are entitled to be paid for any accumulated unused leave up to the maximum allowable amounts.

**Pensions**

For the 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 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.

**Other Postemployment Benefits**

For the purposes of measuring the net postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to postemployment benefits, and benefit expense, information about the fiduciary net positions of the Florida Division of State Group Insurance Other Postemployment Benefits Plan (OPEB Plan) and additions to/deductions from the OPEB Plan fiduciary net positions have been determined on the same basis as they are reported by the OPEB Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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## Net Position

The university's components of net position are classified as follows:

Net Investment in Capital Assets - Represents the university's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources related to those capital assets.

Nonexpendable Restricted Net Position – Consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal. All endowment and similar type funds are held by the university's component units.

Expendable Restricted Net Position – Includes resources in which the university is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Position – Represents resources derived from student tuition and fees, State appropriations, and the sales and services of auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the university and may be used at the discretion of the governing board to meet current expenses for any purpose.

When both restricted and unrestricted resources are available to fund certain programs, generally it is the university's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

## Operating Revenues and Expenses

The university's principal operating activities consist of instruction, research, and public service. Operating revenues include activities that have characteristics of exchange transactions, such as student fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises; and Federal, State, local and nongovernmental grants and contracts.

Operating expenses include scholarships and fellowships for students, operation and maintenance of capital assets, depreciation on capital assets, and all other fiscal transactions directly related to the university's principal operating activities as well as those related to the academic and general administration of the university.

## Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenue from students, are reported net of scholarship discounts and allowances, which are the differences between the stated charge for goods and services provided by the university and the amount that is actually paid by a student or a third party making payment on behalf of the student. Certain governmental grants, such as Pell grants, and other Federal, State, or nongovernmental programs, such as the Florida Bright Futures Program, are recorded as nonoperating revenues in the university's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the university has recorded a scholarship discount and allowance.

The university applied the "Direct Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net scholarship discounts and allowances.

## Nonoperating Revenues and Expenses

Nonoperating revenues include activities that have characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. Nonoperating revenues include State noncapital appropriations; Federal and State student financial aid; Noncapital grants, contracts, and gifts; and investment income. Nonoperating expenses include interest on capital asset-related debt and losses on the disposal of capital assets.

## 2. REPORTING CHANGES

The university implemented GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As a result of implementation, the university reclassified capital assets previously reported as property under capital lease to either buildings or equipment, and reclassified long-term debt previously reported as capital lease payable to other noncurrent liabilities as financed purchases. These changes are reflected in Note 5 Receivables, Note 8 Capital Assets, and Note 10 Long-Term Liabilities. There was no effect to beginning net position.

### 3. UNRESTRICTED NET POSITION

The university had an unrestricted net position of \$89,655,811 at June 30, 2022. This includes the full recognition of long-term liabilities expected to be financed in future years. The effect of these items on the university's unrestricted net position is shown below:

| Description  | Amount               |
|--|----------------------|
| Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources | \$ 642,649,578       |
| Amount Expected to be Financed in Future Years:  |                      |
| Compensated Absences Payable   | 86,602,572           |
| Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources                             | 225,406,345          |
| Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources   | 240,984,850          |
| Total Amount Expected to be Financed in Future Years   | (552,993,767)        |
| <b>Total Unrestricted Net Position</b>   | <b>\$ 89,655,811</b> |

### 4. INVESTMENTS

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

The university's investments at June 30, 2022, are reported as follows:

| Investments by Fair Value Level                     | Fair Value              | Level 1              | Level 2     | Level 3                 |
|---|-------------------------|----------------------|-------------|-------------------------|
| External Investment Pool:                           |                         |                      |             |                         |
| State Treasury Special Purpose Investment Account   | \$ 1,017,028,994        | \$ -                 | \$ -        | \$ 1,017,028,994        |
| State Board of Administration Debt Service Accounts | 16,151                  | 16,151               | -           | -                       |
| Mutual Funds:                                       |                         |                      |             |                         |
| Bonds   | 7,886,765               | 7,886,765            | -           | -                       |
| Equities  | 3,446,668               | 3,446,668            | -           | -                       |
| Other Investments                                   | 8,413,914               | -                    | -           | 8,413,914               |
| <b>Total Investments by Fair Value Level</b>        | <b>\$ 1,036,792,492</b> | <b>\$ 11,349,584</b> | <b>\$ -</b> | <b>\$ 1,025,442,908</b> |

Investments held by the university's component units at June 30, 2022, are reported as follows:

| <b>Investments by Fair Value Level</b>                   | <b>Fair Value</b>       | <b>Level 1</b>        | <b>Level 2</b> | <b>Level 3</b>       |
|--|-------------------------|-----------------------|----------------|----------------------|
| Domestic Stocks  | \$ 21,291,190           | \$ 21,291,190         | \$ -           | \$ -                 |
| International Stocks                                     | 128,600                 | 128,600               | -              | -                    |
| Mutual Funds   | 178,081,254             | 178,081,254           | -              | -                    |
| Real Estate Investments                                  | 15,103,499              | -                     | -              | 15,103,499           |
| Other Investments  | 22,292,320              | 22,192,320            | -              | 100,000              |
| <b>Total Investments by Fair Value Level</b>             | <b>\$ 236,896,863</b>   | <b>\$ 221,693,364</b> | <b>\$ -</b>    | <b>\$ 15,203,499</b> |
| <b>Investments Measured at the Net Asset Value (NAV)</b> |                         |                       |                |                      |
| Domestic Bonds and Notes                                 | 66,796,324              |                       |                |                      |
| Domestic Stocks  | 146,197,001             |                       |                |                      |
| International Stocks                                     | 148,040,231             |                       |                |                      |
| Real Estate Investments                                  | 19,902,649              |                       |                |                      |
| Hedge Funds  | 101,714,151             |                       |                |                      |
| Private Equity Funds                                     | 227,403,647             |                       |                |                      |
| Private Real Estate Funds                                | 57,001,936              |                       |                |                      |
| <b>Total Investments Measured at NAV</b>                 | <b>767,055,939</b>      |                       |                |                      |
| <b>Other</b>   |                         |                       |                |                      |
| SBA Florida PRIME  | 39,378,275              |                       |                |                      |
| Other Investments  | 1,364,635               |                       |                |                      |
| <b>Total Other Investments</b>                           | <b>40,742,910</b>       |                       |                |                      |
| <b>Total Investments</b>                                 | <b>\$ 1,044,695,712</b> |                       |                |                      |

The university's component units' investments measured at the net asset value (NAV), as of June 30, 2022, totaled \$767,055,939 as follows:

| <b>Investments Measured at the NAV</b>   | <b>Fair Value</b>     | <b>Unfunded Commitments</b> | <b>Redemption Frequency</b> | <b>Redemption Notice Period</b> |
|--|-----------------------|-----------------------------|-----------------------------|---------------------------------|
| Domestic Bonds and Notes                 | \$ 66,796,324         | \$ 6,431,965                | Daily                       | 2 days                          |
| Domestic Stocks                          | 146,197,001           | -                           | Daily to semi-annually      | 2 - 60 days                     |
| International Stocks                     | 148,040,231           | -                           | Daily to semi-annually      | 2 - 60 days                     |
| Real Estate Investments                  | 19,902,649            | -                           | Daily                       | 2 days                          |
| Hedge Funds                              | 101,714,151           | 4,734,711                   | Monthly to every 3 years    | 10 - 90 days                    |
| Private Equity Funds                     | 227,403,647           | 75,466,098                  |                             |                                 |
| Private Real Estate Funds                | 57,001,936            | 23,519,612                  |                             |                                 |
| <b>Total Investments Measured at NAV</b> | <b>\$ 767,055,939</b> | <b>\$ 110,152,386</b>       |                             |                                 |

Investments measured at net asset value are comprised of the following categories:

- ◆ Domestic Bonds and Notes – domestic fixed income institutional pooled funds.
- ◆ Domestic Stocks – equity interests in domestic institutional pooled funds.
- ◆ International Stocks – equity interests in global and emerging market institutional pooled funds.
- ◆ Real Estate – equity interests in global real estate institutional pooled funds, and a real estate limited partnership.
- ◆ Hedge Funds – interests in offshore funds that invest both long and short in domestic and international equities as well as absolute return strategy interests in offshore funds that are designed to produce results that are largely independent of, or have low correlation to, the broader markets.
- ◆ Private Equity – interests in several limited partnership funds that invest in private equity, venture capital, and distressed assets.
- ◆ Private Real Estate - interests in several limited partnership funds that invest in real estate and natural resources.

