

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**FLORIDA GULF COAST UNIVERSITY**

For the Fiscal Year Ended  
June 30, 2023



Sherrill F. Norman, CPA  
Auditor General

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During the 2022-23 fiscal year, Dr. Michael V. Martin served as President of Florida Gulf Coast University and the following individuals served as Members of the Board of Trustees:

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Erika Donalds	Peter Sulick
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<sup>a</sup> Student Body President.

<sup>b</sup> Faculty Senate Chair.

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The team leader was Claudia A. Salgado and the audit was supervised by Hector J. Quevedo, CPA.

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

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**FLORIDA GULF COAST UNIVERSITY**  
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# SUMMARY

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## SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded 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.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

## AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2023, 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 Gulf Coast University and of its discretely presented component unit as of June 30, 2023, 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 blended and discretely presented component units. The financial statements of Florida Gulf Coast University Financing Corporation, a blended component unit, represent 6 percent, 46 percent, 10 percent, 6 percent, and 4 percent, respectively, of the assets, liabilities, net position, revenues, and expenses reported for Florida Gulf Coast University as of June 30, 2023. The financial statements of the discretely presented component unit represents 100 percent of the transactions and account balances of the discretely presented component unit columns as of June 30, 2023. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and discretely presented component units, are 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 (*Government Auditing Standards*).

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. 96, *Subscription-Based Information Technology Arrangements*, which is a change in accounting principle that addresses accounting and financial reporting for subscription-based information technology arrangements. This affects the comparability of amounts reported for the 2022-23 fiscal year with amounts reported for the 2021-22 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 Total Other Postemployment Benefits Liability, Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of University Contributions – Florida Retirement System Pension Plan, Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of University Contributions – Health Insurance Subsidy Pension Plan, and Notes to Required Supplementary Information** 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2024, on our consideration of the Florida Gulf Coast 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

University's 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 Gulf Coast University's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 16, 2024



## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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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, 2023, 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, 2023, and June 30, 2022.

### **FINANCIAL HIGHLIGHTS**

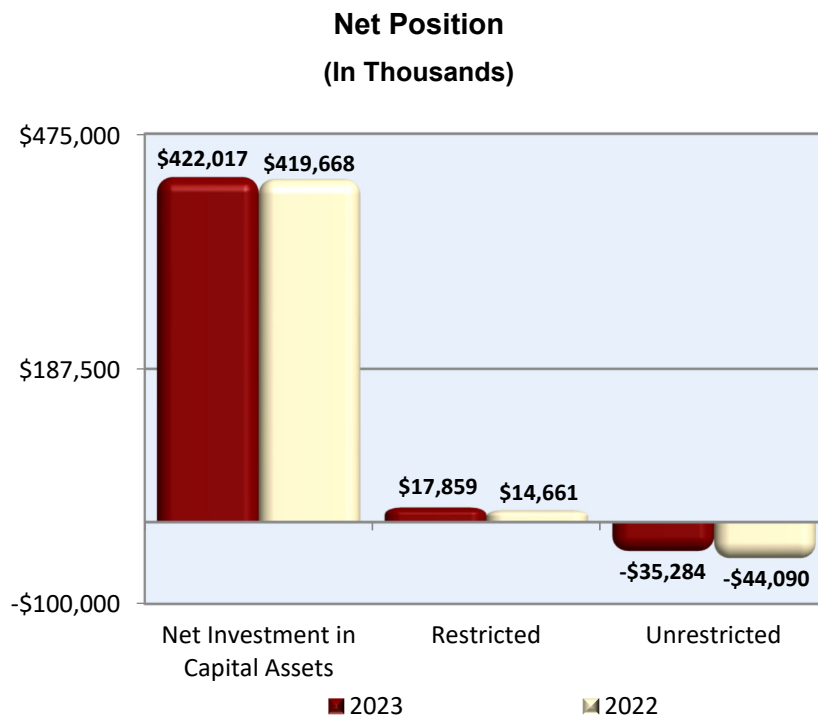
The University's assets totaled \$741 million at June 30, 2023. This balance reflects an \$8.2 million, or 1.1 percent increase as compared to the 2021-22 fiscal year, resulting from increases in net investments and receivables due from State, and offset by a slight decrease in net capital assets. The increase in assets was accompanied by an increase in liabilities of \$11.1 million, or 3.4 percent, totaling \$335.4 million at June 30, 2023, compared to \$324.3 million at June 30, 2022. Deferred outflows of resources decreased by \$1.6 million, or 2.6 percent, and deferred inflows of resources decreased by \$18.9 million, or 23.5 percent, as compared to the 2021-22 fiscal year. As a result, the University's net position increased by \$14.4 million, resulting in a year-end balance of \$404.6 million.

The University's revenues totaled \$344.7 million for the 2022-23 fiscal year, representing a 1.1 percent increase compared to the 2021-22 fiscal year mainly due to increases in student tuition and fees, net, Federal grants and contracts, State noncapital appropriations, and investment income offset by a decrease in Federal and State student financial aid. Operating expenses totaled \$324.6 million for the 2022-23 fiscal year, representing an increase of 2.1 percent as compared to the 2021-22 fiscal year mainly due to increases in compensation and employee benefits, and offset by a decrease in scholarships, fellowships, and waivers.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University had a deficit in the unrestricted net position of \$73.2 million and its blended component unit had an unrestricted net position of \$37.9 million, as a result the University reported a combined deficit in the unrestricted net position of \$35.3 million. The continued deficit in the University's unrestricted net position was the result of recording long-term liabilities within the annually funded operational fund as required by the Governmental Accounting Standards Board (GASB). The following table detailing the components of the University's ending net position demonstrates that the University's negative unrestricted net position was caused by long-term liabilities that will be paid over time and financed by future appropriations.

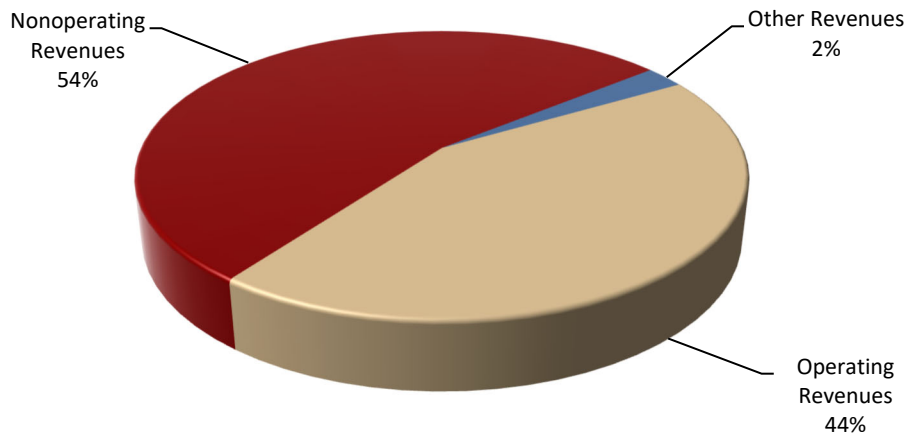
	<u>Amount</u> <u>(In Thousands)</u>
<b>Unrestricted Fund Balance</b>	\$ 84,455
<b>Amount to be Financed in the Future:</b>	
Compensated Absences Liability	\$ (15,276)
Other Postemployment Benefits Liability	(66,604)
Net Pension Liability	(74,817)
Deferred Outflows of Resources	60,677
Deferred Inflows of Resources	<u>(61,628)</u>
<b>Less, Total Amount to be Financed in the Future</b>	<u>(157,648)</u>
<b>University's Unrestricted Net Position</b>	(73,193)
<b>Blended Component Unit's Unrestricted Net Position</b>	<u>37,909</u>
<b>Total Ending Unrestricted Net Position</b>	<u>\$ (35,284)</u>

The University's comparative total net position by category for the fiscal years ended June 30, 2023, and June 30, 2022, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2022-23 fiscal year:

### Total Revenues 2022-23 Fiscal Year



#### OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University reporting entity as a blended component unit, and the Florida Gulf Coast University Foundation, Inc. (Foundation) is included within the University reporting entity as a discretely presented component unit.

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

#### **The Statement of Net Position**

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

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

## Condensed Statement of Net Position at June 30

(In Thousands)

	2023	2022
<b>Assets</b>		
Current Assets	\$ 111,457	\$ 140,864
Capital Assets, Net	578,893	581,281
Other Noncurrent Assets	50,625	10,658
<b>Total Assets</b>	<b>740,975</b>	<b>732,803</b>
<b>Deferred Outflows of Resources</b>	<b>60,677</b>	<b>62,309</b>
<b>Liabilities</b>		
Current Liabilities	31,440	33,657
Noncurrent Liabilities	303,992	290,678
<b>Total Liabilities</b>	<b>335,432</b>	<b>324,335</b>
<b>Deferred Inflows of Resources</b>	<b>61,628</b>	<b>80,538</b>
<b>Net Position</b>		
Net Investment in Capital Assets	422,017	419,668
Restricted	17,859	14,661
Unrestricted	(35,284)	(44,090)
<b>Total Net Position</b>	<b>\$ 404,592</b>	<b>\$ 390,239</b>

The University's financial position, as a whole, increased during the fiscal year ended June 30, 2023, in the amount of \$14.4 million, or 3.7 percent, from the 2021-22 fiscal year primarily due to an increase in investments and a decrease in deferred inflows of resources, offset by increases in liabilities, and a decrease in deferred outflows of resources. The increase in unrestricted net position of \$8.8 million, or 20 percent, was accompanied by an increase in restricted net position of \$3.2 million, or 21.8 percent, and a slight increase in net investment in capital assets of \$2.3 million, or 0.6 percent. The University continues to experience sound overall financial condition and health.

Total assets increased \$8.2 million, or 1.1 percent, mainly in net investments and funds due from State, and were offset by a slight decrease in net capital assets. The decrease in net capital assets of \$2.4 million, or 0.4 percent, was primarily from the depreciation of capital assets.

