STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2023-155
March 2023

FLORIDA ATLANTIC UNIVERSITY

For the Fiscal Year Ended
June 30, 2022

Sherrill F. Norman, CPA
Auditor General

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

The team leader was Ilene R. Gayle, CPA, and the audit was supervised by Yvonne McNaughton, CPA.

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

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FLORIDA ATLANTIC UNIVERSITY

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SUMMARY

Summary of Report on the Audit of the Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to 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.

AUDITOR GENERAL
STATE OF FLORIDA

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Atlantic University and of its aggregate discretely presented component units as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program, a blended component unit, represent 0.71 percent, 0.29 percent, 1 percent, 0.2 percent, 0.1 percent respectively, of the assets, liabilities, net position, operating revenues, and expenses reported for Florida Atlantic University. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the 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 March 15, 2023, on our consideration of the Florida Atlantic University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND**

OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida Atlantic University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2022, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2022, and June 30, 2021.

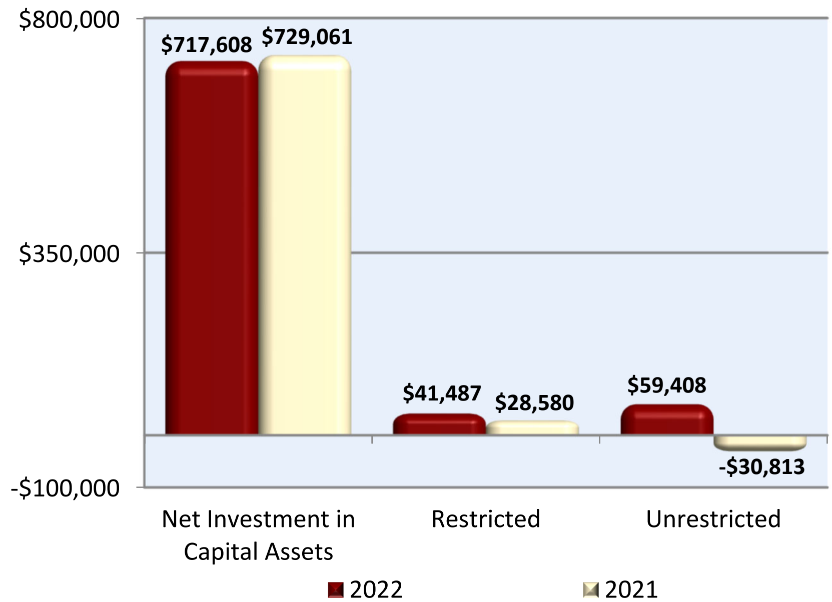
FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled $1.4 billion at June 30, 2022. This balance reflects a $62.6 million, or 4.7 percent, increase as compared to the 2020-21 fiscal year, resulting from an increase in cash and cash equivalents, investments, net accounts receivable, net long-term loans, leases, and notes receivable, amounts due from component units, and net capital assets, offset by decreases in amounts due from State, and deferred outflows of pension and other postemployment benefits (OPEB) resources. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources favorably decreased by $29 million, or 4.7 percent, totaling $584.3 million at June 30, 2022, as a result of an increase in deferred inflows of pensions and lease resources and current liabilities offset by decreases in deferred inflows of OPEB resources and non-current liabilities. As a result, the University's overall net position increased by $91.7 million which resulted in a year-end balance of $818.5 million. The University's unrestricted net position favorably increased by $90.2 million from a deficit of $30.8 million at June 30, 2021, to a surplus of $59.4 million at June 30, 2022. The University had initially reported a deficit in the unrestricted net position at June 30, 2018, due to its adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in an adjustment to beginning net position of $129.2 million.

The University's operating revenues totaled $303 million for the 2021-22 fiscal year, representing a 5.3 percent increase compared to the 2020-21 fiscal year. Of the major components of operating revenues, there was a $1.8 million increase in grants and contracts revenues, and a $15.9 million increase in sales and services of auxiliary enterprises. Operating expenses totaled $620.2 million for the 2021-22 fiscal year, representing a decrease of 1.9 percent as compared to the 2020-21 fiscal year.

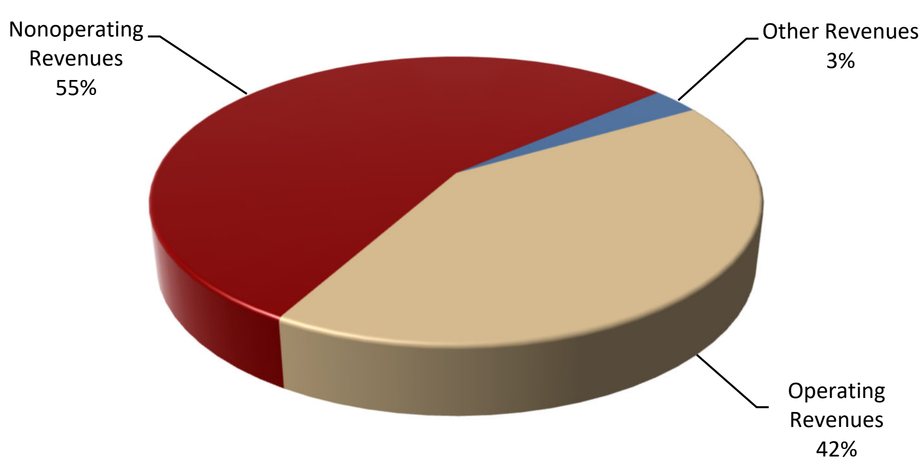
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2022, and June 30, 2021, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2021-22 fiscal year:

Total Revenues
2021-22 Fiscal Year



Overview of Financial Statements

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

- Blended Component Unit:

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

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2022	2021
Assets		
Current Assets	$ 483,935	$ 442,513
Capital Assets, Net	817,984	780,673
Other Noncurrent Assets	14,975	4,090
Total Assets	1,316,894	1,227,276
Deferred Outflows of Resources	85,929	112,912
Liabilities		
Current Liabilities	58,098	50,718
Noncurrent Liabilities	340,751	475,708
Total Liabilities	398,849	526,426
Deferred Inflows of Resources	185,471	86,934
Net Position		
Net Investment in Capital Assets	717,608	729,061
Restricted	41,487	28,580
Unrestricted	59,408	(30,813)
Total Net Position	$ 818,503	$ 726,828

Total assets as of June 30, 2022, increased by $89.6 million, or 7.3 percent. The increase in current assets is due to more University funds being reported as investments, accounts receivable, net, and an increase in funds due from component units. Specifically, investments increased by $38.6 million attributable to favorable market conditions resulting in higher returns. The University funds due from State for capital construction projects decreased by $12.8 million mainly due to the near completion of the Student Union Renovation, Jupiter STEM/Life Sciences Building, and the A.D. Henderson/FAU High School Developmental Research School (DRS). Net capital assets also increased $37.3 million due to an increase in construction in progress of $38 million largely related to work completed on the A.D. Henderson/FAU High School DRS and Jupiter STEM/Life Sciences Building. Loans, leases, and notes receivable increased $11.8 million due to the implementation of GASB Statement No. 87, *Leases*. Compared to the 2020-21 fiscal year, and as a result of the actuarial valuation for the period as of June 30, 2022, deferred outflows of resources decreased by $27 million and deferred inflows of resources increased by $98.5 million, related to leases, pensions, and OPEB. Overall, total liabilities as of June 30, 2022, decreased by $127.6 million due to an increase in the University's proportionate share of OPEB liabilities of $6.3 million, decrease in the University's proportionate share of the net pension liability of $121.3 million, and a decrease of $12.3 million in capital improvement debt payable due to principal payments and the redemption of the Series 2013A parking facilities debt for $8.6 million. The net effect of total assets and deferred outflows of resources minus liabilities and deferred inflows of resources increased the University's net position by $91.7 million.

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

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

The following summarizes the University's activity for the 2021-22 and 2020-21 fiscal years:

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

(In Thousands)

	2021-22	**2020-21**
Operating Revenues	$ 303,034	$ 287,721
Less, Operating Expenses	620,196	632,014
Operating Loss	(317,162)	(344,293)
Net Nonoperating Revenues	386,902	330,728
Income (Loss) Before Other Revenues	69,740	(13,565)
Other Revenues	21,935	32,679
Net Increase In Net Position	91,675	19,114
Net Position, Beginning of Year	726,828	707,714
Net Position, End of Year	$ 818,503	$ 726,828

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 2021-22 and 2020-21 fiscal years:

Operating Revenues
For the Fiscal Years

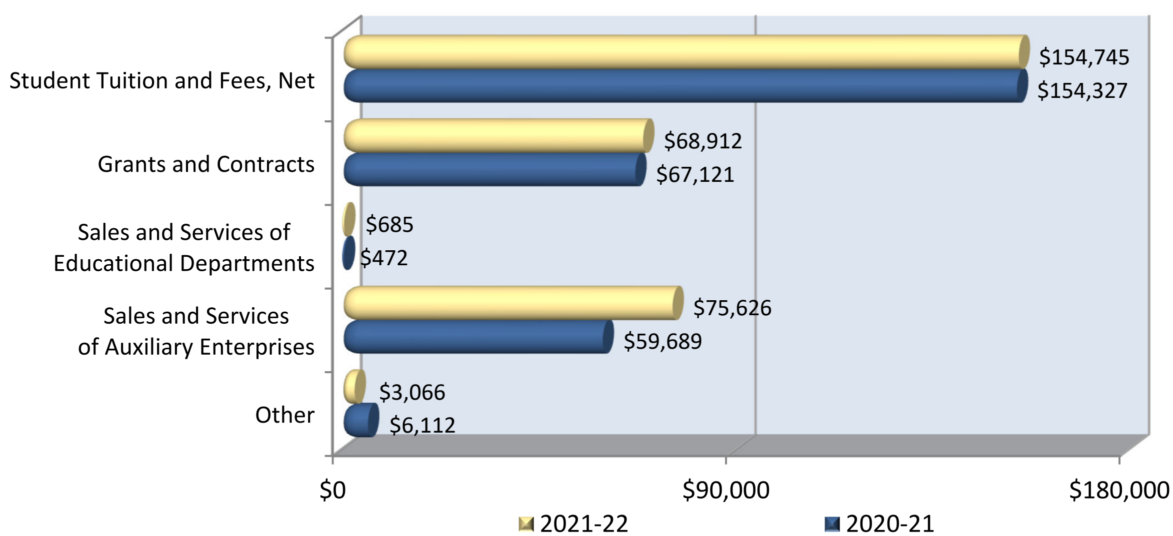
(In Thousands)