**External Investment Pools**

The university reported investments at fair value totaling \$1,017,028,994 at June 30, 2022, 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 SPIA carried a credit rating of AA-f by Standard & Poor’s, had an effective duration of 2.66 years, and fair value factor of 0.9479 at June 30, 2022. Participants contribute to the Treasury 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 participants’ 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.

The Research Foundation and Magnet Research and Development reported investments at fair value totaling \$39,115,427 and \$262,848, respectively, at June 30, 2022, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. These investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2022, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor’s and had a weighted average days to maturity (WAM) of 28 days as of June 30, 2022. A portfolio’s WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

**State Board of Administration Debt Service Accounts**

The university reported investments at fair value totaling \$16,151 at June 30, 2022, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the university. The university’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The university relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State’s Annual Comprehensive Financial Report.

**Other Investments**

In addition to external investment pools, the university and its discretely presented component units invested in various debt and equity securities, mutual funds, and real estate funds. The following are required risk disclosures applicable to investments of the university as well as its discretely presented component units.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The university has investments in bond mutual funds that are subject to interest rate risk. Additionally, investments of the university’s discretely presented component units in debt securities, bonds and notes, and bond mutual funds are also subject to interest rate risk. These investments and their future maturities at June 30, 2022, are as follows:

|                                      | Fair Value     | Investment Maturities (in years) |                |                 |
|--------------------------------------|----------------|----------------------------------|----------------|-----------------|
|                                      |                | Less Than 1                      | 1-10           | Greater Than 10 |
| University                           | \$ 7,886,765   | \$ -                             | \$ 7,886,765   | \$ -            |
| Discretely Presented Component Units | \$ 142,430,419 | \$ 291,623                       | \$ 136,886,441 | \$ 5,252,355    |

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. The university and the university’s discretely presented component units held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies at June 30, 2022, as follows:

|                                      | Fair Value     | United States Government | AAA           | AA/Aa        | A/Ba          | Less Than A/Ba or Not Rated |
|--------------------------------------|----------------|--------------------------|---------------|--------------|---------------|-----------------------------|
| University                           | \$ 7,886,765   | \$ -                     | \$ -          | \$ 7,886,765 | \$ -          | \$ -                        |
| Discretely Presented Component Units | \$ 142,430,419 | \$ 52,812,279            | \$ 45,554,249 | \$ 5,299,118 | \$ 34,996,181 | \$ 3,768,592                |

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of the failure of the counterparty, the component unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the component unit and are not registered in the component unit’s name. Neither the university nor its discretely presented component units have identified any investments falling into this category as of June 30, 2022.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The university's discretely presented component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the discretely presented component units.

## 5. RECEIVABLES

### Accounts Receivable

Accounts receivable represent amounts for student tuition and fees, grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable.

As of June 30, 2022, the university reported the following amounts as accounts receivable:

| Description                                 | Amount               |
|---|----------------------|
| Student Tuition and Fees                    | \$ 14,768,180        |
| Grants and Contracts                        | 20,695,621           |
| Sales and Services of Auxiliary Enterprises | 21,376,526           |
| Interest                                    | 833,001              |
| Other                                       | 2,129,909            |
| <b>Total Accounts Receivable</b>            | <b>\$ 59,803,237</b> |

### Loans and Notes Receivable

Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs. Loans and notes receivable totaled \$4,473,596 at June 30, 2022.

### Leases Receivable

The university leases space to external parties for various terms under long-term non-cancelable leases. The leases expire at various dates through 2042. Lease revenue totaling \$506,018 and interest revenue of \$171,750 were recognized during the 2021-22 fiscal year in accordance with GASB Statement No. 87, *Leases*. Future rights to remaining leases receivable as of June 30, 2022, are as follows:

| For the Year Ending June 30,   | Principal           | Interest            | Total                |
|--------------------------------|---------------------|---------------------|----------------------|
| 2023                           | \$ 429,255          | \$ 209,234          | \$ 638,489           |
| 2024                           | 448,479             | 198,780             | 647,259              |
| 2025                           | 471,584             | 188,864             | 660,448              |
| 2026                           | 413,960             | 175,188             | 589,148              |
| 2027                           | 444,500             | 169,170             | 613,670              |
| 2028-2032                      | 2,570,292           | 670,974             | 3,241,266            |
| 2033-2037                      | 2,051,135           | 328,787             | 2,379,922            |
| 2038-2042                      | 1,293,409           | 106,400             | 1,399,809            |
| <b>Total Leases Receivable</b> | <b>\$ 8,122,614</b> | <b>\$ 2,047,397</b> | <b>\$ 10,170,011</b> |

### Allowance for Doubtful Receivables

Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of \$3,908,426 and \$1,084,163, respectively, at June 30, 2022. No allowance has been accrued for grants and contracts receivable or leases receivable as university management considers these to be fully collectible.

## 6. DUE FROM STATE

This amount consists of \$20,136,073 of Public Education Capital Outlay, \$64,502,587 of General Revenue, \$1,537,853 of State Student Financial Aid, and \$1,748,474 of Capital Improvement Fee Trust Fund allocations due from the State to the university for construction of facilities.

## 7. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The university's financial statements are reported for the fiscal year ended June 30, 2022. The university's component units' financial statements are reported as of the most recent fiscal year for which an audit report is available. One component unit has a fiscal year other than June 30. Accordingly, amounts reported by the university as due from and to component units on the statement of net position do not agree with amounts reported by the component units as due from and to the university.

## 8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2022, is shown below:

| Description                                  | Beginning Balance       | Additions             | Reductions            | Ending Balance          |
|--|-------------------------|-----------------------|-----------------------|-------------------------|
| <b>Nondepreciable Capital Assets:</b>        |                         |                       |                       |                         |
| Land   | \$ 95,137,577           | \$ 616,677            | \$ 218,700            | \$ 95,535,554           |
| Works of Art and Historical Treasures        | 85,429,487              | 416,393               | -                     | 85,845,880              |
| Construction in Progress                     | 103,720,580             | 103,915,006           | 186,369,932           | 21,265,654              |
| <b>Total Nondepreciable Capital Assets</b>   | <b>\$ 284,287,644</b>   | <b>\$ 104,948,076</b> | <b>\$ 186,588,632</b> | <b>\$ 202,647,088</b>   |
| <b>Depreciable Capital Assets:</b>           |                         |                       |                       |                         |
| Buildings                                    | \$ 2,303,710,177        | \$ 175,900,960        | \$ 9,146,070          | \$ 2,470,465,067        |
| Infrastructure and Other Improvements        | 168,054,746             | 2,377,670             | 48,300                | 170,384,116             |
| Furniture and Equipment                      | 384,408,056             | 21,258,128            | 14,723,555            | 390,942,629             |
| Library Resources                            | 179,942,409             | 8,704,401             | 4,951,540             | 183,695,270             |
| Property Under Capital Lease (1)             | 6,069,484               | -                     | 6,069,484             | -                       |
| Right-to-Use Lease Assets (2)                | -                       | 7,384,540             | -                     | 7,384,540               |
| Computer Software                            | 49,174,492              | -                     | -                     | 49,174,492              |
| <b>Total Depreciable Capital Assets</b>      | <b>3,091,359,364</b>    | <b>215,625,699</b>    | <b>34,938,949</b>     | <b>3,272,046,114</b>    |
| <b>Less, Accumulated Depreciation:</b>       |                         |                       |                       |                         |
| Buildings                                    | 751,472,067             | 61,597,270            | 9,112,691             | 803,956,646             |
| Infrastructure and Other Improvements        | 88,757,681              | 4,161,675             | -                     | 92,919,356              |
| Furniture and Equipment                      | 283,851,694             | 21,785,591            | 11,824,508            | 293,812,777             |
| Library Resources                            | 143,968,111             | 7,744,137             | 4,951,539             | 146,760,709             |
| Property Under Capital Lease (1)             | 750,213                 | -                     | 750,213               | -                       |
| Right-to-Use Lease Assets (2)                | -                       | 1,024,615             | -                     | 1,024,615               |
| Computer Software                            | 49,174,492              | -                     | -                     | 49,174,492              |
| <b>Total Accumulated Depreciation</b>        | <b>1,317,974,258</b>    | <b>96,313,288</b>     | <b>26,638,951</b>     | <b>1,387,648,595</b>    |
| <b>Total Depreciable Capital Assets, Net</b> | <b>\$ 1,773,385,106</b> | <b>\$ 119,312,411</b> | <b>\$ 8,299,998</b>   | <b>\$ 1,884,397,519</b> |