Total liabilities increased \$11.1 million, or 3.4 percent. The current liabilities decreased \$2.2 million primarily due to the completion of construction projects while the noncurrent liabilities increased \$13.3 million, mainly from an increase in pension liability, offset by decreases in other postemployment benefit (OPEB) liability, and bond and loan payments. Deferred inflows of resources decreased \$18.9 million, or 23.5 percent primarily due to a decrease of \$39.2 million in deferred inflows of resources related to net pension, offset in part, by an increase of \$19.8 million in deferred inflows of resources associated to OPEB. Deferred outflows of resources decreased \$1.6 million, or 2.6 percent, primarily due to a decrease of \$7.6 million in deferred outflows of resources associated with OPEB, offset in part by an increase of \$5.9 million in deferred outflows of resources associated with net pensions. Restricted net position includes \$0.9 million in the required debt service reserve accounts for Loan Agreements

2005A and 2005B, \$2 million restricted by the covenants of the Series 2008A and 2009A bond reimbursement agreements, and \$0.2 million held by the bond trustee for payments on related debt.

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

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

The following summarizes the University's activity for the 2022-23 and 2021-22 fiscal years:

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

	<b>2022-23</b>	<b>2021-22</b>
Operating Revenues	\$ 150,033	\$ 137,560
Less, Operating Expenses	324,570	318,028
<b>Operating Loss</b>	(174,537)	(180,468)
Net Nonoperating Revenues	180,357	183,858
<b>Income Before Other Revenues</b>	5,820	3,390
Other Revenues	8,533	10,424
<b>Net Increase In Net Position</b>	14,353	13,814
Net Position, Beginning of Year	390,239	376,425
<b>Net Position, End of Year</b>	\$ 404,592	\$ 390,239

### **Operating Revenues**

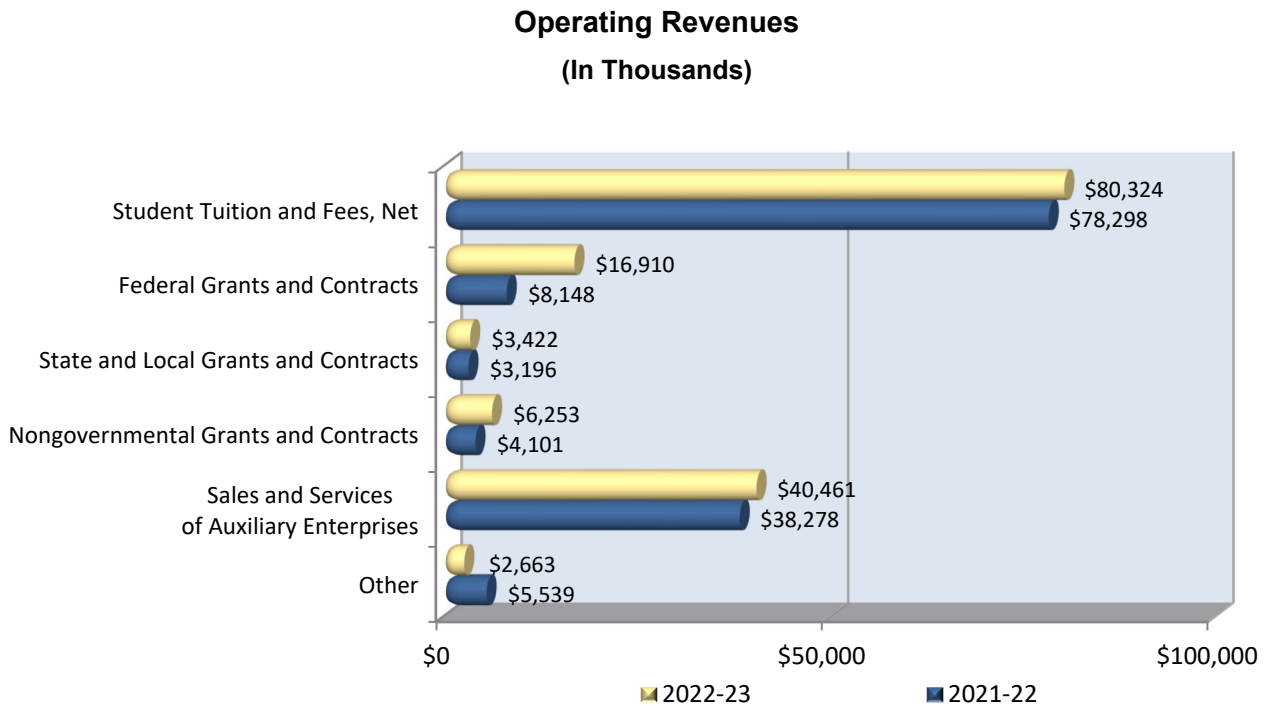
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2022-23 and 2021-22 fiscal years:

#### **Operating Revenues For the Fiscal Years**

	<b>2022-23</b>	<b>2021-22</b>
Student Tuition and Fees, Net	\$ 80,324	\$ 78,298
Federal Grants and Contracts	16,910	8,148
State and Local Grants and Contracts	3,422	3,196
Nongovernmental Grants and Contracts	6,253	4,101
Sales and Services of Auxiliary Enterprises	40,461	38,278
Other	2,663	5,539
<b>Total Operating Revenues</b>	\$ 150,033	\$ 137,560

The following chart presents the University's operating revenues for the 2022-23 and 2021-22 fiscal years:



University operating revenue changes were the result of the following factors:

- Total operating revenues for the 2022-23 fiscal year were \$150 million, for an increase of \$12.5 million, or 9.1 percent, over the 2021-22 fiscal year. Net student tuition and fees of \$80.3 million comprised 53.5 percent of total operating revenues.
  - The gross student tuition and fees of \$129.2 million increased \$8.6 million, or 7.2 percent, over the 2021-22 fiscal year.
  - The increase in gross student tuition and fees, in addition to an increase in scholarship allowance, resulted in net student tuition and fees of \$80.3 million which represents a net increase of \$2 million, or 2.6 percent, over the 2021-22 fiscal year.
  - Increased student enrollment is the main driver for the increase in gross tuition and fees revenue.
  - Sales and services of auxiliary enterprises experienced an increase in revenue of \$2.2 million, or 5.7 percent, as compared to the 2021-22 fiscal year, mainly attributable to the continued increase in post pandemic activity on campus.
  - Federal grants and contracts increased by \$8.8 million, or 107.5 percent over the 2021-22 fiscal year due to teacher recruitment and development grants.

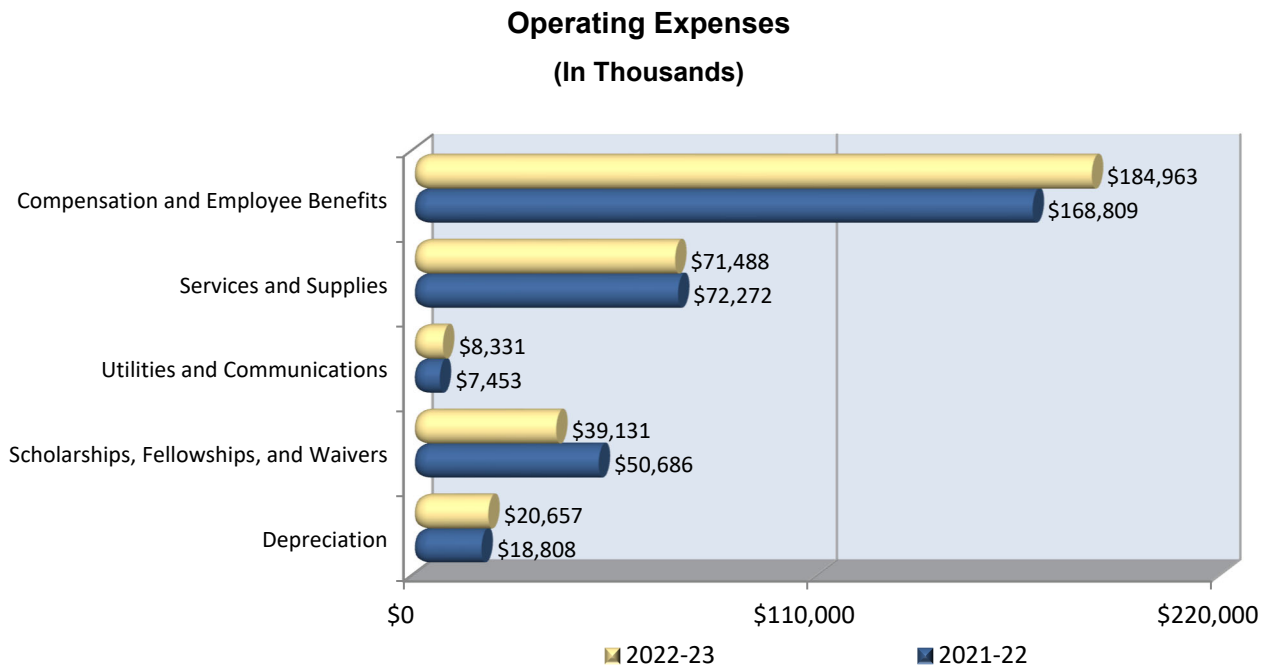
**Operating Expenses**

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

The following summarizes operating expenses by natural classification for the 2022-23 and 2021-22 fiscal years:

<b>Operating Expenses For the Fiscal Years</b>		
(In Thousands)		
	<u>2022-23</u>	<u>2021-22</u>
Compensation and Employee Benefits	\$ 184,963	\$ 168,809
Services and Supplies	71,488	72,272
Utilities and Communications	8,331	7,453
Scholarships, Fellowships, and Waivers	39,131	50,686
Depreciation	20,657	18,808
<b>Total Operating Expenses</b>	<b>\$ 324,570</b>	<b>\$ 318,028</b>

The following chart presents the University's operating expenses for the 2022-23 and 2021-22 fiscal years:



Total operating expenses for the 2022-23 fiscal year were \$324.6 million, an increase of \$6.5 million, or 2.1 percent, over the 2021-22 fiscal year. Compensation and employee benefits increased \$16.2 million, or 9.6 percent, over the 2021-22 fiscal year due to increases in salaries and wages, and pensions, and offset by a decrease in OPEB expenses. Scholarships, fellowships, and waivers decreased \$11.6 million, or 22.8 percent, due to a reduction of Federal Higher Education Emergency Relief Fund (HEERF) funding in student financial aid.

