STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2024-130
February 2024

FLORIDA ATLANTIC UNIVERSITY

For the Fiscal Year Ended
June 30, 2023

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2022-23 fiscal year, Dr. Stacy Volnick served as Interim President from January 1, 2023, and Dr. John W. Kelly served as President of Florida Atlantic University before that date. The following individuals served as Members of the Board of Trustees:

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 Samantha M. Palaigos, 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

TABLE OF CONTENTS

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.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Florida 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Atlantic University and of its aggregate discretely presented component units as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program, a blended component unit, represent 0.79 percent, 0.27 percent, 1.09 percent, 0.25 percent, and 0.06 percent, respectively, of the assets, liabilities, net position, revenues, and expenses reported for Florida Atlantic University as of June 30, 2023. 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 as of June 30, 2023. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2024, 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 University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida Atlantic University's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 15, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

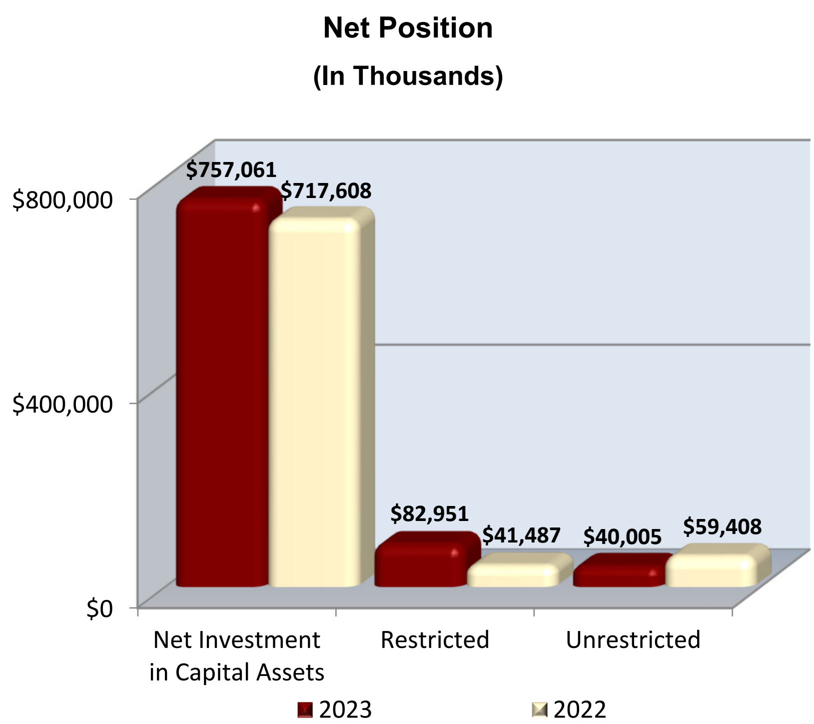
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2023, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2023, and June 30, 2022.

FINANCIAL HIGHLIGHTS

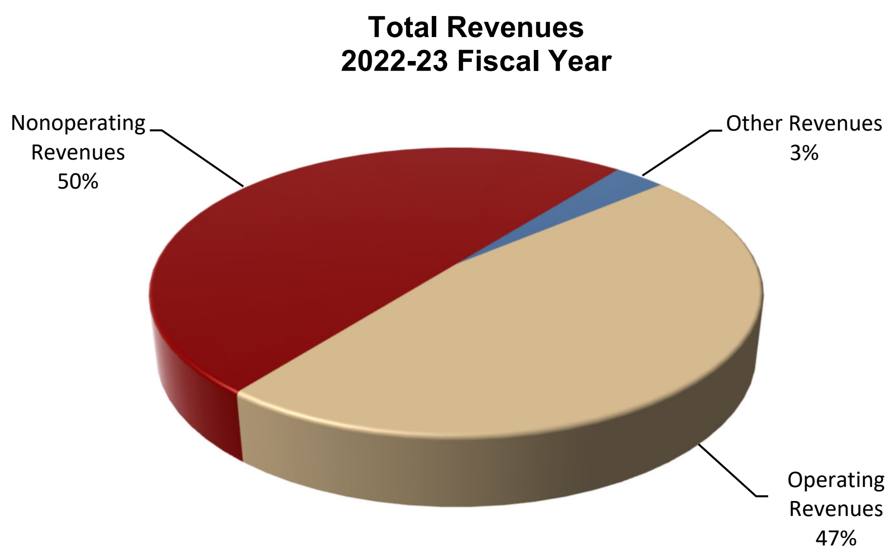
The University's assets and deferred outflows of resources totaled $1.45 billion at June 30, 2023. This balance reflects a $45.7 million, or 3.3 percent, increase as compared to the 2021-22 fiscal year, resulting from the increases in investments, net accounts receivable, amounts due from State and component units, and net capital assets, offset by the decreases in amounts of cash and cash equivalents, net long-term loans, leases, and notes receivable, and other current assets. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources favorably decreased by $15.8 million, or 2.7 percent, totaling $568.5 million at June 30, 2023, as a result of decreases in deferred inflows of pensions and leases resources and current liabilities, offset by increases in deferred inflows of other postemployment benefits (OPEB) resources and noncurrent liabilities. As a result, the University's overall net position increased by $61.5 million which resulted in a year-end balance of $880 million.