	2021-22	2020-21
Student Tuition and Fees, Net	$ 154,745	$ 154,327
Grants and Contracts	68,912	67,121
Sales and Services of Educational Departments	685	472
Sales and Services of Auxiliary Enterprises	75,626	59,689
Other	3,066	6,112
Total Operating Revenues	$ 303,034	$ 287,721

The following chart presents the University's operating revenues for the 2021-22 and 2020-21 fiscal years:

Operating Revenues

(In Thousands)



For the fiscal year ending June 30, 2022, the University's operating revenues had an overall increase of $15.3 million, or 5.3 percent over the 2020-21 fiscal year. Sales and services of auxiliary enterprises increased $15.9 million, or 26.7 percent, as the demand for on campus services and contractual commissions related to food service and the bookstore continued to increase. Moreover, grants and contract revenues increased $1.8 million, mainly due to $1.5 million in funding received for I-Health research awards.

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 2021-22 and 2020-21 fiscal years:

Operating Expenses
For the Fiscal Years

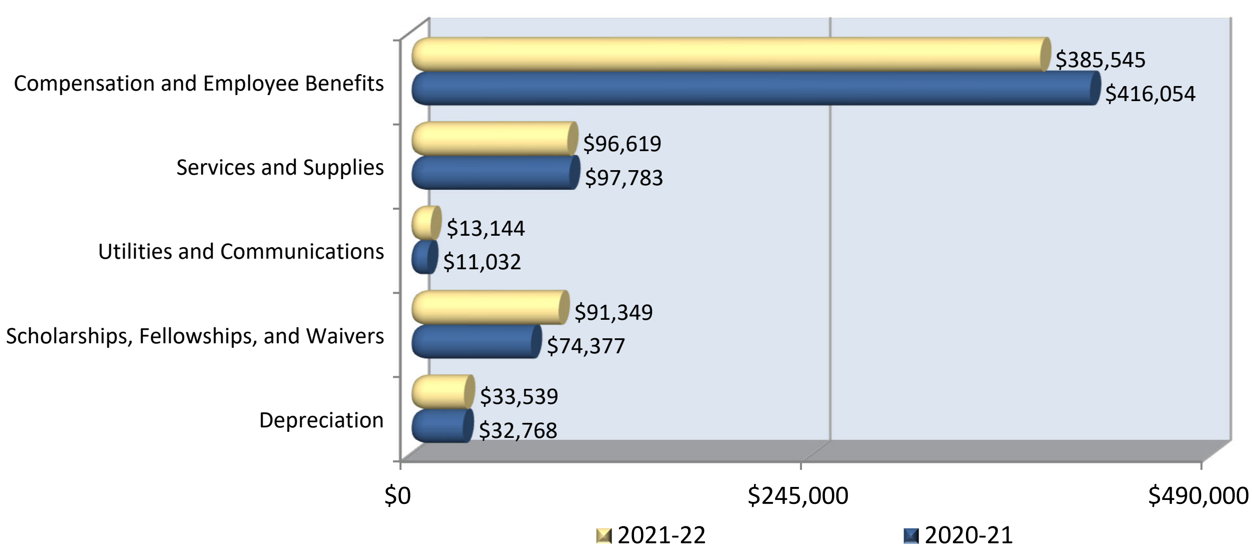
(In Thousands)

	2021-22	2020-21
Compensation and Employee Benefits	$ 385,545	$ 416,054
Services and Supplies	96,619	97,783
Utilities and Communications	13,144	11,032
Scholarships, Fellowships, and Waivers	91,349	74,377
Depreciation	33,539	32,768
Total Operating Expenses	$ 620,196	$ 632,014

The following chart presents the University's operating expenses for the 2021-22 and 2020-21 fiscal years:

Operating Expenses

(In Thousands)



As a whole, total operating expenses decreased by $11.8 million, primarily due to a $30.5 million decrease in compensation and employee benefits offset by a $2.1 million increase in utilities and communications expense, and a $17 million increase in scholarships, fellowships, and waivers. The decrease in employee compensation and benefit expense was driven by the $32.1 million decrease in the Florida Retirement System (FRS) pension expense due to an increase in FRS investment returns. There was an increase in tuition waivers and fee exemptions which is comprised of State mandated waivers, University waivers, and Florida prepaid program waivers.

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 2021-22 and 2020-21 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
State Noncapital Appropriations	$ 213,272	$ 213,721
Federal and State Student Financial Aid	170,534	101,638
Investment Income	3,394	5,382
Unrealized Loss	(15,230)	(12,288)
Other Nonoperating Revenues	17,937	24,960
Loss on Disposal of Capital Assets	(951)	(306)
Interest on Capital Asset-Related Debt	(1,394)	(2,379)
Other Nonoperating Expenses	(660)	-
Net Nonoperating Revenues	$ 386,902	$ 330,728

Total net nonoperating revenues increased by $56.2 million, or 17 percent, and is primarily due to an increase of $68.9 million in Federal and State student financial aid, offset by a decrease of $4.9 million in investment income and unrealized gains, a decrease of $7 million in other nonoperating revenues, and a decrease of $0.4 million in State noncapital appropriations. For the 2021-22 fiscal year, State noncapital appropriations represents the largest component of nonoperating revenues consisting of performance-based funding received on the University's achievement of criteria established by the Board of Governors as well as funding from the State's newly established World Class Faculty and Scholar Program, the University Professional and Graduate Degree Excellence Programs, and the FAU 100. Federal and State student financial aid increased as a result of not only the Florida Bright Futures Scholarship Program, the Florida Student Assistance Grant Program, and the Federal Pell Grant Program, but also due to the University's award of United States Department of Education Higher Education and Emergency Relief Funds (HEERF) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act which was signed into law on March 27, 2020. The University was awarded $140.6 million in HEERF money for Institutional, Student, and Hispanic-Serving Institutions comprised of

CARES (HEERF I), Coronavirus Response and Relief Supplemental Appropriations Act (HEERF II), and American Rescue Plan (HEERF III).

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2021-22 and 2020-21 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
State Capital Appropriations	$ 20,844	$ 32,679
Capital Grants, Contracts, Donations, and Fees	1,091	-
Total	$ 21,935	$ 32,679

Overall, other revenues decreased by $10.7 million due to an $11.8 million decrease in State capital appropriations which was offset by a $1.1 million increase in capital grants, contracts, donations, and fees. In the 2021-22 fiscal year, State capital appropriations mainly included funding for the Health and Wellness Recreation Center expansion and improvements to the A.D. Henderson/FAU High School DRS.

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 2021-22 and 2020-21 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
Cash Provided (Used) by:		
Operating Activities	$ (291,938)	$ (287,665)
Noncapital Financing Activities	391,313	341,173
Capital and Related Financing Activities	(49,146)	(17,154)
Investing Activities	(49,235)	(39,524)
Net Increase (Decrease) in Cash and Cash Equivalents	994	(3,170)
Cash and Cash Equivalents, Beginning of Year	17,188	20,358
Cash and Cash Equivalents, End of Year	$ 18,182	$ 17,188

Major sources of funds came from State noncapital appropriations ($213.3 million), Federal Direct Student Loan receipts ($104.6 million), net student tuition and fees ($155.1 million), grants and contracts ($63.4 million), sales and services of auxiliary enterprises ($75.6 million), Federal and State student financial aid ($170.8 million), and other nonoperating receipts ($8.5 million). Major uses of funds were for payments made to employees totaling $392.8 million, disbursements to students for Federal Direct Student Loans totaling $104.9 million, payments to suppliers totaling $106.8 million, and payments to and on behalf of students for scholarships and fellowships totaling $90.8 million. Changes in cash and cash equivalents were the result of the following factors:

- The increase in cash used by operating activities was due primarily to an increase in payments to employees and students for scholarships and fellowships.
- The increase in cash provided by noncapital financing activities was primarily due to the increase in Federal and State student financial aid.
- The increase in cash used by capital and related financing activities was primarily due to the increase in purchase or construction of capital assets and principal paid on capital debt and leases.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the University had $1.38 billion in capital assets, less accumulated depreciation of $559 million, for net capital assets of $818 million. Depreciation charges for the current fiscal year totaled $33.5 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)

	2022	**2021**
Land	$ 9,918	$ 9,918
Construction in Progress	164,864	126,842
Buildings	871,426	830,226
Infrastructure and Other Improvements	147,722	125,393
Furniture and Equipment	116,332	110,614
Library Resources	49,641	51,766
Property Under Capital Leases and Leasehold Improvements	-	57,217
Right-to-Use Lease Assets	9,123	-
Works of Art and Historical Treasures	6,364	5,364
Computer Software	1,603	1,802
Capital Assets, Gross	1,376,993	1,319,142
Less Accumulated Depreciation	559,009	538,469
Capital Assets, Net	$ 817,984	780,673