### **Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined

by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2022-23 and 2021-22 fiscal years:

**Nonoperating Revenues (Expenses)  
For the Fiscal Years**

(In Thousands)

	<b>2022-23</b>	<b>2021-22</b>
State Noncapital Appropriations	\$ 119,753	\$ 111,904
Federal and State Student Financial Aid	40,472	57,641
Investment Income (Loss)	8,293	(3,905)
Other Nonoperating Revenues	17,613	23,341
Interest on Capital Asset-Related Debt	(5,461)	(5,116)
Loss on Disposal of Capital Assets	(34)	(3)
Other Nonoperating Expenses	(279)	(4)
<b>Net Nonoperating Revenues</b>	<b>\$ 180,357</b>	<b>\$ 183,858</b>

The decrease of \$3.5 million, or 1.9 percent, in net nonoperating revenues is primarily due to decreases in Federal and State student financial aid and other nonoperating revenues. Federal and State student financial aid decreased \$17.2 million, or 29.8 percent, mainly from reductions in HEERF funding for financial aid, as compared to the 2021-22 fiscal year. The other nonoperating revenues decreased \$5.7 million, or 24.5 percent, primarily from the reduced HEERF funding for institutional support.

**Other Revenues**

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2022-23 and 2021-22 fiscal years:

**Other Revenues  
For the Fiscal Years**

(In Thousands)

	<b>2022-23</b>	<b>2021-22</b>
State Capital Appropriations	\$ 8,431	\$ 2,069
Capital Grants, Contracts, Donations, and Fees	102	8,355
<b>Total</b>	<b>\$ 8,533</b>	<b>\$ 10,424</b>

State capital appropriations increased \$6.4 million, or 307.5 percent, as compared to the 2021-22 fiscal year due to final funding of the Integrated Watershed/Coastal Studies (Academic 9) Building project. State contributions (appropriations) for capital projects, depending upon the various stages of planning and completion, will fluctuate from year to year.

**The Statement of Cash Flows**

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the



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

The following summarizes cash flows for the 2022-23 and 2021-22 fiscal years:

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

	<b>2022-23</b>	<b>2021-22</b>
Cash Provided (Used) by:		
Operating Activities	\$(146,886)	\$(167,162)
Noncapital Financing Activities	177,876	193,150
Capital and Related Financing Activities	(26,825)	(16,387)
Investing Activities	(7,569)	(7,554)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(3,404)	2,047
Cash and Cash Equivalents, Beginning of Year	5,540	3,493
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,136</b>	<b>\$ 5,540</b>

Major sources of funds included in operating activities are net student tuition and fees of \$79.7 million, grants and contracts of \$33.8 million, and sales and services of auxiliary enterprises of \$40 million. Major uses of funds were payments made to and on behalf of employees totaling \$185.6 million, payments to suppliers for goods and services totaling \$77.8 million, and payments to and on behalf of students for scholarships and fellowships totaling \$39.1 million. The decrease in cash used by operating activities as compared to the 2021-22 fiscal year was due primarily to the decrease in the inflow of HEERF cash available for payments to and on behalf of students for scholarships and fellowships, and offset by an increased inflow of cash from grants and contracts.

The largest source of inflow of cash from noncapital financing activities was State noncapital appropriations in the amount of \$119.8 million. Also included in noncapital financing revenues was Federal and State student financial aid of \$40.5 million and \$42.2 million of Federal Direct Loan Program receipts. The major use of funds was Federal Direct Loan Program disbursements of \$41.9 million.

Net cash used by capital and related financing activities was \$26.8 million. Source of cash was mainly provided by the refunding of capital debt of \$23.2 million. Cash used was primarily due to \$15.7 million for the purchase or construction of capital assets, and \$32.6 million in principal payments on asset-related debt, and payment of refunded capital debt.

Cash used by investing activities was \$7.6 million from the net purchases of investments.

<b>CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION</b>
--

**Capital Assets**

At June 30, 2023, the University had \$833.7 million in capital assets, less accumulated depreciation of \$254.8 million, for net capital assets of \$578.9 million. Depreciation charges for the current fiscal year totaled \$20.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

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

	<b>2023</b>	<b>2022</b>
Land	\$ 51,753	\$ 51,753
Construction in Progress	4,731	50,630
Buildings	461,267	420,327
Infrastructure and Other Improvements	26,541	28,082
Furniture and Equipment	24,380	25,217
Library Resources	1,897	2,211
Subscription-Based Information Technology Arrangements	5,449	-
Right-to-Use Leases	245	356
Works of Art and Historical Treasures	2,584	2,587
Computer Software and Other Capital Assets	46	118
<b>Capital Assets, Net</b>	<b>\$578,893</b>	<b>\$581,281</b>

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

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2023, were incurred on the Integrated Watershed/Coastal Studies (Academic 9) Building project. The University's construction commitments at June 30, 2023, are as follows:

	<b>Amount</b> <b>(In Thousands)</b>
Total Committed	\$ 27,908
Completed to Date	(4,731)
<b>Balance Committed</b>	<b>\$ 23,177</b>

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

**Debt Administration**

As of June 30, 2023, the University had \$156.5 million in outstanding bonds payable, loans payable, and right-to-use leases and subscription-based information technology arrangements payable, representing a decrease of \$5.2 million, or 3.2 percent, from the prior fiscal year resulting from principal payments and

refunding of bond debt. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

**Long-Term Debt at June 30**

(In Thousands)

	<b>2023</b>	<b>2022</b>
Bonds Payable	\$ 143,843	\$ 153,143
Loans Payable	7,700	8,200
Right-to-Use Leases and SBITA Payable	4,990	354
<b>Total</b>	<b>\$ 156,533</b>	<b>\$ 161,697</b>

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

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on its financial position or operations during the 2023-24 fiscal year. The University’s financial outlook for the future continues to be positive, as the level of State support, and student tuition and fee increases impact the University’s ability to expand programs, undertake new initiatives, to meet its core mission, and ongoing operational needs. State noncapital appropriations, as a percentage of operating revenues and nonoperating revenues, represent 35.6 percent of the total of these combined revenues. Therefore, the level of State support is one of the key factors influencing the University’s activities. While student enrollment continues to increase, net student tuition and fees are expected to remain constant in the 2023-24 fiscal year due to consistent Federal and State student financial aid, and institutional aid and waivers. Resources will continue to be managed through expenditure analyses and efficiencies.

The budget that the Florida Legislature adopted for the 2023-24 fiscal year provided \$130 million for the University’s State noncapital appropriations, or an increase of 9.8 percent, from the 2022-23 fiscal year. For the 2023-24 fiscal year, the legislative priorities included \$2.2 million in the Prepping Institutions, Programs, Employers and Learners through Incentives for Nursing Education Program for the University.

Another significant factor in the University’s economic position relates to its ability to recruit and retain high quality students. The Fall 2023 enrollment of 16,169 students increased by 0.8 percent over the final Fall 2022 enrollment of 16,037 students. The 2023-24 fiscal year first-time-in-college freshman admission of 2,806 students increased 0.1 percent from final enrollment of 2,803 students in the 2022-23 fiscal year. The University continues to focus on accepting better prepared students to improve its 4-year graduation rate. Efforts to improve retention, such as an aggressive marketing plan to recruit qualified students, and enhanced intervention to assist academic success will improve the 4-year graduation rate.

The State has approved and appropriated funds to the University’s capital budget in the amount of \$60.1 million for the 2023-24 fiscal year. Public Education Capital Outlay appropriation to commence the planning for construction of the Health Sciences (Academic 10) Building in the amount of \$58 million for

the 2023-24 fiscal year. The Capital Improvement Fee appropriation of \$2.1 million for the 2023-24 fiscal year is for remodel and renovation of the Student Union Center.

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 Mr. David Vazquez, Vice President of Administrative Services and Finance, Florida Gulf Coast University, 10501 FGCU Boulevard South, Fort Myers, Florida 33965.

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# BASIC FINANCIAL STATEMENTS

## FLORIDA GULF COAST UNIVERSITY A Component Unit of the State of Florida Statement of Net Position

June 30, 2023

	University	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 238,617	\$ 44,416,774
Investments	92,735,578	2,036,726
Accounts Receivable, Net	8,167,134	2,259,841
Loans Receivable, Net	1,251,278	-
Due from State	9,059,884	-
Other Current Assets	5,000	-
<b>Total Current Assets</b>	<b>111,457,491</b>	<b>48,713,341</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,897,068	-
Restricted Investments	48,318,168	129,731,226
Prepaid Charges	409,717	-
Accounts and Pledges Receivable, Net	-	3,279,467
Real Estate Held for Investment	-	3,887,500
Depreciable Capital Assets, Net	514,530,816	-
Nondepreciable Capital Assets	58,667,968	-
Right-to-Use Leases and SBITA, Net	5,694,103	87,670
<b>Total Noncurrent Assets</b>	<b>629,517,840</b>	<b>136,985,863</b>
<b>Total Assets</b>	<b>740,975,331</b>	<b>185,699,204</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Bond Debt Refunding	166,073	-
Other Postemployment Benefits	30,966,417	-
Pensions	29,543,999	-
<b>Total Deferred Outflows of Resources</b>	<b>60,676,489</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	11,138,377	239,020
Construction Contracts Payable	954,810	-
Salary and Wages Payable	2,987,148	-
Deposits Payable	3,375,061	-
Unearned Revenue	1,795,054	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	6,305,000	-
Loans Payable	500,000	-
Right-to-Use Leases Payable	88,996	-
SBITA Liability	877,911	-
Compensated Absences Payable	1,597,195	-
Other Postemployment Benefits Payable	1,676,738	-
Revenue Received in Advance	143,667	-
Gift Annuities Payable	-	122,147
<b>Total Current Liabilities</b>	<b>31,439,957</b>	<b>361,167</b>

	<u>University</u>	<u>Component Unit</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	137,538,128	-
Loans Payable	7,200,000	-
Right-to-Use Leases Payable	139,751	-
SBITA Liability	3,883,416	-
Compensated Absences Payable	13,678,710	-
Other Postemployment Benefits Payable	64,927,489	-
Net Pension Liability	74,816,631	-
Revenue Received in Advance	1,807,805	561,043
<b>Total Noncurrent Liabilities</b>	<b>303,991,930</b>	<b>561,043</b>
<b>Total Liabilities</b>	<b>335,431,887</b>	<b>922,210</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Gains on Bond Debt Refunding	510,105	-
Other Postemployment Benefits	55,779,514	-
Pensions	5,338,313	-
Gift Annuities	-	1,457,312
<b>Total Deferred Inflows of Resources</b>	<b>61,627,932</b>	<b>1,457,312</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	422,016,823	87,670
Restricted for Nonexpendable:		
Endowment	-	95,628,690
Restricted for Expendable:		
Debt Service	3,141,118	-
Loans	1,253,142	-
Capital Projects	8,216,719	-
Other	5,247,931	73,906,181
Unrestricted	(35,283,732)	13,697,141
<b>TOTAL NET POSITION</b>	<b>\$ 404,592,001</b>	<b>\$ 183,319,682</b>