(1) Property under capital lease was reclassified to building and equipment due to implementation of GASB Statement No. 87. Beginning balance was not restated.

(2) Right-to-use lease assets were added due to implementation of GASB Statement No. 87. Beginning balance was not restated.

## 9. UNEARNED REVENUE

Unearned revenue includes capital appropriations for which the university had not yet received approval from the Florida Department of Education, as of June 30, 2022, to spend the funds, as well as grants and contracts, and auxiliary sales and services received prior to fiscal year end related to the subsequent accounting period.

As of June 30, 2022, the university reported the following amounts as unearned revenue:

| Description                                 | Amount                |
|---|-----------------------|
| State Capital Appropriations                | \$ 73,166,710         |
| Grants and Contracts                        | 9,363,475             |
| Sales and Services of Auxiliary Enterprises | 20,295,603            |
| Other                                       | 240,414               |
| <b>Total Unearned Revenue</b>               | <b>\$ 103,066,202</b> |



## 10. LONG-TERM LIABILITIES

Long-term liabilities of the university at June 30, 2022, include capital improvement debt payable, leases payable, accrued self-insurance claims, compensated absences payable, other postemployment benefits payable, revenue received in advance, net pension liability, and other noncurrent liabilities.

Long-term liabilities activity for the fiscal year ended June 30, 2022, is shown in the following table:

| Description                           | Beginning Balance     | Additions             | Reductions            | Ending Balance        | Current Portion      |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| Capital Improvement Debt Payable      | \$ 196,551,040        | \$ -                  | \$ 16,077,892         | \$ 180,473,148        | \$ 16,357,892        |
| Capital Leases Payable (1)            | 9,146,603             | -                     | 9,146,603             | -                     | -                    |
| Leases Payable (2)                    | -                     | 7,384,540             | 833,830               | 6,550,710             | 947,903              |
| Accrued Self-Insurance Claims         | 470,389               | 31,766                | 6,553                 | 495,602               | -                    |
| Compensated Absences Payable          | 87,654,088            | 6,588,387             | 7,639,903             | 86,602,572            | 6,483,959            |
| Other Postemployment Benefits Payable | 194,892,613           | 146,933,327           | 139,330,891           | 202,495,049           | 3,542,887            |
| Revenue Received in Advance           | 22,303,776            | 3,516,856             | 2,036,646             | 23,783,986            | 2,823,448            |
| Net Pension Liability                 | 397,904,694           | 68,893,698            | 336,810,898           | 129,987,494           | 403,155              |
| Other Noncurrent Liabilities          | 27,737,749            | 9,009,823             | 12,974,036            | 23,773,536            | 14,170,596           |
| <b>Total Long-Term Liabilities</b>    | <b>\$ 936,660,952</b> | <b>\$ 242,358,397</b> | <b>\$ 524,857,252</b> | <b>\$ 654,162,097</b> | <b>\$ 44,729,840</b> |

(1) Capital Leases Payable were reclassified as Other Noncurrent Liabilities due to implementation of GASB Statement No. 87. Beginning balance was not restated.

(2) Leases Payable were added due to implementation of GASB Statement No. 87. Beginning balance was not restated.

### Capital Improvement Debt Payable

The university had the following capital improvement debt payable outstanding at June 30, 2022:

| Capital Improvement Debt Type and Series | Amount of Original Issue | Principal Amount Outstanding | Unamortized Amount Outstanding (1) | Net Amount Outstanding | Interest Rates (Percent) | Maturity Date To |
|--|--------------------------|------------------------------|------------------------------------|------------------------|--------------------------|------------------|
| Auxiliary Revenue Debt:                  |                          |                              |                                    |                        |                          |                  |
| 2013A Housing                            | \$ 42,495,000            | \$ 30,040,000                | \$ 1,655,139                       | \$ 31,695,139          | 4.0 - 5.0                | 2033             |
| 2014A Housing                            | 46,085,000               | 28,020,000                   | 3,951,402                          | 31,971,402             | 3.25 - 5.0               | 2031             |
| 2015A Housing                            | 59,575,000               | 47,925,000                   | 3,523,487                          | 51,448,487             | 3.0 - 5.0                | 2035             |
| 2021A Housing                            | 24,780,000               | 23,370,000                   | 4,414,241                          | 27,784,241             | 2.0 - 5.0                | 2040             |
| <b>Total Student Housing Debt</b>        | <b>172,935,000</b>       | <b>129,355,000</b>           | <b>13,544,269</b>                  | <b>142,899,269</b>     |                          |                  |
| 2014A Parking                            | 13,485,000               | 3,120,000                    | 641,617                            | 3,761,617              | 5.0                      | 2025             |
| 2021A Parking                            | 11,850,000               | 10,035,000                   | 50,120                             | 10,085,120             | 5.0                      | 2031             |
| <b>Total Student Parking Debt</b>        | <b>25,335,000</b>        | <b>13,155,000</b>            | <b>691,737</b>                     | <b>13,846,737</b>      |                          |                  |
| 2005A Dining                             | 10,000,000               | 2,225,000                    | -                                  | 2,225,000              | 3.58                     | 2025             |
| 2021A Wellness Center                    | 12,330,000               | 11,260,000                   | 2,934,774                          | 14,194,774             | 5.0                      | 2030             |
| <b>Total Auxiliary Debt</b>              | <b>220,600,000</b>       | <b>155,995,000</b>           | <b>17,170,780</b>                  | <b>173,165,780</b>     |                          |                  |
| 2012 Research Foundation Revenue Debt    | 11,920,000               | 6,715,000                    | 592,368                            | 7,307,368              | 3.0 - 4.0                | 2031             |
| <b>Total Capital Improvement Debt</b>    | <b>\$ 232,520,000</b>    | <b>\$ 162,710,000</b>        | <b>\$ 17,763,148</b>               | <b>\$ 180,473,148</b>  |                          |                  |

(1) Unamortized amounts include bond discounts, premiums, and/or gains/losses on bond refundings.