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, 2022, were incurred on the following projects: Schmidt Family Complex for Academic and Athletic Excellence, A.D. Henderson/FAU High School DRS, Student Union Renovation, Jupiter STEM/Life Sciences Building, Siemens Energy Service Company (ESCO) Project, and Cooling Towers Replacement. The University's major construction commitments at June 30, 2022, are as follows:

	Amount (In Thousands)
Total Committed	$ 240,789
Completed to Date	164,864
Balance Committed	$ 75,925

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

Debt Administration

As of June 30, 2022, the University had $64.5 million in outstanding capital improvement debt payable, installment purchases, and right-to-use leases payable, representing a decrease of $10.3 million, or 13.7 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2022	2021
Capital Improvement Debt	$ 36,505	$ 48,815
Capital Leases	-	25,951
Installment Purchases	19,613	-
Right-to-Use Leases	8,386	-
Total	$ 64,504	$ 74,766

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

Economic Factors That Will Affect the Future

The University's economic condition is closely tied to that of the State of Florida. The budget that the Florida Legislature adopted in the 2021-22 fiscal year, provided a 3.2 percent increase for State universities. Florida Atlantic University's share of that increase translated to an increase of $1 million in educational and general funds including performance funding, the World Class Faculty and Scholar Program, the University Professional and Graduate Degree Excellence Program, and the FAU 100.

In addition, The Federal Government has provided substantial one-time funds for the University through HEERF. These funds have been used to support our students as well as mitigate any lost revenues or additional expenses associated with COVID-19. The funding priorities for Florida higher education continue to support FAU's Strategic Plan for the Race to Excellence, 2015-2025. Base funding initiatives to strengthen graduation rates, enhance recruitment/retention efforts, and grow academic program offerings continue to be priorities of the University campus for the 2021-22 fiscal year.

Requests for Information

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

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

June 30, 2022

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 18,181,991	$ 22,344,445
Cash with Fiscal Agents	-	32,811,711
Investments	355,637,857	151,493,987
Accounts Receivable, Net	40,192,744	11,491,529
Loans, Leases, and Notes Receivable, Net	821,482	342,733
Due from State	55,700,455	-
Due from Component Units/University	10,443,677	1,398,634
Net Investment in Direct Financing-Type Lease	-	588,000
Other Current Assets	2,956,846	754,162
Total Current Assets	483,935,052	221,225,201
Noncurrent Assets:		
Restricted Cash with Fiscal Agent	-	8,433,866
Restricted Investments	2,124,991	260,650,189
Net Investment in Direct Financing-Type Lease	-	3,866,000
Loans, Leases, and Notes Receivable, Net	12,850,049	45,447,954
Depreciable Capital Assets, Net	630,079,865	179,144,123
Nondepreciable Capital Assets	180,099,257	23,760,862
Right-to-Use Leases,Net	7,805,230	-
Other Noncurrent Assets	-	7,404,296
Total Noncurrent Assets	832,959,392	528,707,290
Total Assets	1,316,894,444	749,932,491
DEFERRED OUTFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	43,463,989	-
Related to Pensions	42,464,936	-
Related to Charge on Debt Refunding	-	5,864,639
Total Deferred Outflows of Resources	85,928,925	5,864,639
LIABILITIES		
Current Liabilities:		
Accounts Payable	11,332,464	4,512,210
Salary and Wages Payable	16,537,661	6,367
Deposits Payable	4,422,626	4,536,544
Due to Component Units/University	1,398,634	10,443,677
Unearned Revenue	12,271,267	3,966,139
Other Current Liabilities	-	914,499
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	2,580,000	-
Bonds Payable	-	6,070,000
Certificates of Participation Payable	-	588,000
Installment Purchases Payable	1,636,600	-
Right-to-Use Leases Payable	1,216,380	-
Compensated Absences Payable	3,437,175	-
Other Postemployment Benefits Payable	3,118,859	-
Net Pension Liability	146,343	-
Total Current Liabilities	58,098,009	31,037,436

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable (CIDP)	33,925,000	-
CIDP Net Unamortized Premium and Discount	2,326,043	-
Bonds Payable	-	211,115,000
Bonds Payable Unamortized Premium	-	24,484,623
Certificates of Participation Payable	-	3,866,000
Installment Purchase Payable	17,976,600	-
Right-to-Use Leases Payable	7,169,647	-
Other Noncurrent Liabilities	-	279,401
Compensated Absences Payable	31,667,105	-
Other Postemployment Benefits Payable	195,401,997	-
Net Pension Liability	52,284,856	-
Total Noncurrent Liabilities	340,751,248	239,745,024
Total Liabilities	398,849,257	270,782,460
DEFERRED INFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	75,325,065	-
Related to Pensions	90,417,961	-
Related to Leases	19,727,968	38,048,808
Related to Split Interest Trust Agreements	-	530,106
Total Deferred Inflows of Resources	185,470,994	38,578,914
NET POSITION		
Net Investment in Capital Assets	717,608,168	2,261,820
Restricted for Nonexpendable:		
Endowment	-	187,702,934
Restricted for Expendable:		
Debt Service	-	7,919,731
Loans	3,884,490	-
Other	37,601,993	156,754,584
Unrestricted	59,408,467	91,796,687
TOTAL NET POSITION	$ 818,503,118	$ 446,435,756

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

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FLORIDA ATLANTIC UNIVERSITY
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $91,884,993	$ 154,745,395	$ -
Federal Grants and Contracts	36,833,868	-
State and Local Grants and Contracts	19,428,839	3,141,479
Nongovernmental Grants and Contracts	12,648,798	881,827
Sales and Services of Educational Departments	685,463	-
Sales and Services of Auxiliary Enterprises (Pledged for Capital Improvement Debt: $7,284,308 for Housing and $6,301,250 for Parking)	75,625,705	-
Sales and Services of Component Units	-	46,030,795
Gifts and Donations	-	27,473,209
Other Operating Revenues	3,066,251	1,662,731
Total Operating Revenues	303,034,319	79,190,041
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	385,544,830	19,098,723
Services and Supplies	96,619,179	13,296,049
Utilities and Communications	13,144,218	2,577,016
Scholarships, Fellowships, and Waivers	91,349,418	10,159,624
Depreciation	33,538,958	8,745,121
Other Operating Expenses	-	13,966,693
Total Operating Expenses	620,196,603	67,843,226
Operating Income (Loss)	(317,162,284)	11,346,815
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	213,272,424	-
Federal and State Student Financial Aid	170,534,039	-
Investment Income	3,394,312	7,110,991
Net Realized and Unrealized Loss on Investments	(15,229,808)	(44,931,864)
Other Nonoperating Revenues	17,936,495	1,816,156
Loss on Disposal of Capital Assets	(951,214)	(27,600)
Interest on Capital Asset-Related Debt	(1,393,789)	(9,315,779)
Other Nonoperating Expenses	(659,812)	(768,608)
Net Nonoperating Revenues (Expenses)	386,902,647	(46,116,704)
Income (Loss) Before Other Revenues and Expenses	69,740,363	(34,769,889)
State Capital Appropriations	20,844,348	-
Capital Grants, Contracts, Donations, and Fees	1,090,463	-
Contributions to Permanent Endowments	-	5,440,008
Increase (Decrease) in Net Position	91,675,174	(29,329,881)
Net Position, Beginning of Year	726,827,944	475,298,676
Adjustment to Beginning Net Position	-	466,961
Net Position, Beginning of Year, as Restated	726,827,944	475,765,637
Net Position, End of Year	$ 818,503,118	$ 446,435,756

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

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

For the Fiscal Year Ended June 30, 2022

		University
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees, Net	$	155,076,357
Grants and Contracts		63,386,247
Sales and Services of Educational Departments		685,463
Sales and Services of Auxiliary Enterprises		75,558,794
Payments to Employees		(392,828,184)
Payments to Suppliers for Goods and Services		(106,757,604)
Payments to Students for Scholarships and Fellowships		(90,762,766)
Loans Issued to Students		(50,805)
Collection on Loans to Students		72,621
Other Operating Receipts		3,682,022
Net Cash Used by Operating Activities		(291,937,855)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Noncapital Appropriations		213,272,424
Federal and State Student Financial Aid		170,813,786
Federal Direct Loan Program Receipts		104,639,490
Federal Direct Loan Program Disbursements		(104,921,409)
Other Nonoperating Receipts		8,489,727
Other Nonoperating Expenses		(981,092)
Net Cash Provided by Noncapital Financing Activities		391,312,926
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State Capital Appropriations		33,415,905
Capital Grants, Contracts, Donations and Fees		1,090,463
Purchase or Construction of Capital Assets		(66,278,249)
Principal Paid on Capital Debt and Leases		(15,061,650)
Interest Paid on Capital Debt and Leases		(2,311,994)
Net Cash Used by Capital and Related Financing Activities		(49,145,525)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(52,376,462)
Investment Income		3,141,001
Net Cash Used by Investing Activities		(49,235,461)
Net Increase in Cash and Cash Equivalents		994,085
Cash and Cash Equivalents, Beginning of Year		17,187,906
Cash and Cash Equivalents, End of Year	$	18,181,991