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

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**FLORIDA GULF COAST UNIVERSITY**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2023**

	University	Component Unit
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$48,850,881 (\$3,712,175 Pledged for the Parking Facility Capital Improvement Debt)	\$ 80,323,953	\$ -
Federal Grants and Contracts	16,909,885	-
State and Local Grants and Contracts	3,421,583	-
Nongovernmental Grants and Contracts	6,252,505	-
Sales and Services of Auxiliary Enterprises (\$106,994 Pledged for Parking Facility Capital Improvement Debt, \$30,348,347 Pledged for Housing Facility Capital Improvement Debt)	40,461,001	-
Gifts and Donations	-	22,340,707
Other Operating Revenues	2,663,923	3,281,707
<b>Total Operating Revenues</b>	<b>150,032,850</b>	<b>25,622,414</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	184,962,924	-
Services and Supplies	71,487,654	-
Utilities and Communications	8,330,930	-
Scholarships, Fellowships, and Waivers	39,131,416	5,877,459
Depreciation	20,657,179	-
General and Administrative	-	1,536,133
University Support	-	9,967,358
Program Services	-	4,724,548
Other Operating Expenses	-	24,336
<b>Total Operating Expenses</b>	<b>324,570,103</b>	<b>22,129,834</b>
<b>Operating Income (Loss)</b>	<b>(174,537,253)</b>	<b>3,492,580</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	119,752,971	-
Federal and State Student Financial Aid	40,471,688	-
Investment Income	8,293,056	14,483,131
Other Nonoperating Revenues	17,612,570	-
Interest on Capital Asset-Related Debt	(5,460,750)	-
Loss on Disposal of Capital Assets	(33,867)	-
Other Nonoperating Expenses	(278,727)	-
<b>Net Nonoperating Revenues</b>	<b>180,356,941</b>	<b>14,483,131</b>
<b>Income Before Other Revenues</b>	<b>5,819,688</b>	<b>17,975,711</b>
State Capital Appropriations	8,431,166	-
Capital Grants, Contracts, Donations, and Fees	102,405	3,113,751
<b>Increase in Net Position</b>	<b>14,353,259</b>	<b>21,089,462</b>
Net Position, Beginning of Year	390,238,742	162,230,220
<b>Net Position, End of Year</b>	<b>\$ 404,592,001</b>	<b>\$ 183,319,682</b>

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

**FLORIDA GULF COAST UNIVERSITY**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2023**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 79,683,044
Grants and Contracts	33,842,019
Sales and Services of Auxiliary Enterprises	40,008,046
Payments to Employees	(185,628,603)
Payments to Suppliers for Goods and Services	(77,770,909)
Payments to Students for Scholarships and Fellowships	(39,131,416)
Loans Issued to Students	(781,027)
Collection on Loans to Students	67,114
Other Operating Receipts	2,825,663
	<b>(146,886,069)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	119,752,971
Federal and State Student Financial Aid	40,471,688
Federal Direct Loan Program Receipts	42,159,162
Federal Direct Loan Program Disbursements	(41,865,751)
Net Change in Funds Held for Others	208,617
Other Nonoperating Receipts	17,149,655
	<b>177,876,342</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	23,239,935
State Capital Appropriations	4,426,450
Other Receipts for Capital Projects	200,000
Purchase or Construction of Capital Assets	(15,692,821)
Principal Paid on Capital Debt and Leases	(32,623,609)
Interest Paid on Capital Debt and Leases	(6,374,598)
	<b>(26,824,643)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	303,890,266
Purchases of Investments	(314,258,692)
Investment Income	2,798,971
	<b>(7,569,455)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(3,403,825)</b>
Cash and Cash Equivalents, Beginning of Year	5,539,510
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,135,685</b>

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (174,537,253)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	20,657,179
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Prepaid Charges	(6,108)
Accounts Receivables, Net	5,904,752
Accounts Payable	2,054,659
Salaries and Wages Payable	(2,723,161)
Deposits Payable	600,131
Compensated Absences Payable	416,536
Unearned Revenue	(750,073)
Revenue Received in Advance	(143,667)
Other Postemployment Benefits Payable	(27,138,699)
Net Pension Liability	46,484,231
Deferred Outflows of Resources Related to Other Postemployment Benefits	7,565,371
Deferred Inflows of Resources Related to Other Postemployment Benefits	19,831,496
Deferred Outflows of Resources Related to Pensions	(5,942,767)
Deferred Inflows of Resources Related to Pensions	(39,158,696)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (146,886,069)</u>

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

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 5,507,984
Losses from the disposal of capital assets were recognized as a decrease to nonoperating income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (33,867)

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 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

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

**Blended Component Unit.** Although it is legally separate from the University, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University's reporting entity as a blended component unit. The Corporation was incorporated on April 11, 2003, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is a direct-support organization of the University. The Corporation was created to receive, hold, invest, and administer property and to make expenses for the exclusive benefit of the University. Due to the substantial economic relationship between the Corporation and the University, the financial activities of the Corporation are included in the University's financial statements. An annual audit of the Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Corporation, including copies of audit reports, is available by contacting the University Controller's office. Condensed financial statements for the Corporation are shown in a subsequent note. The condensed financial statements are reported net of eliminations.

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the Florida Gulf Coast University Foundation, Inc. (Foundation), as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011 is included within the University reporting entity as a discretely presented component unit. The Foundation was incorporated on April 19, 1993, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes. The Foundation is a legally separate direct-support organization of the University and is governed by a separate board. Its purpose is to encourage, solicit, collect, receive, and administer

gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University and its objectives.

An annual audit of the Foundation's financial statements is conducted by independent certified public accountants. Additional information on the Foundation, including copies of audit reports, is available by contacting the University Controller's Office.

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

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

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

The University's blended and discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follows GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these

activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

**Cash and Cash Equivalents**. Cash and cash equivalents consist of cash on hand 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 the Federal Deposit Insurance Corporation (FDIC), 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.

The amount reported as restricted cash and cash equivalents for the University at June 30, 2023, includes at fair value \$620,041 of Corporation moneys of which \$385,831 was held by the lender and owner of the 2005B Loan as a debt service reserve requirement.

**Cash and Cash Equivalents – Component Unit**. The amount reported as cash and cash equivalents for the Foundation (discretely presented component unit) at June 30, 2023, includes \$32,949,065 of bank deposits of which \$275,769 is insured by FDIC with the remainder of \$32,673,296 collateralized under the Florida Public Deposits Program. The Foundation also had cash held on deposit with investment managers at June 30, 2023, totaling \$1,272,621, of which \$725,253 was covered by the Securities Investor Protection Corporation.

Cash and cash equivalents reported for the Foundation at June 30, 2023, also includes at fair value \$6,333,606 of Foundation moneys held in the State Treasury Special Purpose Investment Account (SPIA) investment pool representing ownership of a share of the pool, not the underlying securities. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective

duration of 3.02 years, and a fair value factor of 0.9667 at June 30, 2023. The Foundation 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.

**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 lease assets, subscription-based information technology arrangements, computer software, and other capital assets. 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 and \$100,000 for buildings and infrastructure and improvements. Depreciation is computed on a straight-line basis over the following estimated useful lives:

- Buildings – 35 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment:
  - Equipment (Other than Moveable) – 10 to 25 years
  - Computer Equipment – 3 to 6 years
  - Moveable Equipment – 5 to 20 years
- Library Resources – 10 years
- Works of Art and Historical Treasures – 20 years
- Computer Software and Other Capital Assets – 4 to 10 years
- Right-to-Use Lease Assets – 3 to 10 years or the term of the lease, whichever is shorter
- Subscription-Based Information Technology Arrangements (SBITA)– 3 to 10 years or the term of the subscription, whichever is shorter

**Noncurrent Liabilities.** Noncurrent liabilities include bonds payable, loans payable, right-to-use leases payable, SBITA liability, compensated absences payable, other postemployment benefits payable, net pension liabilities, and revenue received in advance that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

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

**Leases.** The University determines if an arrangement is a lease at inception. Lessee arrangements are included in lease assets and lease liabilities in the statements of net position. Lease assets represent the University's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the University's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Payments for short-term leases with a lease term of 12 months or less are recognized as expenses as incurred. The University has a materiality threshold of \$5,000 of payments in a year of equipment leases and \$100,000 of payments in a year for space leases. Short-term leases and leases under the materiality threshold are not included as lease liabilities or lease assets on the statement of net position.

## 2. Reporting Change

The University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which addresses accounting and financial reporting for subscription assets by universities. This statement requires the University to recognize certain right-to-use subscription assets and liabilities for subscriptions that previously were classified as operating expenses. Under this statement, the University is required to recognize a subscription liability and an intangible right to use the subscription asset. There was no effect to beginning net position.

## 3. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (86,773,062)
Auxiliary Funds	<u>13,580,206</u>
Total University Net Position	(73,192,856)
Blended Component Unit	
Unrestricted Net Position	<u>37,909,124</u>
<b>Total</b>	<b><u>\$ (35,283,732)</u></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 Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. Of the reported investments, \$2 million is restricted by the covenants of the bond reimbursement agreements for the Capital Improvement Revenue Bonds Series 2008A and 2009A and \$520,119 for debt service reserve accounts for the Series 2005A loan.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

### **External Investment Pools.**

The University reported investments at fair value totaling \$54,011,751 at June 30, 2023, in the State Treasury SPIA investment pool, representing ownership of a share of the pool, not the underlying securities (Level 3 inputs). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.02 years, and fair value factor of 0.9667 at June 30, 2023. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

At June 30, 2023, the University reported investments totaling \$13,868,339 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University's investments in Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, 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 weighted average days to maturity (WAM) of

37 days as of June 30, 2023. 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 amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that “the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the SBA can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2023, there were no redemption fees, or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

**Other Investments.**

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. The University’s investments of \$73,173,656 in United States Treasury securities, are valued using quoted market prices (Level 1 inputs).