## NOTES TO FINANCIAL STATEMENTS

The university has pledged a portion of future housing rental revenues, traffic and parking fees, food service revenues, and assessed student transportation and student health fees based on credit hours to repay \$220.6 million in capital improvement (housing, parking, etc.) revenue bonds issued by the Florida Board of Governors on behalf of the university. Proceeds from the bonds provided financing to construct student parking garages, student housing facilities, a health center, and other student service facilities. The bonds are payable solely from housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees, and are payable through 2040. The university has committed to appropriate each year from the housing rental income, traffic and parking fees, food service revenues, and assessed student transportation and student health fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$199 million and principal and interest paid for the current year totaled \$22.3 million.

| Revenue Pledged                          | Amount       |
|--|--------------|
| Housing Rental Income                    | \$49,425,586 |
| Traffic, Parking and Transportation Fees | 12,457,624   |
| Food Service Revenues                    | 2,845,082    |
| Student Health Fees                      | 15,318,836   |

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2022, are as follows:

| Fiscal Year Ending June 30                      | General               |                      | Direct Placement    |                   | Total                 |
|---|-----------------------|----------------------|---------------------|-------------------|-----------------------|
|   | Principal             | Interest             | Principal           | Interest          |                       |
| 2023  | \$ 13,895,000         | \$ 7,023,557         | \$ 705,000          | \$ 80,761         | \$ 21,704,318         |
| 2024  | 13,090,000            | 6,335,206            | 740,000             | 55,323            | 20,220,529            |
| 2025  | 13,725,000            | 5,687,406            | 780,000             | 28,312            | 20,220,718            |
| 2026  | 13,635,000            | 5,008,106            | -                   | -                 | 18,643,106            |
| 2027  | 12,725,000            | 4,333,556            | -                   | -                 | 17,058,556            |
| 2028-2032                                       | 64,655,000            | 12,999,156           | -                   | -                 | 77,654,156            |
| 2033-2037                                       | 26,420,000            | 2,121,825            | -                   | -                 | 28,541,825            |
| 2038-2040                                       | 2,340,000             | 94,200               | -                   | -                 | 2,434,200             |
| <b>Subtotal</b>                                 | <b>160,485,000</b>    | <b>43,603,012</b>    | <b>2,225,000</b>    | <b>164,396</b>    | <b>206,477,408</b>    |
| Plus: Unamortized Premiums and (Discounts), Net | 17,763,148            | -                    | -                   | -                 | 17,763,148            |
| <b>Total</b>                                    | <b>\$ 178,248,148</b> | <b>\$ 43,603,012</b> | <b>\$ 2,225,000</b> | <b>\$ 164,396</b> | <b>\$ 224,240,556</b> |

Direct placements are defined by GASB as debt obligations that have terms negotiated directly with an investor and are not offered for public sale. The 2005A Dining issue is the only direct placement of the university's capital improvement debt payable. All the remaining issues were offered for public sale.

### Leases Payable

The university follows GASB Statement No. 87, *Leases*. Space is leased from external parties for various terms under long-term, non-cancelable leases. The leases expire at various dates through 2036. Payments are made in monthly installments ranging from \$3,221 to \$36,268, and quarterly installments of \$50,000, with an implicit interest rate of 3 percent. The university does not have any leases featuring payments tied to an index or market rate, or any leases subject to a residual value guarantee. Future obligations for remaining leases payable as of June 30, 2022, are as follows:

| Fiscal Year Ending June 30  | Principal           | Interest            | Total               |
|-----------------------------|---------------------|---------------------|---------------------|
| 2023                        | \$ 947,903          | \$ 463,949          | \$ 1,411,852        |
| 2024                        | 982,720             | 427,093             | 1,409,813           |
| 2025                        | 999,563             | 387,546             | 1,387,109           |
| 2026                        | 922,429             | 236,724             | 1,159,153           |
| 2027                        | 546,243             | 197,087             | 743,330             |
| 2028-2032                   | 1,342,088           | 568,715             | 1,910,803           |
| 2033-2036                   | 809,764             | 155,506             | 965,270             |
| <b>Total Leases Payable</b> | <b>\$ 6,550,710</b> | <b>\$ 2,436,620</b> | <b>\$ 8,987,330</b> |

## 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, 2022, the estimated liability for compensated absences, which includes the university's share of the Florida Retirement System and FICA contributions, totaled \$86,602,572. The current portion of the compensated absences liability, \$6,483,959, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

## Other Postemployment Benefits Payable

As a participating employer in the State Employees' Group Health Insurance Plan, the university recognizes its proportionate share of the collective other postemployment benefits liability of the multiple-employer defined benefit health plan. As of June 30, 2022, the university's proportionate share of the total OPEB liability totaled \$202,495,049.

## Revenue Received in Advance

Long-term revenue received in advance represents funds received but not yet earned under the terms and conditions of auxiliary services contracts. Total long-term revenue received in advance at June 30, 2022, amounted to \$23,783,986, with \$2,823,448 expected to be earned during the 2022-23 fiscal year.

## Net Pension Liability

As a participating employer in the Florida Retirement System, 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, 2022, the university's proportionate share of the net pension liabilities totaled \$129,987,494.

## Other Noncurrent Liabilities

Other noncurrent liabilities mainly consist of the Federal Capital Contribution (advance) provided to fund the university's Federal Perkins Loan Program, the university's share of Social Security taxes deferred under the Federal CARES Act enacted during the 2019-20 fiscal year, and financed purchase agreements. The advance amount totaling \$3,704,525 will ultimately be returned to the Federal Government should the university cease making Federal Perkins Loans or if the university has excess cash in the loan program. The balance of the deferred employer taxes, \$10,252,009, is due by December 31, 2022. The university has financed purchases related to direct borrowing agreements entered into for equipment totaling \$7,833,485 with stated interest rates ranging from zero to 3.295 percent. Direct borrowings are defined by GASB as debt obligations that have terms negotiated directly with a lender and are not offered for public sale. Future minimum payments under the agreements and the present value of the minimum payments as of June 30, 2022, are as follows:

| Fiscal Year Ending June 30               | Amount              |
|--|---------------------|
| 2023                                     | \$ 1,524,849        |
| 2024                                     | 1,483,704           |
| 2025                                     | 1,360,272           |
| 2026                                     | 1,360,272           |
| 2027                                     | 1,360,272           |
| 2028-2029                                | 1,397,430           |
| Total Minimum Payments                   | 8,486,799           |
| Less, Amount Representing Interest       | 653,314             |
| <b>Present Value of Minimum Payments</b> | <b>\$ 7,833,485</b> |

## 11. OTHER POSTEMPLOYMENT BENEFITS

### General Information about Other Postemployment Benefits

The university follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the Florida Department of Management Services, Division of State Group Insurance.

### Other Postemployment Benefits Plan

*Plan Description* – The State Employees' Group Health Insurance Plan for other postemployment benefits is a multiple-employer defined benefit health plan (OPEB Plan). Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the university are eligible to participate in the OPEB Plan. 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

## NOTES TO FINANCIAL STATEMENTS

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 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 \$202.5 million was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2022, the university’s proportionate share, determined by its proportion of total benefit payments made, was 1.92 percent, which was an increase of 0.03 percent from its proportionate share reported as of June 30, 2021.

*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 2.18 percent

Healthcare cost trend rates for the Preferred Provider Option (PPO) Plan and Health Maintenance Organization (HMO) Plan, respectively, are 7.95 and 6.02 percent for the 2021-22 fiscal year, increasing to a maximum rate of 8.19 and 6.02 percent in the 2023-24 fiscal year, and gradually decreasing to 4.04 percent after the 2074-75 fiscal year.

Retiree premium trend rates for both the PPO and HMO plans are 7.0 percent for the 2021-22 fiscal year, increasing to a maximum of 7.1 percent for 2023-24 fiscal year, and gradually decreasing to 4.0 percent for the 2075-76 and later fiscal years.

The discount rate was based on the 20-year Standard & Poor’s Municipal Bond Rate Index.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary scale used in the July 1, 2020, valuation were based on the 2019 Experience Study prepared by Milliman.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2020, valuation were based on a review of recent plan experience done concurrently with the July 1, 2020, valuation.