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (317,162,284)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	33,538,958
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(5,563,373)
Loans and Notes Receivable	154,323
Other Current Assets	(761,435)
Accounts Payable	4,238,366
Salaries and Wages Payable	2,980,477
Deposits Payable	498,698
Compensated Absences Payable	(966,070)
Unearned Revenue	282,832
Other Postemployment Benefits Payable	6,298,255
Net Pension Liability	(121,269,045)
Deferred Outflows of Resources Related to Other Postemployment Benefits	5,877,983
Deferred Inflows of Resources Related to Other Postemployment Benefits	(8,826,809)
Deferred Outflows of Resources Related to Pensions	21,105,216
Deferred Inflows of Resources Related to Pensions	87,636,053
NET CASH USED BY OPERATING ACTIVITIES	$ (291,937,855)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (15,229,808)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (951,214)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

The University's blended and discretely presented component units use the economic resources measurement focus and the accrual basis of accounting. The Research Corporation, the Finance Corporation, the FAU Foundation, and the FAU CPO follow GASB standards of accounting and financial reporting. HBOI Foundation follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation, and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied the "Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, 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, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

One of the University's component units, the Finance Corporation, reported cash with fiscal agent at a fair value of $36,984,731 at June 30, 2022, invested in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's and had an effective duration of 2.66 years and a fair value factor of 0.9479 at June 30, 2022. The component unit relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

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

- Buildings – 10 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years

- Furniture and Equipment – 3 to 30 years
- Library Resources – 7 to 10 years
- Right-to-Use Leased Equipment – 3 to 20 years or the term of the lease, whichever is shorter
- Right-to-Use Leased Space – 10 to 40 years or the term of the lease, whichever is shorter
- Works of Art and Historical Treasures – 15 to 50 years
- Computer Software – 3 to 15 years

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.

Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent the University's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows or resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. The University recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received.

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

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance

Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Changes

The University implemented GASB Statement No. 87, *Leases*, which changes the accounting and financial reporting for leases. Under previous guidance, leases were classified as either capital or operating depending on whether the lease met any of four tests. GASB Statement No. 87 defines a lease as a contract that conveys the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under GASB Statement No. 87, leases other than short-term leases, defined as having a maximum possible term of 12 month or less, are required to be recognized on the statement of net position. A lessee should recognize a lease liability and an intangible right-to-use leased asset, while a lessor should recognize a lease receivable and a deferred inflow of resources. Contracts that transfer ownership should be accounted for as financed purchases by the lessee or sales by the lessor.

At implementation on July 1, 2021, the University, as lessee, recognized a lease liability of $9,123,230 along with corresponding right-to-use leased equipment of $1,219,160 and right-to-use leased space of $7,904,070. The University, as lessor, recognized a lease receivable of $13,231,256 and corresponding deferred inflow of resources. In addition, $7,404,296 previously reported as revenue received in advance was reclassified to deferred inflows related to leases.

The amount of $21,750,850 previously reported as capital leases payable was associated with contracts that transfer ownership and was therefore reclassified to installment purchases payable with the implementation of GASB Statement No. 87. The $45,816,704 of property under capital leases and leasehold improvements associated with the amounts previously reported as capital leases payable was also reclassified as follows: $41,713,203 to buildings, $4,103,501 to infrastructure and other improvements. Accumulated depreciation of $19,261,717 related to the previously reported property under capital leases and leasehold improvements was reclassified as follows: $17,391,719 to accumulated depreciation for buildings, $1,869,998 to accumulated depreciation for infrastructure and other improvements.

Additional information regarding leases is presented in subsequent notes.

3. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;

interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law.

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

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

All of the University's recurring fair value measurements as of June 30, 2022, are valued using quoted market prices (Level 1 inputs), with the exception of investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

External Investment Pools.

The University reported investments at fair value totaling $350,075,452 at June 30, 2022, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.66 years, and had a fair value factor of 0.9479 at June 30, 2022. 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.

External Investment Pools – Component Units' Investment.

Two of the University's component units invested in the SPIA investment pool, representing ownership of a share of the pool, not the underlying securities. The FAU Foundation and Research Corporation reported investments at fair market value of $42,146,234 and $454,453 at June 30, 2022, respectively, invested in the SPIA investment pool. The component units rely on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

<u>Other Investments</u>.

The University's College of Medicine Self-Insurance Program (Program), a blended component unit of the University, invested in equity mutual funds and bond mutual funds. Equity mutual fund investments consist of shares in Vanguard International Stock Index Fund and Vanguard Total Stock Market Index Fund. Bond mutual fund investments consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund. The Program's investments are recorded at fair value and the program categorized its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The Program's recurring fair value measurements at June 30, 2022, for its equity mutual funds and bond mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Program are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Program are deemed to be actively traded.

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

	Self-Insurance Program Investments			
Investments by Fair Value Level	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Mutual Funds:				
Domestic Equity Funds	$ 1,970,494	$ -	$ -	$ 1,970,494
Global Equity Funds	343,746	-	-	343,746
Total Equity Mutual Funds	2,314,240	-	-	2,314,240
Bond Mutual Funds:				
Short-Term Bond Funds	4,373,777	-	-	4,373,777
Intermediate Term Bond Funds	995,879	-	-	995,879
Total Bond Mutual Funds	5,369,656	-	-	5,369,656
Total Investments by Fair Value Level	$ 7,683,896	$ -	$ -	$ 7,683,896

The following risks apply to the Program's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Program's investments in bond mutual funds are subject to interest rate risk. The effective duration of the Program's investments in bond mutual funds as of June 30, 2022, ranges from 2.7 years to 6.46 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. At June 30, 2022, the Program held bond mutual funds which have underlying investments with quality ratings by nationally recognized rating agencies as shown below:

Self-Insurance Program's Investments Quality Ratings

Investment Type	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less Than A/Ba Or Not Rated
Bond Mutual Funds	$ 5,369,656	$ -	$ 5,369,656	$ -	$ -

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the Program and are not registered in the Program's name. The Program has not identified any investments falling into this category as of June 30, 2022.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Program's investments in a single issuer. The Program places no limit on the amount it may invest in one issuer. Investments that consist of more than 5 percent of the Program's investments at June 30, 2022, are shown below:

Self-Insurance Program's Concentration of Credit Risk

Investment Type	Fair Value	Percent of Program's Total Investments
Vanguard Total Stock Market Index Fund	$ 1,970,494	26%
Vanguard Short-Term Bond Index Fund	4,373,777	57%
Vanguard Intermediate-Term Bond Index Fund	995,879	13%
Total Investments	$ 7,340,150	96%

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

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

The FAU Foundation, a component unit of the University, invested primarily in domestic and international equity, fixed income securities, the SPIA Investment pool, and alternative investments such as hedge funds, private equity, and real asset funds. Investments at June 30, 2022, consisted of the following at their fair value:

Investment Type	Amount
United States Equities	$ 85,621,325
International Equities	56,547,422
Fixed Income Securities	17,590,869
Hedge Funds	48,309,117
Private Equity Funds	51,717,404
Real Asset Funds	864,052
SPIA	42,146,234
Money Market Funds and Other Deposits	26,632,068
Total Investments	$ 329,428,491

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

The FAU Foundation is the sole beneficiary of certain trusts that are not in its possession or under its control but are held and administered by outside trustees. The FAU Foundation recognizes the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or when the FAU Foundation is notified of its existence. The present value is calculated using discount rates for the year in which the trust was established. Funds held in trust by others at June 30, 2022, consisted of the following at their fair value.

Investment Type	Amount
United States Equities	$ 1,381,638
International Equities	466,924
Fixed Income Securities	417,101
Total Other	102,731
Total Funds Held in Trust	$ 2,368,394

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

The FAU Foundation's investments and funds held in trust by others, on the statement of net position, are recorded at fair value and the FAU Foundation categorizes its fair value measurement within the fair value hierarchy established by GASB Statement No. 72. The following table presents the FAU Foundation's investments and funds held in trusts by others measured at fair value as of June 30, 2022:

Investment Type	Level 1	Level 2	Level 3	Valued at NAV	Total
	Florida Atlantic University Foundation, Inc.				
Equities	$ 142,168,747	$ -	$ -	$ 51,717,404	$ 193,886,151
Other	6,739,352	-	864,052	41,569,765	49,173,169
Fixed Income	14,111,548	3,479,321	-	-	17,590,869
External Investment Pool:					
SPIA	-	-	42,146,234	-	42,146,234
Funds Held in Trust by Others	2,265,663	-	-	-	2,265,663
Total Investment Measured at Fair Value	$ 165,285,310	$ 3,479,321	$ 43,010,286	$ 93,287,169	305,062,086
Investments Not Measured at Fair Value:					
Money Market Funds and Other Deposits					26,632,068
Total Investments and Funds Held in Trust by Others					$ 331,694,154

The following table provides additional disclosures of alternative investments held by the FAU Foundation at June 30, 2022, whose fair value is calculated using NAV:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds (1)	$ 41,569,765	$ -	Monthly, Quarterly, Semi - Annually Over One Year and Duration of Partnership	60 to 180 Days and N/A
Private Equity Funds (2)	51,717,404	11,818,255	N/A	N/A
Total	$ 93,287,169	$ 11,818,255		

(1) Hedge funds: This class includes various hedge funds which invest in both long and short-term equity securities, distressed and special situations, directional strategies, small and micro-capitalization healthcare companies, as well as, global interest rates, credit instruments, currencies, and commodities. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

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

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. FAU Foundation's investments in fixed income securities are subject to interest rate risk. The scheduled maturities (in years) of investments held by the Foundation as of June 30, 2022, are as follows:

FAU Foundation's Interest Rate Risk

Investment Type	Fair Value	Less than 1	1 to 5	More than 5
Domestic Fixed Income	$ 14,111,548	$ -	$ 1,984,410	$ 12,127,138
International Fixed Income	3,479,321	2,536,543	942,778	-
Total	$ 17,590,869	$ 2,536,543	$ 2,927,188	$ 12,127,138

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk (by the GASB) and do not require disclosure of credit quality. Credit risk exists when there is a possibility the debt issuer may be unable to fulfill its obligations. The following schedule of credit ratings of FAU Foundation investments summarizes the fair value of the fixed income securities subject to credit risk. The FAU Foundation maintains policies to manage credit risk which include requiring minimum credit ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's or Moody's investor services. The FAU Foundation has certain domestic and international fixed income securities with an assigned defined rating, while the remaining have a range of ratings based on their investment composition. At June 30, 2022, the credit ratings of the FAU Foundation domestic and international fixed income securities are summarized below:

FAU Foundation's Credit Rate Risk

Rating	Amount
A-	$ 3,479,321
AA-	3,728,327
AAA	6,339,910
BB	4,043,311
Total Investments	$ 17,590,869

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be accessible in a timely manner. Substantially all of the FAU Foundation's investments are issued, registered or held in the name of the FAU Foundation by custodian banks and brokers, as its agent. As a result, the FAU Foundation management believes that custodial risk is remote.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the FAU Foundation's investments in a single issuer. Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers; thereby exposing the Foundation to greater risks resulting from adverse conditions or developments. The FAU Foundation's investment policy requires diversification of investments to reduce the potential of a single security, or single sector of securities from having a significant impact on the portfolio. GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, requires disclosure when the percentage is 5 percent or more of the total investments in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, or other pooled investments are excluded from this requirement. At June 30, 2022, there were no known individual investments exceeding the 5 percent threshold.

Foreign Currency Risk: Exposure from foreign currency risk results from investments in foreign currency denominated equity, fixed income and alternative investments in addition to some foreign currency investments held within U.S. mutual funds. The FAU Foundation maintains significant international investments by investing in mutual funds and alternative investments that are broadly diversified over many developed markets and exposure to emerging markets. The foreign currency risk by investment type at June 30, 2022, was as follows:

FAU Foundation's Foreign Currency Risk

Rating	Amount
International Equities	$ 56,547,422
International Fixed Income	3,479,321
Total Investments	$ 60,026,743

Component Units' Investments – HBOI Foundation.

The HBOI Foundation, a component unit of the University, invested in various types of mutual funds and exchange traded funds, multi-strategy hedge funds, and diversified offshore funds. The fair value of investments at June 30, 2022, included the following:

HBOI Foundation, Inc.

Investment Type	Not Classified	Level 1	Level 2	Level 3	Total
Cash Equivalents	$ 4,354,267	$ -	$ -	$ -	$ 4,354,267
Land Held for Investment	691,553	-	-	-	691,553
Fixed-Income Mutual Funds:					
Short-Term	-	1,861,269	-	-	1,861,269
Long-Term	-	5,627,495	-	-	5,627,495
Domestic Large Cap	-	69,816,912	-	-	69,816,912
Total Investments	$ 5,045,820	$ 77,305,676	$ -	$ -	$ 82,351,496

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

4. 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, 2022, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 14,397,141
Contracts and Grants	16,677,978
Other	9,117,625
Total Accounts Receivable	$ 40,192,744

Loans, Leases, and Notes Receivable. Loans, leases, and notes receivable represent all amounts owed on promissory notes from debtors, including student loan programs.

The University has also entered into various lease agreements with other governmental entities for nominal amounts that have not been recorded in accordance with GASB Statement No. 87. The leases expire at various dates through the 2042 fiscal year. The discount rate used to recognize the intangible right-to-use asset and the lease liability was 3.27 percent.

Total future minimum lease payments to be received under lessor agreements are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 684,197	$ 407,327	$ 1,091,524
2024	633,756	385,768	1,019,524
2025	511,811	365,699	877,510
2026	564,071	348,449	912,520
2027	594,722	329,467	924,189
2028-2032	3,572,075	1,320,660	4,892,735
2033-2037	4,154,433	655,892	4,810,325
2038-2042	1,995,017	164,818	2,159,835
Total	$ 12,710,082	$ 3,978,080	$ 16,688,162

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of $16,295,111 and $1,217,538, respectively, at June 30, 2022.

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

5. Due From State

The amount due from State consists of $55,700,455 of Public Education Capital Outlay (PECO) allocations due from the State to the University for construction of University facilities.

6. Due From and To Component Units/University

The $10,443,677 reported as due from component units consists of amounts owed to the University by the FAU Foundation to reimburse funds expended out of departmental FAU Foundation accounts, by the Finance Corporation for the reimbursement of costs associated with student housing operations, and by the FAU CPO for the reimbursement of costs associated with the FAU CPO. The $1,398,634 reported as due to component units consists of amounts owed by the University to the FAU Foundation pursuant to an agreement to support the FAU Foundation's operations, the Finance Corporation pursuant to a management agreement for operations, and the FAU CPO pursuant to an agreement to support the FAU CPO's operations.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, is shown in the following table:

Description	**Beginning Balance** (1)	**Additions**	**Reductions**	**Ending Balance**
Nondepreciable Capital Assets:				
Land	$ 9,918,277	$ -	$ -	$ 9,918,277
Works of Art and Historical Treasures	4,316,620	1,000,000	-	5,316,620
Construction in Progress	126,842,356	54,510,542	16,488,538	164,864,360
Total Nondepreciable Capital Assets	$ 141,077,253	$ 55,510,542	$ 16,488,538	$ 180,099,257
Depreciable Capital Assets:				
Buildings	$ 871,939,107	$ -	$ 513,500	$ 871,425,607
Infrastructure and Other Improvements	129,496,058	18,226,352	-	147,722,410
Furniture and Equipment	110,614,200	8,809,315	3,091,189	116,332,326
Library Resources	51,766,243	2,819	2,128,249	49,640,813
Right-To-Use Leased Equipment	1,219,160	-	-	1,219,160
Right-to-Use Leased Space	7,904,070	-	-	7,904,070
Works of Art and Historical Treasures	1,047,328	-	-	1,047,328
Computer Software	1,801,586	-	198,917	1,602,669
Total Depreciable Capital Assets	1,175,787,752	27,038,486	5,931,855	1,196,894,383
Less, Accumulated Depreciation:				
Buildings	341,066,107	18,232,212	91,574	359,206,745
Infrastructure and Other Improvements	56,319,883	4,680,041	-	60,999,924
Furniture and Equipment	80,558,647	8,223,234	2,779,659	86,002,222
Library Resources	51,230,594	452,232	2,128,250	49,554,576
Right-To-Use Leased Equipment	-	216,296	-	216,296
Right-to-Use Leased Space	-	1,101,704	-	1,101,704
Works of Art and Historical Treasures	322,654	19,211	-	341,865
Computer Software	1,770,846	14,026	198,916	1,585,956
Total Accumulated Depreciation (2)	531,268,731	32,938,956	5,198,399	559,009,288
Total Depreciable Capital Assets, Net	$ 644,519,021	$ (5,900,470)	$ 733,456	$ 637,885,095

(1) The beginning balances of buildings, infrastructure and other improvements, right-to-use leased equipment, and right-to-use leased space and the associated accumulated depreciation were adjusted as part of the implementation of GASB Statement No. 87, *Leases*, as discussed in Note 2.

(2) Differences between the additions to accumulated depreciation and depreciation expense resulted from adjustments made as part of the implementation of GASB Statement No. 87, *Leases*, as discussed in Note 2.

8. Leases

Lessee Arrangements. The University leases office equipment from external parties as well as office space and real property from external parties and discretely presented component units for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2086. In accordance with GASB Statement No. 87, the University records right-to-use 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 University's incremental borrowing rate. The weighted average discount rate for these leases is 3.27 percent. Variable payments are excluded from the valuations unless they are fixed in substance. See Note 7. Capital Assets, for information on right-to-use assets and associated accumulated depreciation. See Note 10. Long-Term Liabilities, for the future payments schedule.

Lessor Arrangements. The University leases office space and land to external parties. The leases expire at various dates through 2042. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the weighted average discount rate charged to the lessee of 3.27 percent, which may be the interest rate implicit in the lease. Variable payments are excluded from the valuations unless they are fixed in substance. During the 2021-22 fiscal year, the University recognized revenues related to these lease agreements totaling $907,584.

9. Unearned Revenue

Unearned revenue at June 30, 2022, includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods and grant funds received but not yet expended as of June 30, 2022. As of June 30, 2022, the University reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	$ 11,637,542
Contracts and Grants	454,230
State Capital Appropriations	179,495
Total Unearned Revenue	$ 12,271,267

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2022, include capital improvement debt payable, installment purchases payable, right-to-use leases payable, other noncurrent liabilities, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2022, is shown in the following table:

Description	Beginning Balance (1)	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement					
Debt Payable (2)	$ 48,815,000	$ -	$ 12,310,000	$ 36,505,000	$ 2,580,000
Installment Purchases Payable	25,950,850	-	6,337,650	19,613,200	1,636,600
Right-To-Use Leases Payable	9,123,230	-	737,203	8,386,027	1,216,380
Other Noncurrent Liabilities	294,412	-	294,412	-	-
Compensated Absences Payable	36,070,350	3,608,151	4,574,221	35,104,280	3,437,175
Other Postemployment					
Benefits Payable	192,222,601	130,336,598	124,038,343	198,520,856	3,118,859
Net Pension Liability	173,700,244	31,642,218	152,911,263	52,431,199	146,343
Total Long-Term Liabilities	$ 486,176,687	$ 165,586,967	$ 301,203,092	$ 350,560,562	$ 12,135,357

(1) The beginning balances of installment purchases payable and right-to-use leases payable were adjusted as part of the implementation of GASB Statement No. 87, *Leases*, as discussed in Note 2. Amounts previously reported as revenue received in advance are currently reported as deferred inflows related to leases.