The following risks apply to the University’s investments in United States Treasury securities:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments of the University in debt securities and their future maturities at June 30, 2023, are as follows:

**University Debt Investments Maturities**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>5 - 10 Years</u>	<u>Over 10 Years</u>
United States Treasury Securities	\$73,173,656	\$73,173,656	\$ -	\$ -	\$ -
<b>Total</b>	<u>\$73,173,656</u>	<u>\$73,173,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the

United States Government are not considered to have credit risk and do not require disclosure of credit quality.

**Component Unit Investments.** The Foundation's recurring fair value measurements as of June 30, 2023, are valued using quoted market prices (Level 1 inputs). Investments held by the Foundation at June 30, 2023, are reported at fair value as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
United States Treasury Securities	\$ 2,050,079	\$ 2,050,079	\$ -	\$ -
Obligations of the United States Government				
Agencies and Instrumentalities	2,943,735	-	2,943,735	-
Bonds and Notes	13,023,735	-	13,023,735	-
Land Held for Investment or Resale	207,900	-	-	207,900
Stocks and Other Equity Securities	15,353,956	15,353,956	-	-
Mutual Funds	96,987,642	96,987,642	-	-
Total investments by fair value level	130,567,047	\$ 114,391,677	\$ 15,967,470	\$ 207,900
<b>Investments measured at the net asset value (NAV)</b>				
Other Investments:				
Real Assets	6,393			
Surrender Value of Insurance Policy	383,670			
Private Equity	810,842			
Total Other Investments	1,200,905			
Total investments measured at the NAV or its equivalent	1,200,905			
<b>Total investments measured at fair value</b>	<b>\$ 131,767,952</b>			

*Fair Value Measurement:* Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using quoted prices for similar assets in active markets.

Other information for investments measured at the NAV or its equivalent follows:

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Real Assets	\$ 6,393	\$ 90,000	Not available	NA
Surrender value of insurance policy	383,670	-	Not available	NA
Private Equity	810,842	130,850	Not available	NA
<b>Total investments measured at the NAV</b>	<b>\$ 1,200,905</b>	<b>\$ 220,850</b>		

*Real Assets:* This investment is in a partnership that invests in a diversified portfolio of private equity and real assets investment funds (underlying funds or private investment funds), which in turn have been

established to invest in a broad range of private equity, real estate, energy, and other hard-asset-oriented investments.

*Private Equity:* The investment within this segment invests in private equity funds in the venture capital, buyout, and capital restructuring sectors.

The Foundation's investment policy allows for investments in equity securities traded on the principal United States Stock Exchanges (NYSE and NASDAQ), and the Foundation only purchases equity securities of companies with a market capitalization of at least \$1 billion. For fixed income instruments, the Foundation's policy allows investments in bonds issued by the United States Government, an agency of the United States Government, public traded corporations or their affiliates, taxable municipal bonds, preferred stocks, and real estate investment trusts.

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investments that are held by someone other than the component unit and not registered in their names. The Foundation utilizes the services of an investment advisor and several investment managers. All investments are uninsured and unregistered with securities held by the counterparty's trust department or agent in the Foundation's name. The Foundation's mutual fund investments totaling \$96,987,642 at June 30, 2023, are not exposed to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form. There were no losses during the period due to default by counterparties to investment transactions.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit debt obligation maturities. The Foundation's investments in debt securities at June 30, 2023, are reported at fair value as follows:

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>5 - 10 Years</u>	<u>Over 10 Years</u>
Obligations of United States Government Agencies and Instrumentalities	\$ 2,943,735	\$ 811,690	\$ 1,075,137	\$ 1,056,908	\$ -
Bonds, Notes, and Other Debt Securities	15,073,814	1,992,426	8,530,599	4,498,806	51,983
<b>Total</b>	<b>\$ 18,017,549</b>	<b>\$ 2,804,116</b>	<b>\$ 9,605,736</b>	<b>\$ 5,555,714</b>	<b>\$ 51,983</b>

*Credit Risk:* Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Foundation does not have a formal investment policy with respect to credit risk.

At June 30, 2023, the Foundation's investments in debt securities were rated as follows:

<u>Rating</u>	<u>Number</u>	<u>Fair Value</u>	<u>% Bond Holdings</u>
AAA	52	\$ 6,500,295	36.08%
AA	26	4,999,092	27.75%
A	58	5,919,506	32.85%
BBB	4	598,656	3.32%
		<u>\$ 18,017,549</u>	

**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 Foundation's investment policy requires a maximum equity holding of 5 percent in any single company as a percentage at cost of the total equity portfolio, a maximum equity holding of 15 percent in a single non-U.S. country as a percentage at market value of total equity portfolio, and a maximum fixed income of 5 percent holdings in a single corporate issuer (excluding U.S. government and agencies) as a percentage at cost of total fixed income portfolio.

**Other Information:** For management control, investments are pooled. Gains, losses, and investment income from the pool are allocated quarterly to the funds that participate in the pool based upon each fund's average quarterly balance.

The Endowment Fund account balances (including cash balances) subject to the administrative fee are comprised as follows at June 30, 2023:

Eminent Scholars Program	\$	15,614,179
Major Gifts Program		47,388,380
Other Endowment		58,313,642
		58,313,642
	\$	121,316,201

**5. Receivables**

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2023, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	\$ 3,573,534
Student Tuition and Fees	4,008,856
Other	584,744
<b>Total Accounts Receivable</b>	<b>\$ 8,167,134</b>

**Loans Receivable.** Loans receivable consist of short-term loans made to students pending the receipt of student financial aid, Prepping Institutions, Programs, Employers and Learners through Incentives for Nursing Education Program loans, and Hurricane Ian employee assistance loans.

**Allowance for Doubtful Receivables.** Allowances for doubtful accounts and loans 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 receivable are reported net of allowances of \$1,480,966 and \$4,439, respectively, at June 30, 2023.

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

## 6. Due From State

The amount due from State consists of \$9,059,884 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

## 7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 51,753,037	\$ -	\$ -	\$ -	\$ 51,753,037
Works of Art and Historical Treasures	2,147,491	-	36,000	-	2,183,491
Construction in Progress	50,630,376	-	10,562,888	56,461,824	4,731,440
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 104,530,904</b>	<b>\$ -</b>	<b>10,598,888</b>	<b>56,461,824</b>	<b>58,667,968</b>
Depreciable Capital Assets:					
Buildings	\$ 574,194,214	\$ -	\$ 53,897,088	\$ -	\$ 628,091,302
Infrastructure and Other Improvements	49,335,601	(20,019)	336,707	-	49,652,289
Furniture and Equipment	71,386,352	208,473	4,433,410	1,489,444	74,538,791
Library Resources	14,238,844	-	118,424	-	14,357,268
Works of Art and Historical Treasures	798,465	-	-	-	798,465
Computer Software and Other Capital Assets	1,658,924	-	-	46,112	1,612,812
Amortizable Capital Assets:					
Right-to-Use Leases	440,389	-	26,030	74,892	391,527
Subscription-Based Information Technology Arrangements (2)	-	-	5,604,938	-	5,604,938
<b>Total Depreciable Capital Assets</b>	<b>712,052,789</b>	<b>188,454</b>	<b>64,416,597</b>	<b>1,610,448</b>	<b>775,047,392</b>
Less, Accumulated Depreciation:					
Buildings	153,867,082	-	12,956,771	-	166,823,853
Infrastructure and Other Improvements	21,254,415	(834)	1,857,666	-	23,111,247
Furniture and Equipment	46,169,329	111,337	5,088,209	1,208,591	50,160,284
Library Resources	12,028,413	-	431,340	-	12,459,753
Works of Art and Historical Treasures	358,160	-	40,030	-	398,190
Computer Software and Other Capital Assets	1,540,698	-	49,729	23,643	1,566,784
Less, Accumulated Amortization:					
Right-to-Use Leases	84,484	-	77,741	15,556	146,669
Subscription-Based Information Technology Arrangements (2)	-	-	155,693	-	155,693
<b>Total Accumulated Depreciation</b>	<b>235,302,581</b>	<b>110,503</b>	<b>20,657,179</b>	<b>1,247,790</b>	<b>254,822,473</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 476,750,208</b>	<b>\$ 77,951</b>	<b>\$ 43,759,418</b>	<b>\$ 362,658</b>	<b>\$ 520,224,919</b>

(1) Adjustments to reflect the reclassification of Capital Assets and Accumulated Depreciation, and the amount received as a trade-in on the purchase of new equipment, for correct presentation.

(2) Subscription-Based Information Technology Arrangements were added, due to implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Beginning balance was not restated.

## 8. Unearned Revenue

Unearned revenue at June 30, 2023, consists of grants, contracts and auxiliaries received prior to fiscal year-end related to subsequent accounting periods.

## 9. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2023, include bonds payable, loans payable, right-to-use leases payable, SBITA liability, compensated absences payable, other postemployment benefits payable, net pension liability, and revenue received in advance. Long-term liabilities activity for the fiscal year ended June 30, 2023, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 153,142,938	\$ 23,239,935	\$ 32,539,745	\$ 143,843,128	\$ 6,305,000
Loans Payable	8,200,000	-	500,000	7,700,000	500,000
Right-to-Use Leases Payable	354,307	22,067	147,627	228,747	88,996
Subscription Arrangements Liability	-	5,604,937	843,610	4,761,327	877,911
Compensated Absences Payable	14,859,369	1,921,750	1,505,214	15,275,905	1,597,195
Other Postemployment Benefits Payable	93,742,926	66,726,808	93,865,507	66,604,227	1,676,738
Net Pension Liability	28,332,400	71,727,005	25,242,774	74,816,631	-
Revenue Received in Advance	2,095,139	-	143,667	1,951,472	143,667
<b>Total Long-Term Liabilities</b>	<b>\$ 300,727,079</b>	<b>\$ 169,242,502</b>	<b>\$ 154,788,144</b>	<b>\$ 315,181,437</b>	<b>\$ 11,189,507</b>

**Capital Improvement Revenue Bonds Payable.** Capital Improvement Revenue Bonds were issued to construct University facilities, including parking garages and student housing facilities. Capital Improvement Revenue Bonds outstanding, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees, and an assessed transportation fee based on credit hours.