The University's operating revenues totaled $336.4 million for the 2022-23 fiscal year, representing an 11 percent increase compared to the 2021-22 fiscal year. Of the major components of operating revenues, there was an $18.1 million increase in grants and contracts revenues, a $5.9 million increase in gross tuition and fees, and a $4.3 million increase in sales and services of auxiliary enterprises. Operating expenses totaled $653.2 million for the 2022-23 fiscal year, representing an increase of 5.3 percent as compared to the 2021-22 fiscal year due mainly to an increase in compensation and employee benefits as well as services and supplies, offset by decreases in the amounts of scholarships, fellowships, and waivers.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2023, and June 30, 2022, is shown in the following graph:



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



OVERVIEW OF FINANCIAL STATEMENTS

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

- 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)

	2023	2022
Assets		
Current Assets	$ 525,956	$ 483,935
Capital Assets, Net	822,663	817,984
Other Noncurrent Assets	13,874	14,975
Total Assets	1,362,493	1,316,894
Deferred Outflows of Resources	86,044	85,929
Liabilities		
Current Liabilities	50,326	58,098
Noncurrent Liabilities	377,013	340,751
Total Liabilities	427,339	398,849
Deferred Inflows of Resources	141,181	185,471
Net Position		
Net Investment in Capital Assets	757,061	717,608
Restricted	82,951	41,487
Unrestricted	40,005	59,408
Total Net Position	$ 880,017	$ 818,503

Total assets as of June 30, 2023, increased by $45.6 million, or 3.5 percent. The increase in current assets is due to more University funds being reported in investments, net accounts receivable, and amounts due from State and component units. Specifically, investments increased by $44.6 million attributable to favorable market conditions resulting in higher returns. The University funds due from State for capital construction projects increased by $6.8 million mainly due to the deferred building maintenance projects. Net capital assets also increased $4.7 million due to a combination of $51.5 million of additions, $22.5 million of deletions, and a $24.3 million increase in accumulated depreciation. Compared to the 2021-22 fiscal year, and as a result of the actuarial valuation for the period as of June 30, 2023, deferred outflows of resources increased by $0.1 million and deferred inflows of resources decreased by $44.3 million, related to pensions and OPEB. Overall, total liabilities as of June 30, 2023, increased by $28.5 million due to an increase in the University's proportionate share of the net pension liability of $91.3 million, and a decrease in the University's proportionate share of OPEB liabilities of $52.9 million, a decrease in the installment purchase payable of $2 million, and a decrease in capital improvement debt payable due to principal payments of $2.6 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 $61.5 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 2022-23 and 2021-22 fiscal years:

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

(In Thousands)

	2022-23	**2021-22**
Operating Revenues	$ 336,417	$ 303,034
Less, Operating Expenses	653,230	620,196
Operating Loss	(316,813)	(317,162)
Net Nonoperating Revenues	355,000	386,902
Income Before Other Revenues	38,187	69,740
Other Revenues	23,327	21,935
Net Increase In Net Position	61,514	91,675
Net Position, Beginning of Year	818,503	726,828
Net Position, End of Year	$ 880,017	$ 818,503

Operating Revenues

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

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

Operating Revenues
For the Fiscal Years

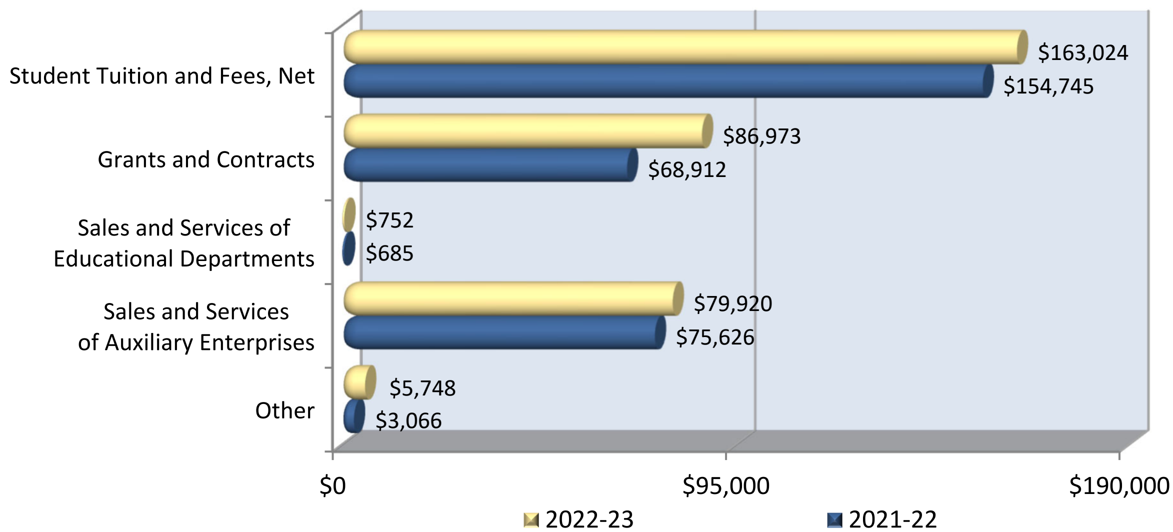
(In Thousands)

	2022-23	**2021-22**
Student Tuition and Fees, Net	$ 163,024	$ 154,745
Grants and Contracts	86,973	68,912
Sales and Services of Educational Departments	752	685
Sales and Services of Auxiliary Enterprises	79,920	75,626
Other	5,748	3,066
Total Operating Revenues	$ 336,417	$ 303,034

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

Operating Revenues

(In Thousands)



For the fiscal year ended June 30, 2023, the University's operating revenues had an overall increase of $33.4 million, or 11 percent, over the 2021-22 fiscal year. Gross tuition and fees slightly increased $5.9 million, or 2.4 percent. Due to strategic planning and implementation, gross student tuition and fees were higher than the prior fiscal year and reflect a high caliber student population enrolled in more billable credit hours and an increase in the population of out-of-state students. Net tuition and fees increased by $8.3 million. Sales and services of auxiliary enterprises increased $4.3 million, or 5.7 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, comprised of FAU Foundation revenues, Florida Education Finance Program funding of the A.D. Henderson/FAU High School DRS, Harbor Branch Oceanographic Institute sponsored research, and the University's Department of Research sponsored research increased $18.1 million.