The following changes have been made since the prior valuation:

- ◆ 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 75. The discount rate decreased from 2.66 percent to 2.18 percent.
- ◆ Retirement rates were updated based on those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019, with certain adjustments made to reflect the difference in the underlying populations. 60 percent of DSGI employees are assumed to become eligible for the Deferred Retirement Option Program (DROP), while the remaining 40 percent are assumed to participate in plans which do not offer DROP benefits. Rates were previously those used in Milliman’s actuarial valuation of FRS as of July 1, 2015. This change decreased the total OPEB liability by about 7 percent as of the valuation date.
- ◆ Termination rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019. Previously, rates were those used in Milliman’s actuarial valuation of FRS as of July 1, 2015. This change increased total OPEB liability by about 3 percent as of the valuation date.
- ◆ Disability rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019. Previously, rates were those used in Milliman’s actuarial valuation of FRS as of July 1, 2015. This change increased the total OPEB liability by about 0.5 percent as of the valuation date.
- ◆ Salary increase rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019. Previously, rates were those used in Milliman’s actuarial valuation of FRS as of July 1, 2015. This change increased the total OPEB liability by about 0.2 percent as of the valuation date.

- ◆ Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement at a rate of 47 percent. For those who are not currently covered under the health plan, 3.7 percent are assumed to elect medical coverage in retirement. The resulting overall participation rate is 43 percent. Previously, the overall participation rate was 50 percent. This assumption is based on guidance provided by the DSGI on June 23, 2021. This change resulted in an 8 percent decrease in the total OPEB liability as of the valuation date.

*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 (1.18 percent) or 1 percentage-point higher (3.18 percent) than the current rate:

|  | 1% Decrease<br>(1.18%) | Current Discount Rate<br>(2.18%) | 1% Increase<br>(3.18%) |
|--|------------------------|----------------------------------|------------------------|
| University's proportionate share of the total OPEB liability | \$ 242,712,496         | \$ 202,495,049                   | \$ 171,343,971         |

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

|  | 1% Decrease    | Current Healthcare Cost<br>Trend Rates | 1% Increase    |
|--|----------------|--|----------------|
| University's proportionate share of the total OPEB liability | \$ 163,943,028 | \$ 202,495,049                         | \$ 253,889,173 |

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2022, the university recognized OPEB expense of \$8,572,556. At June 30, 2022, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <b>Description</b>  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ -                                      | \$ 9,624,959                             |
| Changes of assumptions or other inputs  | 21,778,400                                | 67,063,751                               |
| Changes in proportion and differences between university benefit payments and proportionate share of benefit payments | 29,803,759                                | 1,418,441                                |
| Transactions subsequent to the measurement date   | 3,613,695                                 | -  |
| <b>Total</b>  | <b>\$ 55,195,854</b>                      | <b>\$ 78,107,151</b>                     |

Of the total amount reported as deferred outflows of resources related to OPEB, \$3,613,695 resulting from transactions (e.g. benefit payments) subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Fiscal Year Ending June 30</b> | <b>Amount</b>          |
|-----------------------------------|------------------------|
| 2023                              | \$ (7,784,044)         |
| 2024                              | (7,784,044)            |
| 2025                              | (7,784,044)            |
| 2026                              | (4,062,025)            |
| 2027                              | (2,093,908)            |
| Thereafter                        | 2,983,073              |
| <b>Total</b>                      | <b>\$ (26,524,992)</b> |

## 12. RETIREMENT PLANS - DEFINED BENEFIT PENSION PLANS

### General Information about the Florida Retirement System

The Florida Retirement System was created in Chapter 121, Florida Statutes, in order 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 (SMSC) 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 Florida Retirement System 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 website ([dms.myflorida.com](http://dms.myflorida.com)).

The university's pension expense for the FRS and HIS cost-sharing multiple-employer defined benefit plans totaled \$4,276,894 for the 2021-22 fiscal year.

### 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 six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of 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. Members of 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 Deferred Retirement Option Program, 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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight 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:

| <b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>    | <b>% Value</b> |
|--|----------------|
| <b>Regular Class members initially enrolled before July 1, 2011</b>      |                |
| 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 years of service or more                 | 1.68           |
| <b>Regular Class members initially enrolled on or after July 1, 2011</b> |                |
| 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           |
| <b>Senior Management Service Class</b>                                   | 2.00           |
| <b>Special Risk Class</b>  | 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 2021-22 fiscal year were as follows:

| <b>Class or Plan</b>                                 | <b>Percent of Gross Salary</b> |                     |
|--|--------------------------------|---------------------|
|  | <b>Employee</b>                | <b>Employer (1)</b> |
| Florida Retirement System, Regular                   | 3.00                           | 10.82               |
| Florida Retirement System, Senior Management Service | 3.00                           | 29.01               |
| Florida Retirement System, Special Risk              | 3.00                           | 25.89               |
| Teachers' Retirement System, Plan E                  | 6.25                           | 13.56               |
| Deferred Retirement Option Program - Applicable to   |                                |                     |
| Members from All of the Above Classes or Plan        | 0.00                           | 18.34               |
| Florida Retirement System, 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 .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 \$31,477,108 for the fiscal year ended June 30, 2022.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2022, the university reported a liability of \$54,350,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The university's proportionate share of the net pension liability was based on the university's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the university's proportion was 0.72 percent, which was a decrease of 0.02 from its proportionate share measured as of June 30, 2020.

## NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2022, the university recognized a credit adjustment to pension expense of \$695,969. In addition, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 9,315,832                      | \$ -                             |
| Changes of assumptions  | 37,189,584                        | -                                |
| Net difference between projected and actual earnings on pension plan investments                                | -                                 | 189,616,646                      |
| Changes in proportion and differences between university contributions and proportionate share of contributions | 3,406,670                         | 8,780,886                        |
| University contributions subsequent to the measurement date   | 31,477,108                        | -                                |
| <b>Total</b>  | <b>\$ 81,389,194</b>              | <b>\$ 198,397,532</b>            |

The deferred outflows of resources totaling \$31,477,108, 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30 | Amount                  |
|----------------------------|-------------------------|
| 2023                       | \$ (26,017,150)         |
| 2024                       | (30,170,719)            |
| 2025                       | (40,201,712)            |
| 2026                       | (51,646,097)            |
| 2027                       | (449,768)               |
| Thereafter                 | -                       |
| <b>Total</b>               | <b>\$ (148,485,446)</b> |

*Actuarial Assumptions* - The total pension liability in the July 1, 2021 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 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, 2021 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 Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class              | Target<br>Allocation (1) | Annual Arithmetic<br>Return | Annual Geometric<br>Return | Standard Deviation |
|--------------------------|--------------------------|-----------------------------|----------------------------|--------------------|
| Cash                     | 1.0%                     | 2.1%                        | 2.1%                       | 1.1%               |
| Fixed Income             | 20.0%                    | 3.8%                        | 3.7%                       | 3.3%               |
| Global Equity            | 54.2%                    | 8.2%                        | 6.7%                       | 17.8%              |
| Real Estate (Property)   | 10.3%                    | 7.1%                        | 6.2%                       | 13.8%              |
| Private Equity           | 10.8%                    | 11.7%                       | 8.5%                       | 26.4%              |
| Strategic Investments    | 3.7%                     | 5.7%                        | 5.4%                       | 8.4%               |
| <b>Total</b>             | <b>100.0%</b>            |                             |                            |                    |
| Assumed Inflation - Mean |                          |                             | 2.4%                       | 1.2%               |

(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 2021 valuation remained unchanged from the prior valuation.

*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:

|   | 1% Decrease<br>(5.80%) | Current Discount Rate<br>(6.80%) | 1% Increase<br>(7.80%) |
|---|------------------------|----------------------------------|------------------------|
| University's proportionate share of the net pension liability | \$ 243,060,889         | \$ 54,350,905                    | \$ (103,389,482)       |

*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.