In prior years, the Corporation issued Capital Improvement Revenue Bonds, Series 2003, 2005A, 2007A, 2008A, 2010A, 2010B, 2011A, and 2013A to construct or purchase student housing facilities, and 2005B, 2007C, and 2009A to construct student parking garages.

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

On July 1, 2013, the Corporation entered into loan agreements authorizing the refunding of Capital Improvement Revenue Bonds, Series 2005A (Student Residences Phase VII) and Capital Improvement Revenue Bonds, Series 2005B (Student Parking Phase I) which resulted in defeasance of the variable rate capital improvement revenue bond debt and securing fixed rate loans. Accordingly, the Capital Improvement Revenue Bonds, Series 2005A and 2005B are no longer reported as a bond payable on the face of the statement of net position for the reporting period ended June 30, 2023, and the new fixed rate tax exempt loan is reported as loans payable.

On November 29, 2017, the Financing Corporation issued \$47,500,000 of Capital Improvement Refunding Housing Revenue Bonds, Series 2017A, with an original issue premium of \$6,456,991, and interest rates ranging from 3.375 percent to 5 percent. The proceeds of the sale of the Series 2017A Bonds were used to refund the outstanding Capital Improvement Revenue Bonds, Series 2003 principal totaling \$33,870,000, and Series 2007A principal totaling \$20,200,000, and related

issuance costs. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$11,614,278 over the next 20 years and obtained an economic gain of \$7,670,123.

On November 29, 2017, the Financing Corporation issued \$7,850,000 of Capital Improvement Refunding Parking Revenue Bonds, Series 2017B, with an original issue premium of \$398,563, and interest rates ranging from 3 percent to 5 percent. The proceeds of the sale of the Series 2017B Bonds were used to refund the outstanding Capital Improvement Revenue Bonds, Series 2007C principal totaling \$8,060,000, and related issuance costs. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$995,611 over the next 20 years and obtained an economic gain of \$765,040.

On December 5, 2019, the Financing Corporation issued \$32,575,000 of Capital Improvement Refunding Housing Revenue Bonds, Series 2019A, with an original issue premium of \$5,125,443, and interest rates ranging from 3 percent to 5 percent. The proceeds of the sale of the Series 2019A Bonds were used to refund the outstanding Capital Improvement Revenue Bonds, Series 2010A principal totaling \$26,590,000 and 2010B principal totaling \$14,100,000, and related issuance costs. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$11,263,635 over the next 20 years and obtained an economic gain of \$8,678,824. As part of the refunding, the debt service reserves were liquidated towards the payment of Series 2010A and 2010B principal.

On December 17, 2020, the Financing Corporation issued \$19,800,000 of Capital Improvement Refunding Housing Revenue Bonds, Series 2020A, with an original issue premium of \$3,882,566 and interest rates ranging from 3 percent to 5 percent. The proceeds of the sale of the Series 2020A Bonds were used to refund the outstanding Capital Improvement Revenue Bonds, Series 2011A principal totaling \$25,600,000. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$10,237,991 over the next 20 years and obtained an economic gain of \$8,474,400. As part of the refunding, the debt service reserve was liquidated towards the payment of Series 2011A principal.

On November 3, 2022, the Financing Corporation issued \$21,535,000 of Capital Improvement Refunding Revenue Bonds, Series 2022A, with an original issue premium of \$1,704,935 with an interest rate of 5 percent. The proceeds of the sale of the Series 2022A Bonds were used to refund the outstanding Capital Improvement Revenue Bonds, Series 2013A principal totaling \$24,885,000. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$2,463,477 over the next 20 years and obtained an economic gain of \$1,774,306. As part of the refunding, the debt service reserve was liquidated towards the payment of Series 2013A principal.

The University has entered into a Master Ground and Operating Lease Agreement with the Corporation. The University leases land to the Corporation for a rental fee of \$1 per year. The land covered by the ground lease together with the improvements thereon is leased back to the University to manage and operate. The master lease will terminate on the date on which the revenue bonds and any related obligations are paid in full. Revenue from the student residence facilities and parking facilities is pledged to pay rent to the Corporation or its assignees equal to the debt service on the revenue bonds. During the 2022-23 fiscal year, parking facilities rental and fee income, and student residence rental income totaled \$3,819,169 and \$30,348,347, respectively.



The University had the following capital improvement debt payable outstanding at June 30, 2023:

<u>Capital Improvement Revenue Bonds</u> <u>Type and Series</u>	<u>Amount</u> <u>of Original</u> <u>Debt</u>	<u>Amount</u> <u>Outstanding</u> <u>(1)</u>	<u>Interest</u> <u>Rates</u> <u>(Percent)</u>	<u>Maturity</u> <u>Date</u> <u>To</u>
Capital Improvement Revenue Bonds:				
2008A Student Residences (Phase IX)	\$ 22,000,000	\$ 13,525,000	3.95 (2)	2038
2009A Student Parking (Phase III)	8,000,000	5,305,000	3.95 (2)	2039
2017A Student Housing Project	47,500,000	41,700,659	3.38 to 5.00	2036
2017B Student Parking Project	7,850,000	6,367,460	3.25 to 5.00	2037
2019A Student Housing Project	32,575,000	32,623,541	3.00 to 5.00	2039
2020A Student Housing Project	19,800,000	21,874,328	3.00 to 5.00	2040
2022A Student Housing Project	21,535,000	22,447,140	5.00	2042
<b>Total Capital Improvement Revenue Bonds</b>	<b>\$ 159,260,000</b>	<b>\$ 143,843,128</b>		

(1) Amount outstanding includes unamortized discounts and premiums.

(2) Variable interest rate at June 30, 2023.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,305,000	\$ 6,023,580	\$ 12,328,580
2025	6,620,000	5,703,314	12,323,314
2026	6,945,000	5,367,254	12,312,254
2027	7,280,000	5,014,649	12,294,649
2028	7,620,000	4,645,126	12,265,126
2029 - 2033	43,890,000	17,116,876	61,006,876
2034 - 2038	39,420,000	6,962,278	46,382,278
2039 - 2042	11,685,000	972,675	12,657,675
<b>Subtotal</b>	<b>129,765,000</b>	<b>51,805,752</b>	<b>181,570,752</b>
Net Discounts and Premiums	14,078,128	-	14,078,128
<b>Total</b>	<b>\$ 143,843,128</b>	<b>\$ 51,805,752</b>	<b>\$ 195,648,880</b>

**Loans Payable.** On July 1, 2013, the Financing Corporation entered into a Loan Agreement (2005A), dated July 1, 2013, in the amount of \$6,800,000, and a Loan Agreement (2005B), dated July 1, 2013, in the amount of \$5,100,000, collectively hereafter referred to as the Loan, authorizing the refunding of Capital Improvement Revenue Bonds, Series 2005A (Student Residence Phase VII), and Capital Improvement Revenue Bonds, Series 2005B (Student Parking Phase I), which resulted in defeasance of the variable rate capital improvement revenue bond debt and securing fixed rate tax-exempt loans. The proceeds from the fixed rate tax-exempt loans were used to refund the outstanding principal debt of Capital Improvement Revenue Bonds, Series 2005A, in the par amount of \$6,800,000, and Capital Improvement Revenue Bonds, Series 2005B, in the par amount of \$5,100,000. Accordingly, the Capital Improvement Revenue Bonds, Series 2005A, and Series 2005B, are no longer reported as a bond payable on the face of the statement of net position for the reporting period ended June 30, 2018, and

the new fixed rate tax-exempt loan is reported as loans payable. The maturity dates or principal payment schedules were not modified, and there was no economic gain or loss from the advanced refunding of the bond debt.

Annual requirements to amortize the outstanding loans as of June 30, 2023, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 500,000	\$ 244,255	\$ 744,255
2025	500,000	228,394	728,394
2026	500,000	212,533	712,533
2027	600,000	196,673	796,673
2028	600,000	177,640	777,640
2029 - 2033	3,500,000	570,985	4,070,985
2034 - 2038	1,500,000	72,959	1,572,959
<b>Total</b>	<b>\$ 7,700,000</b>	<b>\$ 1,703,439</b>	<b>\$ 9,403,439</b>

**Right-to-Use Leases Payable.** The University leases equipment and space from external parties for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2027 and provide for renewal options ranging from 1 to 5 years. In accordance with GASB Statement No. 87, *Leases*, the University records assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the interest rate provided by the current master finance agreement for equipment purchases for the State of Florida. Refer to Note 7. Capital Assets for information relating to assets and associated amortization. Future minimum lease payments and the present value of the minimum payments as of June 30, 2023, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 88,996	15,304	\$ 104,300
2025	81,187	8,758	89,945
2026	40,190	3,758	43,948
2027	18,374	454	18,828
<b>Total Minimum Lease Payments</b>	<b>\$ 228,747</b>	<b>\$ 28,274</b>	<b>\$ 257,021</b>

**Subscription Arrangement Liability.** The University has a 6-year SBITA for the right to use the Workday Tenant totaling \$5,604,938. The University has discounted the future minimum payments using its incremental borrowing rate of 4.07 percent. Future minimum payments under SBITA and present value of the minimum payments as of June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 877,911	\$ 227,897	\$ 1,105,808
2025	913,607	193,595	1,107,202
2026	950,755	157,900	1,108,655
2027	989,412	120,752	1,110,164
2028	1,029,642	82,095	1,111,737
<b>Total</b>	<b>\$ 4,761,327</b>	<b>\$ 782,239</b>	<b>\$ 5,543,566</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, 2023, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$15,275,905. The current portion of the compensated absences liability, \$1,597,195, 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.** The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

**General Information about the OPEB Plan**

*Plan Description.* The Division of State Group Insurance’s Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a “retiree” if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year

is on a pay-as-you-go basis as established by the Governor’s recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

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

***Proportionate Share of the Total OPEB Liability***

The University’s proportionate share of the total OPEB liability of \$66,604,227 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, the University’s proportionate share, determined by its proportion of total benefit payments made, was 0.85 percent, which was a decrease of 0.04 from the proportionate share measured 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	4.09 percent
Healthcare cost trend rates	
PPO	10.31 percent for 2023, decreasing to an ultimate rate of 4.04 percent for 2076 and later years.
HMO	7.53 percent for 2023, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
Retirees’ share of benefit-related costs	100 percent of projected health insurance premiums for retirees

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

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2019, through June 30, 2020, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2022, valuation were based on a review of recent plan experience done concurrently with the July 1, 2022, 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 Statement No. 75. The discount rate increased from 2.18 percent to 4.09 percent.
- The census data reflects changes in status for the 24-month period since July 1, 2020.