Operating Expenses

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

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

Operating Expenses
For the Fiscal Years

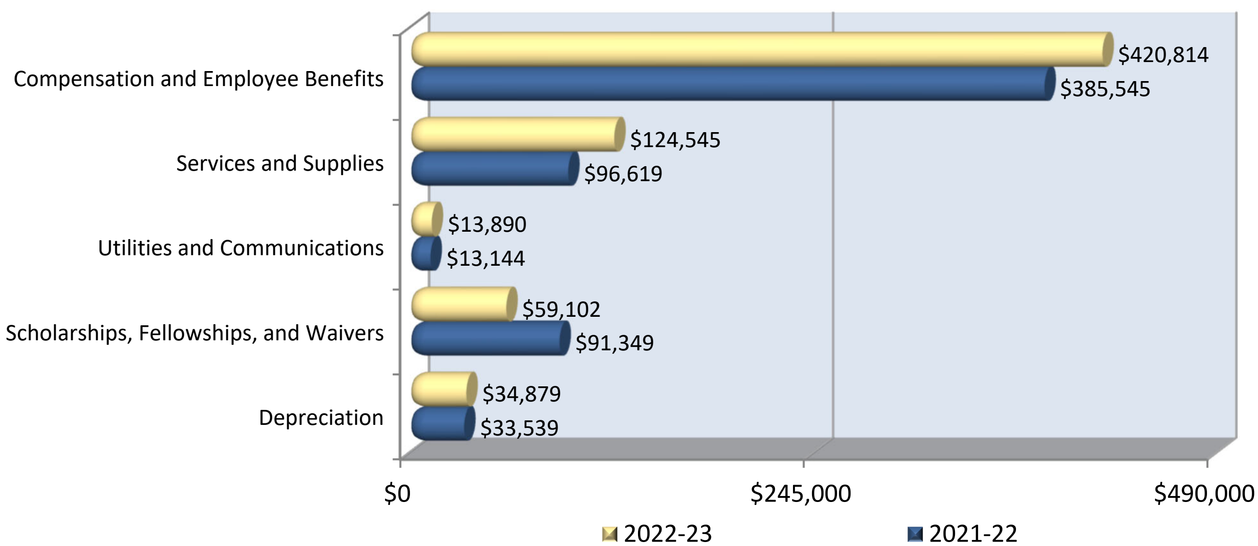
(In Thousands)

	2022-23	**2021-22**
Compensation and Employee Benefits	$ 420,814	$ 385,545
Services and Supplies	124,545	96,619
Utilities and Communications	13,890	13,144
Scholarships, Fellowships, and Waivers	59,102	91,349
Depreciation	34,879	33,539
Total Operating Expenses	$ 653,230	$ 620,196

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

Operating Expenses

(In Thousands)



As a whole, total operating expenses increased by $33 million, primarily due to a $35.3 million increase in compensation and employee benefits, a $27.9 million increase in services and supplies, a $1.3 million increase in depreciation, a $0.7 million increase in utilities and communications expense, offset by a $32.2 million decrease in scholarships, fellowships, and waivers. The increase in employee compensation and benefits expense was driven by the increase in salary expenses, OPEB expense, and compensated absences expense. There was a decrease 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 2022-23 and 2021-22 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2022-23	**2021-22**
State Noncapital Appropriations	$ 224,866	$ 213,272
Federal and State Student Financial Aid	101,923	170,534
Investment Income	7,223	3,394
Unrealized Gain (Loss)	6,553	(15,230)
Other Nonoperating Revenues	19,476	17,937
Loss on Disposal of Capital Assets	(2,622)	(951)
Interest on Capital Asset-Related Debt	(2,288)	(1,394)
Other Nonoperating Expenses	(131)	(660)
Net Nonoperating Revenues	$ 355,000	$ 386,902

Total net nonoperating revenues decreased by $31.9 million, or 8.2 percent, and is primarily due to a decrease of $68.6 million in Federal and State student financial aid, offset by an increase of $25.6 million in investment income and unrealized gains, an increase of $11.6 million in State noncapital appropriations, and an increase of $1.5 million in other nonoperating revenues. For the 2022-23 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 Scholar Program, the University Professional and Graduate Degree Excellence programs, and the FAU 100. Federal and State student financial aid decreased as a result of 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 Act, which was signed into law on March 27, 2020, and spent in the prior fiscal year.

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 2022-23 and 2021-22 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2022-23	**2021-22**
State Capital Appropriations	$ 23,327	$ 20,844
Capital Grants, Contracts, Donations, and Fees	-	1,091
Total	$ 23,327	$ 21,935

Overall, other revenues increased by $1.4 million due to a $2.5 million increase in State capital appropriations which was offset by a $1.1 million decrease in capital grants, contracts, donations, and fees. In the 2022-23 fiscal year, State capital appropriations mainly included funding for the FAU deferred building maintenance 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 2022-23 and 2021-22 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2022-23	2021-22
Cash Provided (Used) by:		
Operating Activities	$ (293,558)	$ (291,938)
Noncapital Financing Activities	345,273	391,313
Capital and Related Financing Activities	(32,082)	(49,146)
Investing Activities	(31,248)	(49,235)
Net Increase (Decrease) in Cash and Cash Equivalents	(11,615)	994
Cash and Cash Equivalents, Beginning of Year	18,182	17,188
Cash and Cash Equivalents, End of Year	$ 6,567	$ 18,182