### 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, and may be amended by the Florida Legislature at any time. 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, 2022, 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, 2022, 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 three 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 \$3,646,684 for the fiscal year ended June 30, 2022.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At June 30, 2022, the university reported a liability of \$75,636,589 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 one 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, 2021, 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 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the university's proportion was 0.62 percent, which was a decrease of 0.01 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the university recognized pension expense of \$4,972,863. In addition, the university reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

| Description   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 2,530,991                      | \$ 31,680                        |
| Changes of assumptions  | 5,943,343                         | 3,116,420                        |
| Net difference between projected and actual earnings on HIS Plan investments                                    | 78,849                            | -                                |
| Changes in proportion and differences between university contributions and proportionate share of contributions | 279,665                           | 3,320,450                        |
| University contributions subsequent to the measurement date   | 3,646,684                         | -                                |
| <b>Total</b>  | <b>\$ 12,479,532</b>              | <b>\$ 6,468,550</b>              |

**NOTES TO FINANCIAL STATEMENTS**

The deferred outflows of resources totaling \$3,646,684 was related to pensions resulting from university contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30 | Amount              |
|----------------------------|---------------------|
| 2023                       | \$ 927,097          |
| 2024                       | (166,325)           |
| 2025                       | 375,013             |
| 2026                       | 775,842             |
| 2027                       | 431,730             |
| Thereafter                 | 20,941              |
| <b>Total</b>               | <b>\$ 2,364,298</b> |

*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
- ◆ Municipal Bond Rate 2.16 percent

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

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 2.16 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 2021 valuation was updated from 2.21 percent to 2.16 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 2.16 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 (1.16 percent) or 1 percentage-point higher (3.16 percent) than the current rate:

|   | 1% Decrease<br>(1.16%) | Current Discount Rate<br>(2.16%) | 1% Increase<br>(3.16%) |
|---|------------------------|----------------------------------|------------------------|
| University's proportionate share of the net pension liability | \$ 87,443,223          | \$ 75,636,589                    | \$ 65,963,692          |

*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.

## 13. 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 this program. 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 2021-22 fiscal year were as follows:

| <u>Class or Plan</u>                                 | <u>Percent of Gross Compensation</u> |
|--|--------------------------------------|
| Florida Retirement System, Regular                   | 6.30                                 |
| Florida Retirement System, Senior Management Service | 7.67                                 |
| Florida Retirement System, Special Risk              | 14.00                                |

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, 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 contributions to the Investment Plan totaled \$6,220,137 and employee contributions totaled \$1,693,497 for the 2021-22 fiscal year.

### State University System Optional Retirement Program

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

The ORP 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 ORP, 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, 4.19 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.34 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 ORP totaled \$26,446,812 and employee contributions totaled \$13,812,870 for the 2021-22 fiscal year.

**14. CONSTRUCTION COMMITMENTS**

The university's construction commitments at June 30, 2022, were as follows:

| <b>Project Description</b>                            | <b>Total Commitment</b> | <b>Completed to Date</b> | <b>Committed Balance</b> |
|---|-------------------------|--------------------------|--------------------------|
| Legacy Hall, College of Business                      | \$ 134,000,000          | \$ 2,729,248             | \$ 131,270,752           |
| Interdisciplinary Research Commercialization Building | 130,000,000             | 4,792,504                | 125,207,496              |
| Academic Health Center                                | 125,000,000             | -                        | 125,000,000              |
| Kellogg Building                                      | 57,450,000              | -                        | 57,450,000               |
| Doak Campbell Structural Improvements                 | 20,000,000              | -                        | 20,000,000               |
| Tucker Center Deferred Maintenance                    | 20,000,000              | -                        | 20,000,000               |
| National High Magnetic Field Lab Electrical Expansion | 16,440,017              | 146,871                  | 16,293,146               |
| Student Union Finalization                            | 16,138,105              | -                        | 16,138,105               |
| Biology Unit I Research Facility                      | 15,813,247              | -                        | 15,813,247               |
| Doak Campbell DAS Installation                        | 11,000,000              | -                        | 11,000,000               |
| Other (1)   | 215,256,293             | 13,597,031               | 201,659,262              |
| <b>Total</b>  | <b>\$ 761,097,662</b>   | <b>\$ 21,265,654</b>     | <b>\$ 739,832,008</b>    |

(1) All other projects with committed balances less than \$5 million.

**15. 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 2021-22 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 \$57.5 million for named windstorm and flood through February 14, 2022, and decreased to \$56.3 million starting February 15, 2022. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$167.5 million through February 14, 2022, and increased to \$168.7 million beginning February 15, 2022; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

**University Self-Insurance Program**

The Florida State University College of Medicine Self-Insurance Program was established pursuant to Section 1004.24, Florida Statutes on July 1, 2006. The Self-Insurance Program provides professional and general liability protection for the Florida State University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff and resident physicians. This includes the faculty and staff of the College of Nursing, effective July 1, 2009, and the faculty and staff of the Student Health Center, effective July 1, 2010. Liability protection is afforded to the students of each college. The Self-Insurance Program provides legislative claims bill protection.

The university is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides \$1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; \$250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of \$200,000 for a claim arising from an occurrence for any one person, \$300,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed a per occurrence limit of \$1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2021-22 fiscal year are presented in the following table:

| <b>Fiscal Year</b> | <b>Claims Liabilities<br/>Beginning of Year</b> | <b>Current Claims/<br/>Changes in Estimates</b> | <b>Claims Payments</b> | <b>Claims Liabilities<br/>End of Year</b> |
|--------------------|---|---|------------------------|---|
| 2020-21            | \$ 435,055                                      | \$ 35,334                                       | \$ -                   | \$ 470,389                                |
| 2021-22            | 470,389   | 31,766  | (6,553)                | 495,602                                   |

## 16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of 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:

| <b>Functional Classification</b>   | <b>Amount</b>           |
|------------------------------------|-------------------------|
| Instruction                        | \$ 438,262,692          |
| Research                           | 199,716,820             |
| Public Service                     | 75,220,087              |
| Academic Support                   | 149,934,773             |
| Student Services                   | 69,387,672              |
| Institutional Support              | 99,779,055              |
| Operation and Maintenance of Plant | 78,230,985              |
| Scholarships and Fellowships       | 172,536,961             |
| Depreciation                       | 95,563,076              |
| Auxiliary Enterprises              | 133,393,849             |
| <b>Total Operating Expenses</b>    | <b>\$ 1,512,025,970</b> |

**17. SEGMENT INFORMATION**

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

**Condensed Statement of Net Position**

|                                  | <u>Parking Facility</u> | <u>Housing Facility</u> |
|----------------------------------|-------------------------|-------------------------|
| <b>Assets</b>                    |                         |                         |
| Current Assets                   | \$ 10,432,255           | \$ 74,269,479           |
| Capital Assets, Net              | 61,697,057              | 264,694,681             |
| Other Noncurrent Assets          | 3,551,207               | 13,565,237              |
| <b>Total Assets</b>              | <b>75,680,519</b>       | <b>352,529,397</b>      |
| <b>Liabilities</b>               |                         |                         |
| Current Liabilities              | 3,439,150               | 14,940,869              |
| Noncurrent Liabilities           | 10,723,448              | 133,388,316             |
| <b>Total Liabilities</b>         | <b>14,162,598</b>       | <b>148,329,185</b>      |
| <b>Net Position</b>              |                         |                         |
| Net Investment in Capital Assets | 47,850,320              | 121,795,412             |
| Restricted - Expendable          | 3,544,035               | 12,560,728              |
| Unrestricted                     | 10,123,566              | 69,844,072              |
| <b>Total Net Position</b>        | <b>\$ 61,517,921</b>    | <b>\$ 204,200,212</b>   |

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

|                                      |                      |                       |
|--------------------------------------|----------------------|-----------------------|
| Operating Revenues                   | \$ 12,457,624        | \$ 49,425,586         |
| Depreciation Expense                 | (1,944,106)          | (8,509,752)           |
| Other Operating Expenses             | (7,771,230)          | (23,122,334)          |
| Operating Income                     | 2,742,288            | 17,793,500            |
| Net Nonoperating Revenues (Expenses) | 606,879              | (8,950,477)           |
| Increase (Decrease) in Net Position  | 3,349,167            | 8,843,023             |
| Net Position, Beginning of Year      | 58,168,754           | 195,357,189           |
| <b>Net Position, End of Year</b>     | <b>\$ 61,517,921</b> | <b>\$ 204,200,212</b> |