- The assumed claims and premiums reflect the actual claims information that were provided as well as the premiums that are actually being charged to participants. The recent claims experience along with changes in the demographics of the population resulted in lower claims costs compared to expected, as well as lower premium rates than expected. The net result was a slight increase in liabilities due to claims and premiums as of June 30, 2022.
- We update the medical trend assumption each year based on the Getzen Model. We used medical trend rates consistent with the August 2022 Report on Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgement. The impact of the trend rate changes is a small increase in the liability, due primarily to higher trend rates in the first several years.

*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 (3.09 percent) or 1 percentage point higher (5.09 percent) than the current rate:

	<u>1% Decrease (3.09%)</u>	<u>Current Discount Rate (4.09%)</u>	<u>1% Increase (5.09%)</u>
University's proportionate share of the total OPEB liability	\$82,105,084	\$66,604,227	\$54,729,657

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University's proportionate share of the total OPEB liability	\$53,339,120	\$66,604,227	\$84,516,721

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

For the fiscal year ended June 30, 2023, the University recognized OPEB expense of \$1,968,347. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 7,284,345
Change of assumptions or other inputs	7,701,473	43,517,606
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	21,556,905	4,977,563
Transactions subsequent to the measurement date	1,708,039	-
<b>Total</b>	<b>\$ 30,966,417</b>	<b>\$ 55,779,514</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,708,039 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	(4,674,920)
2025	(4,674,920)
2026	(3,048,832)
2027	(1,948,717)
2028	(4,008,228)
Thereafter	(8,165,519)
<b>Total</b>	<b><u><u>\$(26,521,136)</u></u></b>

**Net Pension Liability.** As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2023, the University's proportionate share of the net pension liabilities totaled \$74,816,631. Note 10. includes a complete discussion of defined benefit pension plans.

**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, 2023, amounted to \$1,951,472, with \$143,667 expected to be earned during the 2023-24 fiscal year.

## **10. Retirement Plans – Defined Benefit Pension Plans**

### **General Information about the Florida Retirement System (FRS).**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also

provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. An annual comprehensive financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The University's FRS and HIS pension expense totaled \$10,142,494 for the fiscal year ended June 30, 2023.

### **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* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing

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

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

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>% Value</u></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 or more years of service	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 2022-23 fiscal year were:



<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	11.91
FRS, Senior Management Service	3.00	31.57
FRS, Special Risk	3.00	27.83
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled \$7,726,759 for the fiscal year ended June 30, 2023.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2023, the University reported a liability of \$59,669,918 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The University's proportionate share of the net pension liability was based on the University's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the University's proportionate share was 0.160368374 percent, which was an increase of 0.008208931 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of \$9,107,359. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,833,977	\$ -
Change of assumptions	7,348,601	-
Net difference between projected and actual earnings on FRS Plan investments	3,939,997	-
Changes in proportion and differences between University contributions and proportionate share of contributions	3,789,822	2,085,123
University FRS contributions subsequent to the measurement date	7,726,759	-
<b>Total</b>	<b>\$ 25,639,156</b>	<b>\$ 2,085,123</b>

The deferred outflows of resources totaling \$7,726,759, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ 4,036,975
2025	1,793,238
2026	(794,727)
2027	10,050,360
2028	741,428
<b>Total</b>	<b>\$ 15,827,274</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2022, 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	6.70 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.3%	17.8%
Real Estate (Property)	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	3.8%	6.2%	5.9%	7.8%
<b>Total</b>	<b>100.0%</b>			
Assumed inflation - Mean			2.4%	1.3%

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

*Discount Rate.* The discount rate used to measure the total pension liability was 6.70 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 2022 valuation was updated from 6.80 percent to 6.70 percent.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.70 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 (5.70 percent) or 1 percentage point higher (7.70 percent) than the current rate:

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
University's proportionate share of the net pension liability	\$103,195,028	\$59,669,918	\$23,277,755

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

*Payables to the Pension Plan.* At June 30, 2023, the University reported a payable of \$663,786 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2023.

**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, 2023, 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, 2023, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$1,032,956 for the fiscal year ended June 30, 2023.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2023, the University reported a liability of \$15,146,713 for its proportionate share of the net pension liability. The net pension liability was measured as of

June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The University's proportionate share of the net pension liability was based on the University's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the University's proportionate share was 0.143006886 percent, which was an increase of 0.005734836 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of \$1,035,135. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 868,219	\$ 2,343,188
Difference between expected and actual experience	459,739	66,647
Net difference between projected and actual earnings on HIS Plan investments	21,929	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,522,000	843,355
University HIS contributions subsequent to the measurement date	1,032,956	-
<b>Total</b>	<u>\$ 3,904,843</u>	<u>\$ 3,253,190</u>

The deferred outflows of resources totaling \$1,032,956, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	(82,454)
2025	(9,603)
2026	78,053
2027	(10,634)
2028	(250,945)
Thereafter	(105,720)
<b>Total</b>	<u>\$ (381,303)</u>

*Actuarial Assumptions.* The total pension liability in the July 1, 2022, 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	3.54 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 3.54 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 2022 valuation was updated from 2.16 percent to 3.54 percent.

**Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 3.54 percent, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	<b>1% Decrease (2.54%)</b>	<b>Current Discount Rate (3.54%)</b>	<b>1% Increase (4.54%)</b>
University’s proportionate share of the net pension liability	\$17,329,084	\$15,146,713	\$13,340,847

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

**Payables to the Pension Plan.** At June 30, 2023, the University reported a payable of \$105,463 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2023.

**11. Retirement Plans – Defined Contribution Pension Plans**

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class

(Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2022-23 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	9.30
FRS, Senior Management Service	10.67
FRS, Special Risk Regular	17.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's Investment Plan pension expense totaled \$2,199,714 for the fiscal year ended June 30, 2023.

**State University System Optional Retirement Program.** Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 4.23 percent to cover the

unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.38 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$5,851,751, and employee contributions totaled \$3,088,334 for the 2022-23 fiscal year.

## 12. Construction Commitments

The University's construction commitments at June 30, 2023, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Cohen Student Union Remodel/Renovation	\$ 6,060,953	\$ 46,390	\$ 6,014,563
Deferred Maintenance	5,050,421	899,100	4,151,321
SoVi Boardwalk	4,500,000	132,161	4,367,839
Buckingham - PGM Golf Facility	3,000,000	112,873	2,887,127
Workday Student Deployment	2,982,555	491,367	2,491,188
Library Renovations	1,098,599	1,003,658	94,941
Campus Wide Signage Renovation	1,000,000	298,710	701,290
<b>Subtotal</b>	<b>23,692,528</b>	<b>2,984,259</b>	<b>20,708,269</b>
Project Balances Under \$1 Million	4,215,506	1,747,181	2,468,325
<b>Total</b>	<b>\$ 27,908,034</b>	<b>\$ 4,731,440</b>	<b>\$ 23,176,594</b>

## 13. 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 2022-23 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 \$56.3 million for named windstorm and flood through February 14, 2023, and decreased to \$40.2 million for flood and \$38.6 million for named windstorm starting February 15, 2023. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$168.7 million through February 14, 2023, and increased to \$184.8 million starting February 15, 2023; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by

Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

**14. Functional Distribution of Operating Expenses**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 92,586,285
Research	8,324,522
Public Services	13,901,628
Academic Support	23,712,167
Student Services	19,200,898
Institutional Support	48,063,963
Operation and Maintenance of Plant	14,977,725
Scholarships, Fellowships, and Waivers	39,131,416
Depreciation	20,657,179
Auxiliary Enterprises	44,014,320
<b>Total Operating Expenses</b>	<b><u>\$ 324,570,103</u></b>

**15. Segment Information**

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



### Condensed Statement of Net Position

	Housing Facility	Parking Facility
<b>Assets</b>		
Current Assets	\$ 31,897,264	\$ 8,602,273
Capital Assets, Net	150,588,931	17,606,453
Other Noncurrent Assets	1,754,280	1,385,880
<b>Total Assets</b>	184,240,475	27,594,606
<b>Deferred Outflows of Resources</b>	2,337,903	187,068
<b>Liabilities</b>		
Current Liabilities	9,398,935	995,199
Noncurrent Liabilities	134,001,512	14,382,260
<b>Total Liabilities</b>	143,400,447	15,377,459
<b>Deferred Inflows of Resources</b>	2,751,306	103,697
<b>Net Position</b>		
Net Investment in Capital Assets	13,878,253	1,251,047
Restricted - Expendable	1,755,235	1,385,883
Unrestricted	24,793,137	9,663,588
<b>Total Net Position</b>	\$ 40,426,625	\$ 12,300,518

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

	Housing Facility	Parking Facility
Operating Revenues	\$ 30,348,347	\$ 3,819,169
Depreciation Expense	(3,825,237)	(461,910)
Other Operating Expenses	(16,430,381)	(1,790,482)
<b>Operating Income</b>	10,092,729	1,566,777
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	873,595	212,677
Other Nonoperating Expense	(7,589,109)	(1,253,335)
<b>Net Nonoperating Expenses</b>	(6,715,514)	(1,040,658)
<b>Increase in Net Position</b>	3,377,215	526,119
Net Position, Beginning of Year	37,049,410	11,774,399
<b>Net Position, End of Year</b>	\$ 40,426,625	\$ 12,300,518

### Condensed Statement of Cash Flows

	Housing Facility	Parking Facility
Net Cash Provided (Used) by:		
Operating Activities	\$ 12,459,262	\$ 2,169,942
Noncapital Financing Activities	(6,408,999)	(1,336,241)
Capital and Related Financing Activities	(7,992,815)	(745,000)
Investing Activities	2,183,820	(79,784)
<b>Net Increase in Cash and Cash Equivalents</b>	241,268	8,917
Cash and Cash Equivalents, Beginning of Year	(5,671)	387,376
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 235,597</b>	<b>\$ 396,293</b>