(2) Capital improvement debt payable does not include $2,326,043 in net discounts and premiums outstanding for the year ended June 30, 2022.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2022:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2016A Student Housing	$ 53,040,000	$ 36,505,000	4.0 - 5.0	2036
Total Capital Improvement Debt	$ 53,040,000	$ 36,505,000		

(1) Capital improvement debt payable does not include $2,326,043 in net discounts and premiums outstanding for the year ended June 30, 2022.

The University has pledged a portion of future housing system revenues to repay $36,505,000 in capital improvement revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student housing facilities. The bonds are payable solely from housing system revenues and are payable through 2036. The University has committed to appropriate each year from the housing system revenues amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt (net of discounts and premiums) is $47,860,550 and principal and interest paid for the current year totaled $14,481,875. Compared to last fiscal year, the payment amount has increased substantially since parking garage debt 2013A was paid off in May 2022. During the 2021-22 fiscal year, housing system revenues and parking system revenues totaled $7,284,308, and $6,301,250, respectively.

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

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 2,580,000	$ 1,730,550	$ 4,310,550
2024	2,720,000	1,601,550	4,321,550
2025	2,855,000	1,465,550	4,320,550
2026	2,995,000	1,322,800	4,317,800
2027	3,145,000	1,173,050	4,318,050
2028-2032	15,190,000	3,418,250	18,608,250
2033-2036	7,020,000	643,800	7,663,800
Total	$ 36,505,000	$ 11,355,550	$ 47,860,550

Installment Purchases Payable. During the 2019-20 fiscal year, the University entered into two Energy Service Company (ESCO) equipment lease/purchase agreements for the purpose of replacing aging equipment, improve utility efficiency, and to reduce annual maintenance costs. The University's FPL Services ESCO Project is for the amount $8,716,000 with the stated interest rate of 2.612 percent. The University's Siemens ESCO Project is for the amount $8,841,350 with the stated interest rate of 2.52 percent. The University pledged transformers, chiller and cooling tower upgrade equipment, and electrical system upgrades as collateral for the ESCO installment purchase. The installment purchase contains a provision that, in an event of default, outstanding amounts become immediately due.

In addition, the University has installment purchases payable to FAU Foundation for debt used to finance the construction of dormitory buildings on the Jupiter Campus. The FAU Foundation contracts were previously reported as capital leases payable pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. As contracts that transfer ownership, they are now reported as financed sales pursuant to GASB Statement No. 87, *Leases*.

The underlying debt of the installment purchases payable to FAU Foundation as of June 30, 2022, is the Series 2012 Certificates of Participation for $9,540,000 with a stated interest rate of 2.93 percent and maturity date of 2030. The outstanding principal balance at June 30, 2022, is $4,454,000. This issue is reported as Certificates of Participation Payable on the FAU Component Units Statement of Net Position.

Additional information regarding long-term debt of FAU Foundation is presented in Note 12.

Future minimum payments under the installment purchase agreements and the present value of the minimum payments as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2023	$ 2,051,758	$ 1,636,600	$ 415,158
2024	2,572,912	2,111,900	461,012
2025	2,687,080	2,284,400	402,680
2026	2,724,628	2,383,600	341,028
2027	2,776,298	2,499,600	276,698
2028-2031	9,128,478	8,697,100	431,378
Total Minimum Lease Payments	$ 21,941,154	$ 19,613,200	$ 2,327,954

Right-to-Use Leases Payable. Future minimum payments under the right-to-use lease agreements and the present value of the minimum payments as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2023	$ 1,481,599	$ 1,216,381	$ 265,218
2024	1,143,707	914,652	229,055
2025	923,448	720,939	202,509
2026	887,924	708,038	179,886
2027	890,103	733,436	156,667
2028-2032	2,423,731	1,954,634	469,097
2033-2037	876,020	570,933	305,087
2038-2042	659,704	446,039	213,665
2043-2047	326,358	156,380	169,978
2048-2052	220,608	67,147	153,461
2053-2057	220,608	78,867	141,741
2058-2062	220,608	92,633	127,975
2063-2067	220,608	108,803	111,805
2068-2072	220,608	127,794	92,814
2073-2077	220,608	150,100	70,508
2078-2082	220,608	176,300	44,308
2083-2086	176,486	162,951	13,535
Total Minimum Lease Payments	$ 11,333,336	$ 8,386,027	$ 2,947,309

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2022, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $35,104,280. The current portion of the compensated absences liability, $3,437,175, is the amount expected to be paid in the coming fiscal year and represents a 3-year historical percentage of leave disbursements applied to the 3-year average accrued leave liability.

Other Postemployment Benefits Payable. 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 (Program). As a participating employer in the Program, the University recognizes its proportionate share of the collective other postemployment benefits liability of the multiple-employer defined benefit health plan. As of June 30, 2022, the University's proportionate share of the total OPEB liability totaled $198,520,856.

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 $198,520,856 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2021, the University's proportionate share, determined by its proportion of total benefit payments made, was 1.88 percent, which was an increase of 0.01 percent from its proportionate share reported as of June 30, 2020.

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	2.18 percent
Healthcare cost trend rates	
Preferred Provider Option Plan	7.8 percent for 2021, initially increasing to 8.2 percent for 2024 before decreasing to ultimate rate of 4 percent for 2076 and later years.
Health Maintenance Organization Plan	5.7 percent for 2021, initially increasing to 6 percent for 2024 before decreasing to ultimate rate of 4 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 base table, projected generationally with Scale MP-2018.

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

The following changes have been made since the prior valuation:

- Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.66 percent to 2.18 percent.
- Retirement – Retirement rates were updated to align with those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019, with certain adjustments made to reflect the difference in the underlying populations. 60 percent of DSGI employees are assumed to become eligible for the Deferred Retirement Option Program (DROP), while the remaining 40 percent are assumed to participate in plans which do not offer DROP benefits. Rates were previously those used in Millman's actuarial of FRS as of July 1, 2015. This change decreased the Total OPEB Liability by about 7 percent as of the valuation date.
- Termination – Termination rates were updated to those used in the actuarial valuation of the FRS conducted by Millman as of July 1, 2019. Previously, rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 3 percent as of the valuation date.
- Disability – Disability rates were updated to those used in the actuarial valuation of the FRS conducted by Millman as of July 1, 2019. Previously, rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 0.5 percent as of the valuation date.
- Salary Scale – Salary Increase rates were updated to those used in the actuarial valuation of the FRS conducted by Millman as of July 1, 2019. Previously rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 0.2 percent as of the valuation date.
- Active Medical Plan Election Rate – Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into

retirement at a rate of 47 percent. For those who are not currently covered under the health plan, 3.7 percent are assumed to elect medical coverage in retirement. The resulting overall participation rate is 43 percent. Previously, the overall participation rate was 50 percent. This assumption is based on guidance provided by the DSGI on June 23, 2021. This change resulted in an 8 percent decrease in the Total OPEB Liability as of the valuation date.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.18 percent) or 1 percentage point higher (3.18 percent) than the current rate:

	1% Decrease (1.18%)	Current Discount Rate (2.18%)	1% Increase (3.18%)
University's proportionate share of the total OPEB liability	$245,679,090	$198,520,856	$162,728,114

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$157,415,469	$198,520,856	$254,932,948

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

For the fiscal year ended June 30, 2022, the University recognized OPEB expense of $6,432,644. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 9,436,059
Change of assumptions or other inputs	21,350,975	65,747,549
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	18,577,927	141,457
Transactions subsequent to the measurement date	3,535,087	-
Total	$ 43,463,989	$ 75,325,065

Of the total amount reported as deferred outflows of resources related to OPEB, $3,535,087 resulting from transactions (e.g. University benefit payments) subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ (8,768,120)
2024	(8,768,120)
2025	(8,768,120)
2026	(5,004,823)
2027	(2,776,737)
Thereafter	(1,310,243)
Total	$ (35,396,163)

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, 2022, the University's proportionate share of the net pension liabilities totaled $52,431,199. Note 13. includes a complete discussion of defined benefit pension plans.

11. Bonds Payable – Component Unit

The Finance Corporation had the following bonds payable outstanding at June 30, 2022:

Bonds Payable	Amount of Original Debt	Amount Outstanding (1)	Interst Rates (Percent)	Maturity Date To
Student Housing Debt:				
Series 2012B Tax-Exempt Bonds, Innovation Village	$ 3,440,000	$ 1,180,000	2.17 - 2.64	2025
Series 2019A Tax-Exempt Bonds, Innovation Village	90,600,000	83,285,000	4.0 - 5.0	2040
Series 2019B Tax-Exempt Bonds, Student Housing	68,190,000	68,190,000	4.0 - 5.0	2050
Series 2022A Tax-Exempt Bonds, Parliament Hall	29,670,000	29,670,000	4.0 - 5.0	2041
Football Stadium Debt:				
Series 2017 Bonds, Stadium	40,035,000	34,860,000	2.61	2040
Total Bonds Payable	$ 231,935,000	$ 217,185,000		

(1) Bonds payable does not include $24,484,623 in unamortized bond premiums in the total principal outstanding for the year ended June 30, 2022.