**Condensed Statement of Cash Flows**

|   |                  |                   |
|---|------------------|-------------------|
| Net Cash Provided (Used) by:                                |                  |                   |
| Operating Activities  | \$ 4,553,671     | \$ 26,845,931     |
| Noncapital Financing Activities                             | 8,280            | 100,000           |
| Capital and Related Financing Activities                    | (4,373,361)      | (15,660,875)      |
| Investing Activities  | (199,061)        | (10,837,008)      |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | <b>(10,471)</b>  | <b>448,048</b>    |
| Cash and Cash Equivalents, Beginning of Year                | 45,108           | 97,370            |
| <b>Cash and Cash Equivalents, End of Year</b>               | <b>\$ 34,637</b> | <b>\$ 545,418</b> |

## 18. DISCRETELY PRESENTED COMPONENT UNITS

The university has twelve 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.

|   | Foundation<br>6/30/22 | Boosters<br>6/30/22   | Research<br>Foundation<br>6/30/22 | International<br>Programs<br>Association<br>9/30/21 | Florida State<br>University<br>Schools<br>6/30/22 | Other<br>Component<br>Units<br>6/30/22 | Total                   |
|---|-----------------------|-----------------------|-----------------------------------|---|---|--|-------------------------|
| <b>Condensed Statement of Net Position</b>                                    |                       |                       |                                   |   |   |  |                         |
| <b>Assets:</b>  |                       |                       |                                   |   |   |  |                         |
| Current Assets  | \$ 51,201,198         | \$ 36,996,178         | \$ 161,278,109                    | \$ 11,471,641                                       | \$ 16,732,684                                     | \$ 23,433,636                          | \$ 301,113,446          |
| Capital Assets, Net   | 5,238,616             | 178,752,552           | 13,215,315                        | 32,184,430  | 33,157,716  | 12,078,868                             | 274,627,497             |
| Other Noncurrent Assets   | 884,478,737           | 140,532,929           | 63,716,961                        | 440,131   | -   | 9,420,029                              | 1,098,588,787           |
| <b>Total Assets</b>   | <b>940,918,551</b>    | <b>356,281,659</b>    | <b>238,210,385</b>                | <b>44,096,202</b>                                   | <b>49,890,400</b>                                 | <b>44,932,533</b>                      | <b>1,674,329,730</b>    |
| <b>Deferred Outflows of Resources</b>   | <b>-</b>              | <b>1,292,798</b>      | <b>-</b>                          | <b>-</b>  | <b>-</b>  | <b>-</b>                               | <b>1,292,798</b>        |
| <b>Liabilities:</b>   |                       |                       |                                   |   |   |  |                         |
| Current Liabilities   | 2,906,327             | 37,331,906            | 20,419,078                        | 2,390,107   | 1,126,424   | 7,959,259                              | 72,133,101              |
| Noncurrent Liabilities  | 7,500,007             | 164,039,689           | 49,339,495                        | 366,432   | 5,611,625   | 17,635,112                             | 244,492,360             |
| <b>Total Liabilities</b>  | <b>10,406,334</b>     | <b>201,371,595</b>    | <b>69,758,573</b>                 | <b>2,756,539</b>                                    | <b>6,738,049</b>                                  | <b>25,594,371</b>                      | <b>316,625,461</b>      |
| <b>Deferred Inflows of Resources</b>  | <b>11,363,423</b>     | <b>-</b>              | <b>-</b>                          | <b>-</b>  | <b>-</b>  | <b>4,959,098</b>                       | <b>16,322,521</b>       |
| <b>Net Position:</b>  |                       |                       |                                   |   |   |  |                         |
| Net Investment in Capital Assets  | 2,588,513             | 21,897,825            | 7,382,415                         | 32,184,430  | 27,689,401  | 417,088                                | 92,159,672              |
| Restricted, Nonexpendable   | 494,548,528           | 50,534,802            | -                                 | -   | -   | 1,920,889                              | 547,004,219             |
| Restricted, Expendable  | 394,729,946           | 95,888,725            | 48,482,500                        | -   | 6,547,685   | 1,639,277                              | 547,288,133             |
| Unrestricted  | 27,281,807            | (12,118,490)          | 112,586,897                       | 9,155,233   | 8,915,265   | 10,401,810                             | 156,222,522             |
| <b>Total Net Position</b>   | <b>\$ 919,148,794</b> | <b>\$ 156,202,862</b> | <b>\$ 168,451,812</b>             | <b>\$ 41,339,663</b>                                | <b>\$ 43,152,351</b>                              | <b>\$ 14,379,064</b>                   | <b>\$ 1,342,674,546</b> |
| <b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b> |                       |                       |                                   |   |   |  |                         |
| Operating Revenues  | \$ 34,373,529         | \$ 45,854,894         | \$ 15,063,750                     | \$ 14,070,553                                       | \$ 19,512,321                                     | \$ 14,092,147                          | \$ 142,967,194          |
| Operating Expenses  | 55,758,404            | 61,773,290            | 14,115,979                        | 13,227,248  | 14,056,741  | 15,448,647                             | 174,380,309             |
| Operating Income (Loss)   | (21,384,875)          | (15,918,396)          | 947,771                           | 843,305   | 5,455,580   | (1,356,500)                            | (31,413,115)            |
| Net Nonoperating Revenues (Expenses)  | (12,418,265)          | (6,923,826)           | (14,558,719)                      | 328,085   | (600,102)   | 3,492,131                              | (30,680,696)            |
| Other Revenues, Expenses, Gains, and Losses                                   | 22,721,199            | 10,137,204            | -                                 | -   | -   | -                                      | 32,858,403              |
| <b>Increase (Decrease) in Net Position</b>                                    | <b>(11,081,941)</b>   | <b>(12,705,018)</b>   | <b>(13,610,948)</b>               | <b>1,171,390</b>                                    | <b>4,855,478</b>                                  | <b>2,135,631</b>                       | <b>(29,235,408)</b>     |
| Net Position, Beginning of Year   | 930,230,735           | 168,907,880           | 182,062,760                       | 40,168,273  | 38,296,873  | 12,243,433                             | 1,371,909,954           |
| <b>Net Position, End of Year</b>  | <b>\$ 919,148,794</b> | <b>\$ 156,202,862</b> | <b>\$ 168,451,812</b>             | <b>\$ 41,339,663</b>                                | <b>\$ 43,152,351</b>                              | <b>\$ 14,379,064</b>                   | <b>\$ 1,342,674,546</b> |

## 19. SUBSEQUENT EVENTS

On September 27, 2022, the university received a \$47,653,519 distribution from the sale of Florida State University Mandatory Student Facility Fee Revenue Bonds, Series 2022A with a par value of \$44,695,000. The proceeds from this debt will be used to finance a portion of the cost of constructing the new student union on the main campus of the university and the demolition of the prior student union which was located on the site. The Revenue Bonds are secured by a pledge of the university's student facilities fee revenue.