### 16. Blended Component Unit

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

### Condensed Statement of Net Position

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
<b>Assets:</b>				
Current Assets	\$ 40,078,907	\$ 72,220,936	\$ (842,352)	\$ 111,457,491
Capital Assets, Net	-	573,198,784	-	573,198,784
Other Noncurrent Assets	156,206,244	53,178,896	(153,066,084)	56,319,056
<b>Total Assets</b>	196,285,151	698,598,616	(153,908,436)	740,975,331
<b>Deferred Outflows of Resources</b>	12,156	60,664,333	-	60,676,489
<b>Liabilities:</b>				
Current Liabilities	9,974,781	22,307,528	(842,352)	31,439,957
Noncurrent Liabilities	144,738,128	312,319,886	(153,066,084)	303,991,930
<b>Total Liabilities</b>	154,712,909	334,627,414	(153,908,436)	335,431,887
<b>Deferred Inflows of Resources</b>	534,156	61,093,776	-	61,627,932
<b>Net Position:</b>				
Net Investment in Capital Assets	-	422,016,823	-	422,016,823
Restricted - Expendable	3,141,118	14,717,792	-	17,858,910
Unrestricted	37,909,124	(73,192,856)	-	(35,283,732)
<b>Total Net Position</b>	<b>\$ 41,050,242</b>	<b>\$ 363,541,759</b>	<b>\$ -</b>	<b>\$ 404,592,001</b>

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

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
Operating Revenues	\$ 18,598,366	\$ 131,434,484	\$ -	\$ 150,032,850
Depreciation Expense	-	(20,657,179)	-	(20,657,179)
Other Operating Expenses	(12,878,105)	(291,941,114)	906,295	(303,912,924)
<b>Operating Income (Loss)</b>	<b>5,720,261</b>	<b>(181,163,809)</b>	<b>906,295</b>	<b>(174,537,253)</b>
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	1,086,272	185,044,013	-	186,130,285
Interest Expense	-	(249,140)	(5,211,610)	(5,460,750)
Other Nonoperating Expense	(5,884,043)	1,266,134	4,305,315	(312,594)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(4,797,771)</b>	<b>186,061,007</b>	<b>(906,295)</b>	<b>180,356,941</b>
Other Revenues	-	8,533,571	-	8,533,571
<b>Increase in Net Position</b>	<b>922,490</b>	<b>13,430,769</b>	<b>-</b>	<b>14,353,259</b>
Net Position, Beginning of Year	40,127,752	350,110,990	-	390,238,742
<b>Net Position, End of Year</b>	<b>\$ 41,050,242</b>	<b>\$ 363,541,759</b>	<b>\$ -</b>	<b>\$ 404,592,001</b>

## Condensed Statement of Cash Flows

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ 12,152,388	\$ (146,642,577)	\$ (12,395,880)	\$ (146,886,069)
Noncapital Financing Activities	(5,265,086)	164,543,062	18,598,366	177,876,342
Capital and Related Financing Activities	(8,737,815)	(11,884,342)	(6,202,486)	(26,824,643)
Investing Activities	2,129,036	(9,698,491)	-	(7,569,455)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>278,523</b>	<b>(3,682,348)</b>	<b>-</b>	<b>(3,403,825)</b>
Cash and Cash Equivalents, Beginning of Year	435,802	5,103,708	-	5,539,510
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 714,325</b>	<b>\$ 1,421,360</b>	<b>\$ -</b>	<b>\$ 2,135,685</b>

## 17. Related Party Transactions

### University and Blended Component Unit

As part of a Master Ground and Operating Lease Agreement discussed in Note 9, the University operates and pays all operating costs of the facilities leased from the Corporation from the gross rental income from the respective student residences and parking facilities. The net rental income is then paid to the Corporation by the University in arrears based on collections. The University provides office space and related occupancy costs, such as, utilities and use of other office machines as well as accounting and record keeping services at no cost to the Corporation.

### **Discretely Presented Component Unit**

The Foundation maintains a portion of its investments with a financial institution of which a Foundation board member was an officer during the fiscal year ended June 30, 2023. The Foundation investments managed by the financial institution at June 30, 2023, totaled \$14,567.

The Foundation maintains a portion of its fixed income investments with an investment firm of which a Foundation board member was an officer during the fiscal year ended June 30, 2023. The Foundation investments managed by the investment firm at June 30, 2023, totaled \$13,592,791.

On July 17, 2013, the University renewed the lease agreement with the Foundation for the use of waterfront property for the University's Vester Marine Science and Environmental Education Center. The monthly lease payment of \$32,000 covers the general operating and maintenance expenses incurred by the Foundation. Both the Foundation and the University have an option to terminate the lease without permission from either party, as such is considered cancelable periods and are excluded from the lease term according to GASB Statement No. 87, *Leases*.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the total other postemployment benefits liability	0.85%	0.89%	0.86%	0.71%	0.60%	0.60%
University's proportionate share of the total other postemployment benefits liability	\$ 66,604,227	\$ 93,742,926	\$ 88,042,902	\$ 89,432,262	\$ 63,309,000	\$ 65,178,000
University's covered-employee payroll	\$ 124,031,674	\$ 113,116,824	\$ 112,595,103	\$ 109,150,814	\$ 92,402,906	\$ 91,940,732
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	53.70%	82.87%	78.19%	81.93%	68.51%	70.89%

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

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

	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
University's proportion of the FRS net pension liability	0.160368374%	0.152159443%	0.162436585%	0.150085159%
University's proportionate share of the FRS net pension liability	\$ 59,669,918	\$ 11,493,917	\$ 70,402,410	\$ 51,687,239
University's covered payroll (2)	\$ 110,354,107	\$ 106,943,625	\$ 108,458,679	\$ 96,205,524
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	54.07%	10.75%	64.91%	53.73%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.89%	96.40%	78.85%	82.61%

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

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

**Schedule of University Contributions – Florida Retirement System Pension Plan**

	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required FRS contribution	\$ 7,726,759	\$ 6,843,210	\$ 5,796,617	\$ 5,397,048
FRS contributions in relation to the contractually required contribution	<u>(7,726,759)</u>	<u>(6,843,210)</u>	<u>(5,796,617)</u>	<u>(5,397,048)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 120,310,269	\$ 110,354,107	\$ 106,943,625	\$ 108,458,679
FRS contributions as a percentage of covered payroll	6.42%	6.20%	5.42%	4.98%

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

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

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.147498178%	0.143582601%	0.138242676%	0.134955671%	0.120557144%	0.090929688%
\$ 44,427,216	\$ 42,470,770	\$ 34,906,384	\$ 17,431,335	\$ 7,355,759	\$ 15,653,046
\$ 90,853,899	\$ 87,654,579	\$ 83,326,076	\$ 78,759,256	\$ 71,749,253	\$ 67,297,169
48.90%	48.45%	41.89%	22.13%	10.25%	23.26%
84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 4,653,723	\$ 4,203,580	\$ 3,737,809	\$ 3,371,268	\$ 3,290,334	\$ 2,640,713
<u>(4,653,723)</u>	<u>(4,203,580)</u>	<u>(3,737,809)</u>	<u>(3,371,268)</u>	<u>(3,290,334)</u>	<u>(2,640,713)</u>
\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
\$ 96,205,524	\$ 90,853,899	\$ 87,654,579	\$ 83,326,076	\$ 78,759,256	\$ 71,749,253
4.84%	4.63%	4.26%	4.05%	4.18%	3.68%

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

	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
University's proportion of the HIS net pension liability	0.143006886%	0.137272050%	0.147562186%	0.134081886%
University's proportionate share of the HIS net pension liability	\$ 15,146,713	\$ 16,838,483	\$ 18,017,103	\$ 15,002,421
University's covered payroll (2)	\$ 50,165,861	\$ 47,631,531	\$ 50,476,122	\$ 44,358,148
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	30.19%	35.35%	35.69%	33.82%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.81%	3.56%	3.00%	2.63%

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

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

**Schedule of University Contributions – Health Insurance Subsidy Pension Plan**

	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required HIS contribution	\$ 1,032,956	\$ 865,312	\$ 806,886	\$ 850,332
HIS contributions in relation to the contractually required HIS contribution	<u>(1,032,956)</u>	<u>(865,312)</u>	<u>(806,886)</u>	<u>(850,332)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 57,928,678	\$ 50,165,861	\$ 47,631,531	\$ 50,476,122
HIS contributions as a percentage of covered payroll	1.78%	1.72%	1.69%	1.68%

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

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



<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.132522781%	0.134383174%	0.131611257%	0.126328980%	0.116328119%	0.109926339%
\$ 14,026,360	\$ 14,368,869	\$ 15,338,747	\$ 12,883,569	\$ 10,876,963	\$ 9,570,533
\$ 42,242,715	\$ 42,170,740	\$ 39,725,141	\$ 37,462,263	\$ 34,108,299	\$ 31,706,972
33.20%	34.07%	38.61%	34.39%	31.89%	30.18%
2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 744,544	\$ 718,674	\$ 711,195	\$ 674,592	\$ 482,908	\$ 398,501
<u>(744,544)</u>	<u>(718,674)</u>	<u>(711,195)</u>	<u>(674,592)</u>	<u>(482,908)</u>	<u>(398,501)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 44,358,148	\$ 42,242,715	\$ 42,170,740	\$ 39,725,141	\$ 37,462,263	\$ 34,108,299
1.68%	1.70%	1.69%	1.70%	1.29%	1.17%

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

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

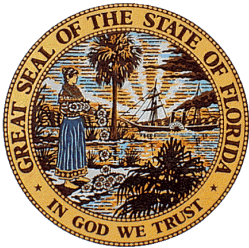
*Changes of Assumptions.* The long-term expected rate of return, using the Municipal Bond Index Rate, increased from 2.18 percent at the prior measurement date to 4.09 percent at the current measurement date. Refer to Note 9. in the notes to financial statements for further detail.

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

*Changes of Assumptions.* In 2022, the long-term expected rate of return decreased from 6.80 percent to 6.70 percent.

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

*Changes of Assumptions.* In 2022, the municipal rate used to determine total pension liability increased from 2.16 percent to 3.54 percent. In addition, the demographic assumptions for the Special Risk Class were updated to reflect plan changes and the election assumption for vested terminated members was updated from 20 percent to 50 percent to reflect recent experience.



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 (*Government Auditing Standards*), the financial statements of the Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2023, 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 16, 2024, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and 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 16, 2024