The Finance Corporation issued new long-term capital improvement debt instruments as follows:

- On April 5, 2022, the Finance Corporation issued $29,670,000 of Tax-Exempt Capital Refunding Improvement Revenue Bonds (Parliament Hall), Series 2022A to refinance Series 2012A. The Series 2022A bonds bear interest at a variable rate of 4 percent to 5 percent through maturity on July 1, 2041. Interest is paid semiannually on each January 1 and July 1. Principal on debt is paid annually commencing on July 2022 through July 2041.

The Corporation is required to establish and collect fees, rentals, and other charges from students, faculty members and others, in order for the net revenues available for debt service to be sufficient to cover at least 125 percent of the amount equal to the annual bond service requirement for the Series 2012B, 2019A, 2019B, and 2022A student housing bonds.

Annual requirements to amortize all bonds payable outstanding as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Principal (1)	Interest	Total
2023	$ 6,070,000	$ 8,376,207	$ 14,446,207
2024	7,300,000	9,143,583	16,443,583
2025	7,610,000	8,817,417	16,427,417
2026	7,950,000	8,471,891	16,421,891
2027	7,980,000	8,116,292	16,096,292
2028-2032	45,595,000	34,700,129	80,295,129
2033-2037	56,825,000	23,124,605	79,949,605
2038-2042	49,530,000	10,859,004	60,389,004
2043-2047	16,465,000	4,946,375	21,411,375
2048-2050	11,860,000	909,000	12,769,000
Total	$ 217,185,000	$ 117,464,503	$ 334,649,503

(1) Bonds payable does not include $24,484,623 in unamortized bond premiums in the total principal outstanding for the year ended June 30, 2022.

12. Certificates of Participation – Component Unit

The FAU Foundation refunded its 1999 and 2000 Certificates of Participation through the issuance of Series 2012 Certificates of Participation for $9,540,000. These funds were used to build dormitory buildings on the John D. MacArthur Campus in Jupiter, Florida. The stated interest rate on the 2012 certificates is 2.93 percent. At June 30, 2022, Certificates of Participation payable are as follows:

COP Series	Amount of Issues	Total Retired	Outstanding Principal	Outstanding Interest	Interest Rate	Maturity Date
2012	$ 9,540,000	$ 5,086,000	$ 4,454,000	$ 546,740	2.93	2030

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

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the

State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The University's FRS and HIS pension expense totaled $2,573,783 for the fiscal year ended June 30, 2022.

FRS Pension Plan

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

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

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

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021-22 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	10.82
FRS, Senior Management Service	3.00	29.01
FRS, Special Risk	3.00	25.89
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.34
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 $13,725,728 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the University reported a liability of $24,012,803 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The University's proportionate share of the net pension liability was based on the University's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the University's proportionate share was 0.317887702 percent, which was a decrease of 0.016112424 from its proportionate share measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of $465,160. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,115,833	$ -
Change of assumptions	16,430,750	-
Net difference between projected and actual earnings on FRS Plan investments	-	83,774,634
Changes in proportion and differences between University contributions and proportionate share of contributions	2,816,235	4,543,840
University FRS contributions subsequent to the measurement date	13,725,728	-
Total	$ 37,088,546	$ 88,318,474

The deferred outflows of resources totaling $13,725,728, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ (11,136,045)
2024	(12,613,575)
2025	(17,114,266)
2026	(22,655,174)
2027	(818,124)
Thereafter	(618,472)
Total	$ (64,955,656)

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of 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, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2021 valuation was unchanged from the previous valuation.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
University's proportionate share of the net pension liability	$107,386,854	$24,012,803	$(45,678,564)

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, 2022, the University reported a payable of $1,291,623 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2022.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2022, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 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 $1,375,830 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the University reported a liability of $28,418,396 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The University's proportionate share of the net pension liability was based on the University's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the University's proportionate share was 0.231674789 percent, which was a decrease of 0.005344486 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the University recognized pension expense of $2,108,623. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 950,951	$ 11,903
Change of assumptions	2,233,047	1,170,910
Net difference between projected and actual earnings on HIS Plan investments	29,625	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	786,937	916,674
University HIS contributions subsequent to the measurement date	1,375,830	-
Total	$ 5,376,390	$ 2,099,487

The deferred outflows of resources totaling $1,375,830, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ 559,354
2024	265,140
2025	472,252
2026	505,510
2027	241,457
Thereafter	(142,640)
Total	$ 1,901,073

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

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.16 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 2.16 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2021 valuation was updated from 2.21 percent to 2.16 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 2.16 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	**Current Discount Rate (2.16%)**	**1% Increase (3.16%)**
University's proportionate share of the net pension liability	$32,854,419	$28,418,396	$24,784,068

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.

14. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's 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 2021-22 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's Investment Plan pension expense totaled $2,678,582 for the fiscal year ended June 30, 2022.

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, 4.19 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.34 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $14,053,419, and employee contributions totaled $8,130,383 for the 2021-22 fiscal year.

15. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Schmidt Family Complex for Academic and Athletic Excellence	$ 71,840,988	$ 67,820,356	$ 4,020,632
A.D. Henderson/FAU High School DRS	54,799,258	25,234,175	29,565,083
Jupiter STEM/Life Sciences Building	41,923,268	34,092,730	7,830,538
Student Union Renovation	28,244,101	10,891,350	17,352,751
Siemens ESCO Project	9,126,332	9,126,332	-
Cooling Towers Replacement	3,500,000	3,472,345	27,655
Health and Wellness/Recreation Center Expansion	3,824,024	-	3,824,024
Subtotal	213,257,971	150,637,288	62,620,683
Total Other Commitments (1)	27,531,104	14,227,072	13,304,032
Total	$ 240,789,075	$ 164,864,360	$ 75,924,715

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

16. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2021-22 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $57.5 million for named windstorm and flood through February 14, 2022, and decreased to $56.3 million starting February 15, 2022. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $167.5 million through February 14, 2022, and increased to $168.7 million starting February 15, 2022; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

University Self-Insured Program.

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

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

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

Fiscal Year	Claims Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liability End of Year
2020-21	$ 754,679	$ 514,667	$ (84,838)	$ 1,184,508
2021-22	1,184,508	265,408	(294,617)	1,155,299

17. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 199,585,662
Research	67,164,397
Public Services	545,198
Academic Support	63,458,404
Student Services	25,969,059
Institutional Support	64,590,908
Operation and Maintenance of Plant	25,580,241
Scholarships, Fellowships, and Waivers	91,349,418
Depreciation	33,538,958
Auxiliary Enterprises	48,414,358
Total Operating Expenses	$ 620,196,603

18. 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, Parking Services represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Facility	Parking Facility
Assets		
Current Assets	$ 4,412,771	$ 12,471,875
Noncurrent Assets	62,842,053	29,518,337
Total Assets	67,254,824	41,990,212
Liabilities		
Current Liabilities	1,175,244	677,588
Noncurrent Liabilities	42,697,042	3,000,000
Total Liabilities	43,872,286	3,677,588
Net Position		
Net Investment in Capital Assets	20,145,011	26,518,337
Unrestricted	3,237,527	11,794,287
Total Net Position	$ 23,382,538	$ 38,312,624

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

	Housing Facility	Parking Facility
Operating Revenues	$ 7,284,308	$ 6,301,250
Depreciation Expense	(2,617,133)	(1,729,892)
Other Operating Expenses	(1,076,750)	(1,835,233)
Operating Income	3,590,425	2,736,125
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	3,794	1,665,233
Interest Expense	(1,830,536)	(318,325)
Other Nonoperating Expense	(71,433)	(719,358)
Net Nonoperating Revenues (Expenses)	(1,898,175)	627,550
Increase in Net Position	1,692,250	3,363,675
Net Position, Beginning of Year	21,690,288	34,948,949
Net Position, End of Year	$23,382,538	$38,312,624

Condensed Statement of Cash Flows

	Housing Facility	Parking Facility
Net Cash Provided (Used) by:		
Operating Activities	$ 6,954,273	$ 4,261,362
Noncapital Financing Activities	(71,433)	684,417
Capital and Related Financing Activities	(5,688,258)	(11,605,618)
Investing Activities	3,794	6,659,839
Net Increase in Cash and Cash Equivalents	1,198,376	-
Cash and Cash Equivalents, Beginning of Year	1,836,337	-
Cash and Cash Equivalents, End of Year	$ 3,034,713	$ -

19. 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

	Blended Component Unit		
	Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Assets:			
Current Assets	$ 9,368,207	$ 474,566,845	$ 483,935,052
Capital Assets, Net	-	817,984,352	817,984,352
Other Noncurrent Assets	-	14,975,040	14,975,040
Total Assets	9,368,207	1,307,526,237	1,316,894,444
Deferred Outflows of Resources	-	85,928,925	85,928,925
Liabilities:			
Other Current Liabilities	1,160,497	56,937,512	58,098,009
Noncurrent Liabilities	-	340,751,248	340,751,248
Total Liabilities	1,160,497	397,688,760	398,849,257
Deferred Inflows of Resources	-	185,470,994	185,470,994
Net Position:			
Net Investment in Capital Assets	-	717,608,168	717,608,168
Restricted - Expendable	-	41,486,483	41,486,483
Unrestricted	8,207,710	51,200,757	59,408,467
Total Net Position	$ 8,207,710	$ 810,295,408	$ 818,503,118