# OTHER REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - FLORIDA RETIREMENT SYSTEM PENSION PLAN

| Description   | 2021 (1)       | 2020 (1)       |
|---|----------------|----------------|
| University's proportion of the FRS net pension liability  | 0.72%          | 0.74%          |
| University's proportionate share of the FRS net pension liability                               | \$ 54,350,905  | \$ 320,415,160 |
| University's covered payroll (2)  | \$ 495,343,167 | \$ 503,662,186 |
| University's proportion of the FRS net pension liability as a percentage of its covered payroll | 10.97%         | 63.62%         |
| FRS Plan fiduciary net position as a percentage of the FRS total pension liability              | 96.40%         | 78.85%         |

## SCHEDULE OF UNIVERSITY CONTRIBUTIONS - FLORIDA RETIREMENT SYSTEM PENSION PLAN

| Description  | 2022 (1)       | 2021 (1)       |
|--|----------------|----------------|
| Contractually required FRS contribution                                      | \$ 31,477,108  | \$ 27,410,274  |
| FRS contributions in relation to the contractually required FRS contribution | (31,477,108)   | (27,410,274)   |
| Contribution deficiency (excess)   | \$ -           | \$ -           |
| University's covered payroll (2)   | \$ 499,362,101 | \$ 495,343,167 |
| FRS contributions as a percentage of covered payroll                         | 6.30%          | 5.53%          |

*Changes of assumptions* - In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

## SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HEALTH INSURANCE SUBSIDY PENSION PLAN

| Description   | 2021 (1)       | 2020 (1)       |
|---|----------------|----------------|
| University's proportion of the HIS net pension liability  | 0.62%          | 0.63%          |
| University's proportionate share of the HIS net pension liability                               | \$ 75,636,589  | \$ 77,489,534  |
| University's covered payroll (3)  | \$ 217,109,222 | \$ 218,367,106 |
| University's proportion of the HIS net pension liability as a percentage of its covered payroll | 34.84%         | 35.49%         |
| HIS Plan fiduciary net position as a percentage of the HIS total pension liability              | 3.56%          | 3.00%          |

## SCHEDULE OF UNIVERSITY CONTRIBUTIONS - HEALTH INSURANCE SUBSIDY PENSION PLAN

| Description  | 2022 (1)       | 2021 (1)       |
|--|----------------|----------------|
| Contractually required HIS contribution                                      | \$ 3,646,684   | \$ 3,624,444   |
| HIS contributions in relation to the contractually required HIS contribution | (3,646,684)    | (3,624,444)    |
| Contribution deficiency (excess)   | \$ -           | \$ -           |
| University's covered payroll (3)   | \$ 216,243,489 | \$ 217,109,222 |
| HIS contributions as a percentage of covered payroll                         | 1.69%          | 1.67%          |

*Changes of assumptions* - The 20-year municipal bond rate used to determine total pension liability decreased from 2.21 percent to 2.16 percent.

## SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY

| Description  | 2021 (1)       | 2020 (1)       |
|--|----------------|----------------|
| University's proportion of the total other postemployment benefits liability   | 1.92%          | 1.89%          |
| University's proportionate share of the total other postemployment benefits liability  | \$ 202,495,049 | \$ 194,892,613 |
| University's covered payroll   | \$ 495,343,167 | \$ 503,662,186 |
| University's proportionate share of the total other postemployment benefits liability as a percentage of its covered payroll | 40.88%         | 38.70%         |

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The university's June 30, 2022 proportionate share of the total OPEB liability increased from the prior fiscal year as a result of changes to assumptions as discussed below:

*Changes of assumptions* - In 2022, amounts reported as changes of assumptions resulted from adjustments to the discount rate which is based on the 20-year municipal bond rate as of June 30, 2021, as well as updated retirement, termination, disability and salary scale increase rates and an updated retiree medical election percentage. The municipal bond rate used to determine OPEB liability decreased from 2.66 percent to 2.18 percent.

Notes: (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.

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



|    | 2019 (1)    | 2018 (1)       | 2017 (1)       | 2016 (1)       | 2015 (1)       | 2014 (1)       | 2013 (1)       |
|----|-------------|----------------|----------------|----------------|----------------|----------------|----------------|
|    | 0.76%       | 0.75%          | 0.72%          | 0.72%          | 0.72%          | 0.70%          | 0.55%          |
| \$ | 262,063,652 | \$ 225,130,592 | \$ 212,443,411 | \$ 181,310,252 | \$ 93,262,711  | \$ 42,528,294  | \$ 94,644,224  |
| \$ | 482,527,134 | \$ 455,890,734 | \$ 438,212,856 | \$ 423,172,345 | \$ 407,099,915 | \$ 389,854,458 | \$ 368,648,639 |
|    | 54.31%      | 49.38%         | 48.48%         | 42.85%         | 22.91%         | 10.91%         | 25.67%         |
|    | 82.61%      | 84.26%         | 83.89%         | 84.88%         | 92.00%         | 96.09%         | 88.54%         |

|    | 2020 (1)     | 2019 (1)       | 2018 (1)       | 2017 (1)       | 2016 (1)       | 2015 (1)       | 2014 (1)       |
|----|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ | 24,563,022   | \$ 23,595,217  | \$ 21,301,230  | \$ 18,696,925  | \$ 17,510,994  | \$ 17,604,243  | \$ 15,267,633  |
|    | (24,563,022) | (23,595,217)   | (21,301,230)   | (18,696,925)   | (17,510,994)   | (17,604,243)   | (15,267,633)   |
| \$ | -            | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           |
| \$ | 503,662,186  | \$ 482,527,134 | \$ 455,890,734 | \$ 438,212,856 | \$ 423,172,345 | \$ 407,099,915 | \$ 389,854,458 |
|    | 4.88%        | 4.89%          | 4.67%          | 4.27%          | 4.14%          | 4.32%          | 3.92%          |

|    | 2019 (1)    | 2018 (1)       | 2017 (1)       | 2016 (1)       | 2015 (1)       | 2014 (1)       | 2013 (1)       |
|----|-------------|----------------|----------------|----------------|----------------|----------------|----------------|
|    | 0.65%       | 0.65%          | 0.65%          | 0.66%          | 0.65%          | 0.64%          | 0.62%          |
| \$ | 72,784,363  | \$ 68,540,176  | \$ 69,890,112  | \$ 76,700,313  | \$ 66,652,215  | \$ 59,936,732  | \$ 54,347,452  |
| \$ | 216,222,787 | \$ 209,298,557 | \$ 206,288,311 | \$ 201,302,795 | \$ 196,319,296 | \$ 188,768,602 | \$ 179,775,016 |
|    | 33.66%      | 32.75%         | 33.88%         | 38.10%         | 33.95%         | 31.75%         | 30.23%         |
|    | 2.63%       | 2.15%          | 1.64%          | 0.97%          | 0.50%          | 0.99%          | 1.78%          |

|    | 2020 (1)    | 2019 (1)       | 2018 (1)       | 2017 (1)       | 2016 (1)       | 2015 (1)       | 2014 (1)       |
|----|-------------|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ | 3,657,181   | \$ 3,612,160   | \$ 3,511,821   | \$ 3,459,247   | \$ 3,373,247   | \$ 2,498,290   | \$ 2,195,911   |
|    | (3,657,181) | (3,612,160)    | (3,511,821)    | (3,459,247)    | (3,373,247)    | (2,498,290)    | (2,195,911)    |
| \$ | -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           |
| \$ | 218,367,106 | \$ 216,222,787 | \$ 209,298,557 | \$ 206,288,311 | \$ 201,302,795 | \$ 196,319,296 | \$ 188,768,602 |
|    | 1.67%       | 1.67%          | 1.68%          | 1.68%          | 1.68%          | 1.27%          | 1.16%          |

|    | 2019 (1)    | 2018 (1)       | 2017 (1)       |
|----|-------------|----------------|----------------|
|    | 1.63%       | 1.65%          | 1.65%          |
| \$ | 206,091,438 | \$ 174,101,000 | \$ 178,386,000 |
| \$ | 482,527,134 | \$ 455,890,734 | \$ 438,212,856 |
|    | 42.71%      | 38.19%         | 40.71%         |



Sherrill F. Norman, CPA  
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2022, 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 1, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Report on 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 or significant deficiencies may exist that were not identified.

### **Report on 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 1, 2023  
Audit Report No. 2023-111

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FLORIDA STATE UNIVERSITY  
**ANNUAL REPORT** 2021-2022