Major sources of funds came from State noncapital appropriations ($224.9 million), net student tuition and fees ($166 million), Federal Direct Loan receipts ($114.1 million), Federal and State student financial aid ($101.8 million), grants and contracts ($86 million), sales and services of auxiliary enterprises ($77.9 million), and other nonoperating receipts ($19 million). Major uses of funds were for payments made to employees totaling $429.3 million, payments to suppliers totaling $141.1 million, disbursements to students for Federal Direct Loans totaling $114 million, and payments to and on behalf of students for scholarships and fellowships totaling $59.5 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 increases in payments to employees and payments to suppliers for goods and services.
- The decrease in cash provided by non-capital financing activities was primarily due to the decrease in Federal and State student financial aid.
- The decrease in cash used by capital and related financing activities was primarily due to decreases in the 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, 2023, the University had $1.4 billion in capital assets, less accumulated depreciation of $583.3 million, for net capital assets of $822.7 million. Depreciation charges for the current fiscal year totaled $34.9 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)

	2023	2022
Land	$ 9,918	$ 9,918
Construction in Progress	181,975	164,864
Buildings	863,739	871,426
Infrastructure and Other Improvements	158,056	147,722
Furniture and Equipment	125,514	116,332
Library Resources	48,124	49,641
Right-to-Use Lease Assets	10,842	9,123
Works of Art and Historical Treasures	6,364	6,364
Computer Software	1,465	1,603
Capital Assets, Gross	1,405,997	1,376,993
Less Accumulated Depreciation	583,334	559,009
Capital Assets, Net	$ 822,663	$ 817,984

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2023, were incurred on the 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, Wallach Institute for Holocaust & Jewish Studies, and Cooling Towers Replacement. The University's major construction commitments at June 30, 2023, are as follows:

	Amount (In Thousands)
Total Committed	$ 273,495
Completed to Date	181,974
Balance Committed	$ 91,521

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

Debt Administration

As of June 30, 2023, the University had $59.8 million in outstanding capital improvement debt payable, installment purchases, and right-to-use leases payable, representing a decrease of $4.7 million, or 7.3 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)

	2023	2022
Capital Improvement Debt	$ 33,925	$ 36,505
Installment Purchases	17,629	19,613
Right-to-Use Leases	8,242	8,386
Total	$ 59,796	$ 64,504

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 2022-23 fiscal year provided a 4.9 percent increase for State universities. Florida Atlantic University's share of that increase translated to an increase of $9.6 million in Educational and General funds including operational support and nursing education PIPELINE.

The funding priorities for Florida higher education continue to focus on efforts to maintain a stable funding environment including enrollment increase support and recognition of specific programmatic initiatives and support for the 2015-2025 Strategic Plan. Base funding initiatives to strengthen graduation rates, enhance recruitment/retention efforts, and grow academic program offerings continue to be the priorities of the University campus for the 2022-23 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 Jayson Iroff, 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, 2023

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 6,566,767	$ 26,323,528
Investments	400,252,890	208,667,308
Accounts Receivable, Net	42,368,547	10,794,589
Loans, Leases, and Notes Receivable, Net	1,753,170	349,651
Due from State	62,498,438	-
Due from Component Units/University	10,874,186	2,279,088
Net Investment in Direct Financing-Type Lease	-	605,000
Other Current Assets	1,642,180	984,887
Total Current Assets	525,956,178	250,004,051
Noncurrent Assets:		
Restricted Investments	2,217,846	275,175,686
Accounts Receivable, Net	-	8,874,213
Loans, Leases, and Notes Receivable, Net	11,656,269	38,174,296
Depreciable Capital Assets, Net	617,410,211	172,652,950
Nondepreciable Capital Assets	197,209,352	23,561,581
Right-to-Use Leases, Net	8,043,120	7,035,617
Net Investment in Direct-Financing Type Lease	-	3,261,000
Total Noncurrent Assets	836,536,798	528,735,343
Total Assets	1,362,492,976	778,739,394
DEFERRED OUTFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	35,395,450	-
Related to Pensions	50,648,308	-
Related to Deferred Charge on Debt Refunding	-	5,511,838
Total Deferred Outflows of Resources	86,043,758	5,511,838
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,149,050	3,060,543
Salary and Wages Payable	9,181,727	3,634
Deposits Payable	4,544,423	4,636,619
Due to Component Units/University	2,279,088	10,874,186
Unearned Revenue	14,158,527	5,743,823
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	2,720,000	-
Bonds Payable	-	7,300,000
Certificates of Participation Payable	-	605,000
Installment Purchases Payable	1,763,800	-
Right-to-Use Leases Payable	1,286,577	-
Compensated Absences Payable	3,557,321	-
Other Postemployment Benefits Payable	3,660,435	-
Net Pension Liability	24,631	-
Total Current Liabilities	50,325,579	32,223,805

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable (CIDP)	31,205,000	-
CIDP Net Unamortized Premium and Discount	2,147,116	-
Bonds Payable	-	203,815,000
Bonds Payable Unamortized Premium	-	23,269,288
Certificates of Participation Payable	-	3,261,000
Installment Purchases Payable	15,864,700	-
Right-to-Use Leases Payable	6,955,109	-
Other Noncurrent Liabilities	-	218,867
Compensated Absences Payable	35,108,960	-
Other Postemployment Benefits Payable	141,991,088	-
Net Pension Liability	143,740,950	-
Total Noncurrent Liabilities	377,012,923	230,564,155
Total Liabilities	427,338,502	262,787,960
DEFERRED INFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	114,248,446	-
Related to Pensions	8,509,599	-
Related to Leases	18,423,310	37,296,608
Related to Split Interest Trust Agreements	-	382,912
Total Deferred Inflows of Resources	141,181,355	37,679,520
NET POSITION		
Net Investment in Capital Assets	757,060,965	2,689,111
Restricted for Nonexpendable:		
Endowment	-	198,795,169
Restricted for Expendable:		
Debt Service	-	9,446,366
Loans	4,520,643	-
Capital Projects	38,366,692	6,886,613
Other	40,063,369	159,260,911
Unrestricted	40,005,208	106,705,582
TOTAL NET POSITION	$ 880,016,877	$ 483,783,752