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

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Operating Revenues	$ 557,395	$ 302,476,924	$ 303,034,319
Depreciation Expense	-	(33,538,958)	(33,538,958)
Other Operating Expenses	(633,758)	(586,023,887)	(586,657,645)
Operating (Loss)	(76,363)	(317,085,921)	(317,162,284)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	-	405,137,270	405,137,270
Interest Expense	-	(1,393,789)	(1,393,789)
Other Nonoperating Expense	-	(16,840,834)	(16,840,834)
Net Nonoperating Revenues	-	386,902,647	386,902,647
Other Revenues	-	21,934,811	21,934,811
Increase (Decrease) in Net Position	(76,363)	91,751,537	91,675,174
Net Position, Beginning of Year	8,284,073	718,543,871	726,827,944
Net Position, End of Year	$ 8,207,710	$ 810,295,408	$ 818,503,118

Condensed Statement of Cash Flows

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Net Cash Provided (Used) by:			
Operating Activities	$ 822,107	$ (292,759,962)	$ (291,937,855)
Noncapital Financing Activities	-	391,312,926	391,312,926
Capital and Related Financing Activities	-	(49,145,525)	(49,145,525)
Investing Activities	(874,258)	(48,361,203)	(49,235,461)
Net Increase (Decrease) in Cash and Cash Equivalents	(52,151)	1,046,236	994,085
Cash and Cash Equivalents, Beginning of Year	1,736,359	15,451,547	17,187,906
Cash and Cash Equivalents, End of Year	$ 1,684,208	$ 16,497,783	$ 18,181,991

20. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations				Health Science Center Affiliates	
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institute Foundation, Inc.	FAU Finance Corporation	FAU Clinical Practice Organization, Inc.	Total
Assets:						
Current Assets	$ 81,698,331	$ 568,436	$ 89,594,256	$ 48,519,313	$ 844,865	$ 221,225,201
Capital Assets, Net	22,021,029	-	78,570	180,805,386	-	202,904,985
Other Noncurrent Assets	312,332,536	-	-	13,469,769	-	325,802,305
Total Assets	416,051,896	568,436	89,672,826	242,794,468	844,865	749,932,491
Deferred Outflows of Resources	-	-	-	5,864,639	-	5,864,639
Liabilities:						
Current Liabilities	10,788,369	-	1,390,241	18,317,305	541,521	31,037,436
Noncurrent Liabilities	4,145,401	-	-	235,599,623	-	239,745,024
Total Liabilities	14,933,770	-	1,390,241	253,916,928	541,521	270,782,460
Deferred Inflows of Resources	38,578,914	-	-	-	-	38,578,914
Net Position:						
Net Investment in Capital Assets	20,057,364	-	-	(17,795,544)	-	2,261,820
Restricted Nonexpendable	187,702,934	-	-	-	-	187,702,934
Restricted Expendable	139,192,919	-	11,615,709	13,865,687	-	164,674,315
Unrestricted	15,585,995	568,436	76,666,876	(1,327,964)	303,344	91,796,687
Total Net Position	$ 362,539,212	$ 568,436	$ 88,282,585	$ (5,257,821)	$ 303,344	$ 446,435,756

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

	Direct-Support Organizations				Health Science Center Affiliates	
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Harbor Branch Oceanographic Institute Foundation, Inc.	FAU Finance Corporation	FAU Clinical Practice Organization, Inc.	Total
Operating Revenues	$ 31,201,263	$ 172,584	$ 3,318,019	$ 39,301,420	$ 5,196,755	$ 79,190,041
Depreciation Expense	(562)	-	(10,144)	(8,734,415)	-	(8,745,121)
Operating Expenses	(33,605,313)	(182,438)	(6,161,490)	(14,026,821)	(5,122,043)	(59,098,105)
Operating Income (Loss)	(2,404,612)	(9,854)	(2,853,615)	16,540,184	74,712	11,346,815
Net Nonoperating Revenues (Expenses)	(26,230,896)	32,450	(10,768,243)	(9,150,015)	-	(46,116,704)
Other Revenues	5,440,008	-	-	-	-	5,440,008
Increase (Decrease) in Net Position	(23,195,500)	22,596	(13,621,858)	7,390,169	74,712	(29,329,881)
Net Position, Beginning of Year	385,267,751	545,840	101,904,443	(12,647,990)	228,632	475,298,676
Adjustment to Beginning Net Position (1)	466,961	-	-	-	-	466,961
Net Position, Beginning of Year, as Restated	385,734,712	545,840	101,904,443	(12,647,990)	228,632	475,765,637
Net Position, End of Year	$ 362,539,212	$ 568,436	$ 88,282,585	$ (5,257,821)	$ 303,344	$ 446,435,756

(1) The beginning net position of the Foundation was increased as a result of the implementation of GASB No. 87, *Leases*.

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

	2021	2020	2019	2018	2017	2016
University's proportion of the total other postemployment benefits liability	1.88%	1.87%	1.80%	1.68%	1.68%	1.65%
University's proportionate share of the total other postemployment benefits liability	$ 198,520,856	$ 192,222,601	$ 227,319,292	$ 177,266,000	$ 181,529,000	$ 195,051,000
University's covered-employee payroll	$ 240,475,668	$ 240,279,680	$ 236,092,648	$ 223,425,863	$ 205,900,798	$ 182,835,559
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	82.55%	80.00%	96.28%	79.34%	88.16%	106.68%

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

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)
University's proportion of the FRS net pension liability	0.317887702%	0.334000126%	0.336190358%	0.335081173%
University's proportionate share of the FRS net pension liability	$ 24,012,803	$ 144,760,577	$ 115,776,117	$ 100,897,172
University's covered payroll (2)	$ 240,475,668	$ 240,279,680	$ 236,092,648	$ 223,425,863
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	9.99%	60.25%	49.04%	45.16%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.40%	78.85%	82.61%	84.26%

(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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
Contractually required FRS contribution	$ 13,725,728	$ 12,110,148	$ 11,097,344	$ 10,424,327
FRS contributions in relation to the contractually required contribution	(13,725,728)	(12,110,148)	(11,097,344)	(10,424,327)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 235,967,799	$ 240,475,668	$ 240,279,680	$ 236,092,648
FRS contributions as a percentage of covered payroll	5.82%	5.04%	4.62%	4.42%

(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.

2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
0.305479393%	0.284295076%	0.286843379%	0.268741487%	0.205028713%
$ 90,358,755	$ 71,784,730	$ 37,049,671	$ 16,397,183	$ 35,294,567
$ 205,900,798	$ 182,835,559	$ 172,516,889	$ 171,154,757	$ 161,228,170
43.88%	39.26%	21.48%	9.58%	21.89%
83.89%	84.88%	92.00%	96.09%	88.54%

2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
$ 9,549,544	$ 7,952,381	$ 6,932,989	$ 6,993,485	$ 5,886,579
(9,549,544)	(7,952,381)	(6,932,989)	(6,993,485)	(5,886,579)
$ -	$ -	$ -	$ -	$ -
$ 223,425,863	$ 205,900,798	$ 182,835,559	$ 172,516,889	$ 171,154,757
4.27%	3.86%	3.79%	4.05%	3.44%

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

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)
University's proportion of the HIS net pension liability	0.231674789%	0.237019275%	0.241962620%	0.241054998%
University's proportionate share of the HIS net pension liability	$ 28,418,396	$ 28,939,667	$ 27,073,196	$ 25,513,532
University's covered payroll (2)	$ 80,379,566	$ 81,336,240	$ 80,279,611	$ 77,121,704
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.36%	35.58%	33.72%	33.08%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.56%	3.00%	2.63%	2.15%

(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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
Contractually required HIS contribution	$ 1,375,830	$ 1,361,786	$ 1,365,831	$ 1,343,595
HIS contributions in relation to the contractually required HIS contribution	(1,375,830)	(1,361,786)	(1,365,831)	(1,343,595)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 80,968,512	$ 80,379,566	$ 81,336,240	$ 80,279,611
HIS contributions as a percentage of covered payroll	1.70%	1.69%	1.68%	1.67%

(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.

2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
0.230589109%	0.222100831%	0.224309818%	0.222149140%	0.229169248%
$ 24,655,651	$ 25,884,932	$ 22,876,073	$ 20,771,487	$ 19,952,196
$ 72,121,462	$ 60,852,426	$ 67,036,627	$ 65,674,496	$ 66,275,325
34.19%	42.54%	34.12%	31.63%	30.11%
1.64%	0.97%	0.50%	0.99%	1.78%

2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
$ 1,307,247	$ 1,220,344	$ 1,138,408	$ 857,452	$ 761,008
(1,307,247)	(1,220,344)	(1,138,408)	(857,452)	(761,008)
$ -	$ -	$ -	$ -	$ -
$ 77,121,704	$ 72,121,462	$ 60,852,426	$ 67,036,627	$ 65,674,496
1.70%	1.69%	1.87%	1.28%	1.16%

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

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

Changes of Assumptions. The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.66 percent to 2.18 percent.

In addition, retirement, termination, disability, and salary scale increase rates were updated based on those used in Milliman's July 1, 2019, actuarial valuation of the Florida Retirement System. The retiree medical election percentage was also updated to align with plan experience from 2016 through 2020. Refer to Note 10. to the financial statements for further detail.

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

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

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

Changes of Assumptions. In 2021, the municipal rate used to determine total pension liability decreased from 2.21 percent to 2.16 percent.

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 15, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

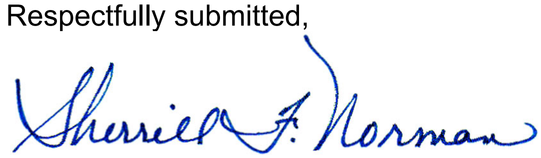
Report on Compliance and Other Matters

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
March 15, 2023