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, 2023

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $89,502,838	$ 163,023,692	$ -
Federal Grants and Contracts	47,504,572	-
State and Local Grants and Contracts	20,240,929	3,079,228
Nongovernmental Grants and Contracts	19,227,872	-
Sales and Services of Educational Departments	752,225	-
Sales and Services of Auxiliary Enterprises (Pledged for Capital Improvement Debt: $6,104,858 for Housing)	79,920,318	-
Sales and Services of Component Units	-	46,716,519
Gifts and Donations	-	25,469,088
Other Operating Revenues	5,748,046	1,929,962
Total Operating Revenues	336,417,654	77,194,797
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	420,813,621	22,416,303
Services and Supplies	124,544,525	22,133,325
Utilities and Communications	13,890,586	3,001,034
Scholarships, Fellowships, and Waivers	59,102,135	10,942,637
Depreciation	34,879,402	9,107,764
Other Operating Expenses	-	6,063,673
Total Operating Expenses	653,230,269	73,664,736
Operating Income (Loss)	(316,812,615)	3,530,061
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	224,865,990	-
Federal and State Student Financial Aid	101,923,060	-
Investment Income	7,222,695	9,791,026
Net Realized and Unrealized Gains on Investments	6,552,729	27,181,152
Other Nonoperating Revenues	19,476,516	599,453
Loss on Disposal of Capital Assets	(2,622,002)	(10,830)
Interest on Capital Asset-Related Debt	(2,288,303)	(9,280,507)
Other Nonoperating Expenses	(131,478)	(1,452,575)
Net Nonoperating Revenues	354,999,207	26,827,719
Income Before Other Revenues	38,186,592	30,357,780
State Capital Appropriations	23,327,167	-
Additions to Permanent Endowments	-	6,990,216
Increase in Net Position	61,513,759	37,347,996
Net Position, Beginning of Year	818,503,118	446,435,756
Net Position, End of Year	$ 880,016,877	$ 483,783,752

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, 2023

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 166,039,357
Grants and Contracts	86,044,511
Sales and Services of Educational Departments	752,225
Sales and Services of Auxiliary Enterprises	77,931,543
Payments to Employees	(429,273,154)
Payments to Suppliers for Goods and Services	(141,124,002)
Payments to Students for Scholarships and Fellowships	(59,451,209)
Loans Issued to Students	(565,959)
Collection on Loans to Students	83,025
Other Operating Receipts	6,005,940
Net Cash Used by Operating Activities	(293,557,723)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	224,865,990
Federal and State Student Financial Aid	101,845,584
Federal Direct Loan Program Receipts	114,117,124
Federal Direct Loan Program Disbursements	(114,046,415)
Other Nonoperating Receipts	19,046,009
Other Nonoperating Expenses	(555,680)
Net Cash Provided by Noncapital Financing Activities	345,272,612
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	16,529,184
Purchase or Construction of Capital Assets	(41,434,781)
Principal Paid on Capital Debt and Leases	(4,709,041)
Interest Paid on Capital Debt and Leases	(2,467,231)
Net Cash Used by Capital and Related Financing Activities	(32,081,869)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(38,155,159)
Investment Income	6,906,915
Net Cash Used by Investing Activities	(31,248,244)
Net Decrease in Cash and Cash Equivalents	(11,615,224)
Cash and Cash Equivalents, Beginning of Year	18,181,991
Cash and Cash Equivalents, End of Year	$ 6,566,767

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (316,812,615)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	34,879,402
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(1,859,940)
Loans and Notes Receivable, Net	(482,934)
Other Current Assets	1,314,665
Accounts Payable	(4,061,797)
Salaries and Wages Payable	(7,355,934)
Deposits Payable	6,935
Compensated Absences Payable	3,562,001
Unearned Revenue	1,887,260
Other Postemployment Benefits Payable	(52,869,333)
Net Pension Liability	91,334,382
Deferred Outflows of Resources Related to Other Postemployment Benefits	8,068,539
Deferred Inflows of Resources Related to Other Postemployment Benefits	38,923,380
Deferred Outflows of Resources Related to Pensions	(8,183,372)
Deferred Inflows of Resources Related to Pensions	(81,908,362)
NET CASH USED BY OPERATING ACTIVITIES	$ (293,557,723)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 6,552,729
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.	$ (2,622,002)

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

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

Direct-Support Organizations. The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors 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 entitywide reporting including the following components:

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

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

The University's blended and discretely presented component units use the economic resources measurement focus and the accrual basis of accounting. The Research Corporation, the Finance Corporation, the FAU Foundation, and the FAU CPO follow GASB standards of accounting and financial reporting. 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.

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 of 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. 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, 2023, 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 $393,374,624 at June 30, 2023, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities (Level 3 inputs). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.02 years, and fair value factor of 0.9667 at June 30, 2023. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled, and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed, and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

External Investment Pools – Component Units' Investment.

Three 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, Finance Corporation, and Research Corporation reported investments at fair market value of $43,647,101, $41,773,027, and $404,962 at June 30, 2023, 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.

Other Investments.

The University's College of Medicine Self-Insurance Program (Program), a blended component unit of the University, invested in equity mutual funds and bond mutual funds. Equity mutual fund investments consist of shares in Vanguard International Stock Index Fund and Vanguard Total Stock Market Index Fund. Bond mutual fund investments consist of shares owned in Vanguard Short-Term Bond Index Fund and Vanguard Intermediate Term Bond Index Fund. The Program's investments are recorded at fair value and the program categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The Program's recurring fair value measurements at June 30, 2023, 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, 2023, 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	$ 2,445,514	$ -	$ -	$ 2,445,514
Global Equity Funds	451,428	-	-	451,428
Total Equity Mutual Funds	2,896,942	-	-	2,896,942
Bond Mutual Funds:				
Short-Term Bond Funds	4,894,954	-	-	4,894,954
Intermediate Term Bond Funds	1,287,035	-	-	1,287,035
Total Bond Mutual Funds	6,181,989	-	-	6,181,989
Total Investments by Fair Value Level	$ 9,078,931	$ -	$ -	$ 9,078,931

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, 2023, ranges from 2.66 years to 6.31 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, 2023, 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	$ 6,181,989	$ -	$ 6,181,989	$ -	$ -

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, 2023.

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, 2023, are shown below:

Self-Insurance Program's Concentration of Credit Risk

Investment Type	Fair Value	Percent of Program's Total Investments
Vanguard International Stock Index Fund	$ 451,428	5%
Vanguard Total Stock Market Index Fund	2,445,514	27%
Vanguard Short-Term Bond Index Fund	4,894,954	54%
Vanguard Intermediate-Term Bond Index Fund	1,287,035	14%
Total Investments	$ 9,078,931	100%

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

Component Units' Investments – FAU Foundation.

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 estate funds. Investments at June 30, 2023, consisted of the following at their fair value:

Investment Type	Amount
Domestic Equities	$ 112,026,518
International Equities	46,741,417
Fixed Income Securities	41,748,638
Hedge Funds	6,968,547
Commodity Funds	5,974,283
Private Equity Funds	53,036,259
Real Estate Funds	329,353
SPIA	43,647,101
Money Market Funds and Other Deposits	32,936,153
Total Investments	$ 343,408,269

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, 2023, consisted of the following at their fair value.

Investment Type	Amount
Domestic Equities	$ 1,494,672
International Equities	472,275
Domestic Fixed Income	443,453
Money Market Funds and Other Deposits	95,932
Total Funds Held in Trust by Others	$ 2,506,332

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, 2023:

Florida Atlantic University Foundation, Inc.

Investment Type	Level 1	Level 2	Level 3	Valued at NAV	Total
Equities	$ 158,767,935	$ -	$ -	$ 53,036,259	$ 211,804,194
Other	5,974,283	-	329,353	6,968,547	13,272,183
Fixed Income	38,979,588	2,769,050	-	-	41,748,638
SPIA	-	-	43,647,101	-	43,647,101
Funds Held in Trust by Others	2,506,332	-	-	-	2,506,332
Total Investment Measured at Fair Value	$ 206,228,138	$ 2,769,050	$ 43,976,454	$ 60,004,806	312,978,448
Investments Not Measured at Fair Value:					
Money Market Funds and Other Deposits					32,936,153
Total Investments and Funds Held in Trust by Others					$ 345,914,601

The following table provides additional disclosures of alternative investments held by the FAU Foundation at June 30, 2023, whose fair value is calculated using NAV:

Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds (1)	$ 6,968,547	$ -	Monthly, Quarterly, Semi - Annually Over One Year and Duration of Partnership	60 to 180 Days and N/A
Private Equity Funds (2)	53,036,259	9,172,656	N/A	N/A
Total	$ 60,004,806	$ 9,172,656		

(1) 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) This class includes 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, 2023, 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	$ 38,979,588	$ -	$ 2,831,132	$ 36,148,456
International Fixed Income	2,769,050	1,781,955	987,095	-
Total	$ 41,748,638	$ 1,781,955	$ 3,818,227	$ 36,148,456

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, 2023, 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+	$ 2,769,050
AA-	31,504,000
AAA	6,959,930
BB	515,658
Total Investments	$ 41,748,638

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 United States Government and investments in mutual funds, external investment pools, or other pooled investments are excluded from this requirement. At June 30, 2023, 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 United States mutual funds. The FAU Foundation maintains significant international investments by investing in mutual funds and alternative investments that are broadly diversified over many developed markets and exposure to emerging markets. The foreign currency risk by investment type at June 30, 2023, was as follows:

FAU Foundation's Foreign Currency Risk

Investment Type	Amount
International Equities	$ 46,741,417
International Fixed Income	2,769,050
Total Investments	$ 49,510,467

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, 2023, included the following:

HBOI Foundation, Inc.

Investment Type	Not Classified	Level 1	Level 2	Level 3	Total
Cash Equivalents	$ 3,010,295	$ -	$ -	$ -	$ 3,010,295
Land Held for Investment	591,553	-	-	-	591,553
Fixed-Income Mutual Funds:					
Short-Term	-	9,856,025	-	-	9,856,025
Equity Mutual Funds:					
Domestic Large Cap	-	80,362,873	-	-	80,362,873
Total Investments	$ 3,601,848	$ 90,218,898	$ -	$ -	$ 93,820,746

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.

3. Receivables

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

Description	Amount
Contracts and Grants	$ 17,677,548
Student Tuition and Fees	13,289,758
Other	11,401,241
Total Accounts Receivable	$ 42,368,547

Loans, Leases, and Notes Receivable. Loans 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 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
2024	$ 561,247	$ 382,795	$ 944,042
2025	512,235	365,275	877,510
2026	564,632	347,888	912,520
2027	595,366	328,823	924,189
2028	652,066	308,510	960,576
2029-2033	3,788,831	1,196,189	4,985,020
2034-2038	3,721,313	520,620	4,241,933
2039-2042	1,569,446	105,921	1,675,367
Total	$ 11,965,136	$ 3,556,021	$ 15,521,157

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 $15,306,801 and $685,127, respectively, at June 30, 2023.

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

4. Due From State

The amount due from State consists of $62,498,438 of deferred maintenance, Public Education Capital Outlay, Capital Improvement Fee Trust Fund, and general revenue allocations due from the State to the University for construction of University facilities.

5. Due From and To Component Units/University

The $10,874,186 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 $2,279,088 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.

6. Capital Assets

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 9,918,277	$ -	$ -	$ 9,918,277
Works of Art and Historical Treasures	5,316,620	-	-	5,316,620
Construction in Progress	164,864,360	26,711,154	9,601,059	181,974,455
Total Nondepreciable Capital Assets	$ 180,099,257	$ 26,711,154	$ 9,601,059	$ 197,209,352
Depreciable Capital Assets:				
Buildings	$ 871,425,607	$ -	$ 7,687,016	$ 863,738,591
Infrastructure and Other Improvements	147,722,410	11,207,164	873,423	158,056,151
Furniture and Equipment	116,332,326	11,852,462	2,671,376	125,513,412
Library Resources	49,640,813	5,153	1,521,750	48,124,216
Right-to-Use Leased Equipment	1,219,160	1,140,658	-	2,359,818
Right-to-Use Leased Space	7,904,070	578,149	-	8,482,219
Works of Art and Historical Treasures	1,047,328	-	-	1,047,328
Computer Software	1,602,669	-	137,345	1,465,324
Total Depreciable Capital Assets	1,196,894,383	24,783,586	12,890,910	1,208,787,059
Less, Accumulated Depreciation:				
Buildings	359,206,745	17,993,180	5,833,002	371,366,923
Infrastructure and Other Improvements	60,999,924	6,657,296	703,537	66,953,683
Furniture and Equipment	86,002,222	8,678,939	2,361,506	92,319,655
Library Resources	49,554,576	41,369	1,521,754	48,074,191
Right-to-Use Leased Equipment	216,296	304,151	-	520,447
Right-to-Use Leased Space	1,101,704	1,176,766	-	2,278,470
Works of Art and Historical Treasures	341,865	19,212	-	361,077
Computer Software	1,585,956	8,489	135,163	1,459,282
Total Accumulated Depreciation	559,009,288	34,879,402	10,554,962	583,333,728
Total Depreciable Capital Assets, Net	$ 637,885,095	$ (10,095,816)	$ 2,335,948	$ 625,453,331

7. 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 6. Capital Assets, for information on right-to-use assets and associated accumulated depreciation. See Note 9. 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 2022-23 fiscal year, the University recognized revenues related to these lease agreements totaling $951,808.

8. Unearned Revenue

Unearned revenue at June 30, 2023, 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, 2023. As of June 30, 2023, the University reported the following amounts as unearned revenue:

Description	Amount
Student Tuition and Fees	$ 13,762,059
Contracts and Grants	396,468
Total Unearned Revenue	**$ 14,158,527**

9. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2023, include capital improvement debt payable, installment purchases payable, right-to-use leases payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2023, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable (1)	$ 36,505,000	$ -	$ 2,580,000	$ 33,925,000	$ 2,720,000
Installment Purchases Payable	19,613,200	-	1,984,700	17,628,500	1,763,800
Right-to-Use Leases Payable	8,386,027	1,401,658	1,545,999	8,241,686	1,286,577
Compensated Absences Payable	35,104,280	6,768,926	3,206,925	38,666,281	3,557,321
Other Postemployment Benefits Payable	198,520,856	106,850,175	159,719,508	145,651,523	3,660,435
Net Pension Liability	52,431,199	138,705,755	47,371,373	143,765,581	24,631
Total Long-Term Liabilities	$ 350,560,562	$ 253,726,514	$ 216,408,505	$ 387,878,571	$ 13,012,764

(1) Capital improvement debt payable does not include $2,147,116 in net discounts and premiums outstanding for the fiscal year ended June 30, 2023.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2023:

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	$ 33,925,000	4.0 - 5.0	2036
Total Capital Improvement Debt	$ 53,040,000	$ 33,925,000		

(1) Capital improvement debt payable does not include $2,147,116 in net discounts and premiums outstanding for the fiscal year ended June 30, 2023.

The University has pledged a portion of future housing system revenues to repay $33,925,000 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 $43,550,000 and principal and interest paid for the current year totaled $4,310,550. During the 2022-23 fiscal year, housing system revenues totaled $6,104,858.

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

Fiscal Year Ending June 30	Principal (1)	Interest	Total
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	3,300,000	1,015,800	4,315,800
2029-2033	14,430,000	2,683,250	17,113,250
2034-2036	4,480,000	363,000	4,843,000
Total	$ 33,925,000	$ 9,625,000	$ 43,550,000

(1) Capital improvement debt payable does not include $2,147,116 in net discounts and premiums outstanding for the fiscal year ended June 30, 2023.

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, 2023, 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, 2023, is $3,866,000. 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 11.

Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2023, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2024	$ 2,134,397	$ 1,763,800	$ 370,597
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	2,825,329	2,616,100	209,229
2029-2031	6,303,150	6,081,000	222,150
Total Minimum Lease Payments	$ 19,450,882	$ 17,628,500	$ 1,822,382

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, 2023, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2024	$ 1,538,462	$ 1,286,577	$ 251,885
2025	1,317,287	1,104,549	212,738
2026	1,098,425	921,097	177,328
2027	940,276	790,928	149,348
2028	915,839	792,445	123,394
2029-2033	1,706,080	1,313,343	392,737
2034-2038	863,675	577,904	285,771
2039-2043	568,654	369,176	199,478
2044-2048	299,358	135,075	164,283
2049-2053	220,608	70,713	149,895
2054-2058	220,608	83,256	137,352
2059-2063	220,608	98,022	122,586
2064-2068	220,608	115,407	105,201
2069-2073	220,608	135,877	84,731
2074-2078	220,608	159,976	60,632
2079-2083	220,608	188,350	32,258
2084-2086	102,950	98,991	3,959
Total Minimum Lease Payments	$ 10,895,262	$ 8,241,686	$ 2,653,576

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2023, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $38,666,281. The current portion of the compensated absences liability, $3,557,321, 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, 2023, the University's proportionate share of the total OPEB liability totaled $145,651,523.

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 $145,651,523 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, the University's proportionate share, determined by its proportion of total benefit payments made, was 1.86 percent, which was a decrease of 0.02 percent from its proportionate share reported as of June 30, 2021.

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

Inflation	2.60 percent
Salary increases	Varies by FRS class
Discount rate	4.09 percent
Healthcare cost trend rates	
Preferred Provider Option Plan	10.31 percent for 2023, decreasing to a maximum rate of 4.04 percent for 2076 and later years
Health Maintenance Organization Plan	7.53 percent for 2023, decreasing to a maximum rate of 4.04 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

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

Mortality rates were based on the PUB-2010 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:

- Census Data – The census data reflects changes in status for the 24-month period since July 1, 2020.
- Claims Costs and Premium Rates – The assumed claims and premiums reflect the actual claims information that were provided as well as the premiums that are actually being charged to participants. The recent claims experience along with changes in the demographics of the population resulted in lower claims costs compared to expected, as well as lower premium rates than expected. The net result was a slight increase in liabilities due to claims and premiums as of June 30, 2022.
- Trend Rate – The medical trend assumption each year was updated based on the Getzen Model. The medical trend rates used were consistent with the August 2022 Report on Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgement. The impact of the trend rate changes is a small increase in the liability, due primarily to higher trend rates in the first several years.

- 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 increased from 2.18 percent to 4.09 percent.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.09 percent) or 1 percentage point higher (5.09 percent) than the current rate:

	1% Decrease (3.09%)	**Current Discount Rate (4.09%)**	**1% Increase (5.09%)**
University's proportionate share of the total OPEB liability	$174,261,126	$145,651,523	$123,206,439

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	$121,037,098	$145,651,523	$178,014,779

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

For the fiscal year ended June 30, 2023, the University recognized OPEB expense of $2,141,817. At June 30, 2023, 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	$ -	$ 15,929,560
Change of assumptions or other inputs	16,841,743	95,165,216
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	14,824,825	3,153,670
Transactions subsequent to the measurement date	3,728,882	-
Total	$ 35,395,450	$ 114,248,446

Of the total amount reported as deferred outflows of resources related to OPEB, $3,728,882 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 ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2024	$ (16,669,453)
2025	(16,669,453)
2026	(12,963,691)
2027	(10,766,292)
2028	(8,718,460)
Thereafter	(16,794,529)
Total	$ (82,581,878)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2023, the University's proportionate share of the net pension liabilities totaled $143,765,581. Note 12. includes a complete discussion of defined benefit pension plans.

10. Bonds Payable – Component Unit

The Finance Corporation had the following bonds payable outstanding at June 30, 2023:

Bonds Payable	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
Series 2012B Tax-Exempt Bonds, Innovation Village	$ 3,440,000	$ 895,000	2.17 - 2.64	2025
Series 2019A Tax-Exempt Bonds, Innovation Village	90,600,000	80,160,000	4.0 - 5.0	2040
Series 2019B Tax-Exempt Bonds, Student Housing	68,190,000	66,965,000	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	33,425,000	2.61	2040
Total Bonds Payable	$ 231,935,000	$ 211,115,000		

(1) Bonds payable does not include $23,269,288 in unamortized bond premiums in the total principal outstanding for the fiscal year ended June 30, 2023.

The Finance 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, 2023, are as follows:

Fiscal Year Ending June 30	Principal (1)	Interest	Total
2024	$ 7,300,000	$ 9,119,208	$ 16,419,208
2025	7,610,000	8,792,042	16,402,042
2026	7,950,000	8,445,141	16,395,141
2027	7,980,000	8,088,167	16,068,167
2028	8,335,000	7,718,301	16,053,301
2029-2033	47,645,000	32,412,058	80,057,058
2034-2038	59,335,000	20,371,757	79,706,757
2039-2043	39,670,000	8,867,123	48,537,123
2044-2048	17,190,000	4,184,525	21,374,525
2049-2050	8,100,000	410,000	8,510,000
Total	$ 211,115,000	$ 108,408,322	$ 319,523,322

(1) Bonds payable does not include $23,269,288 in unamortized bond premiums in the total principal outstanding for the fiscal year ended June 30, 2023.

11. 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, 2023, 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	$ 5,674,000	$ 3,866,000	$ 416,279	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.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

The University's FRS and HIS pension expense totaled $18,623,103 for the fiscal year ended June 30, 2023.

FRS Pension Plan

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

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

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

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

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

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 2022-23 fiscal year were:

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

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

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

The University's contributions to the Plan totaled $15,656,279 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the University reported a liability of $119,682,591 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The University's proportionate share of the net pension liability was based on the University's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the University's proportionate share was 0.321657909 percent, which was an increase of 0.003770207 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of $17,366,718. 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	$ 5,684,232	$ -
Change of assumptions	14,739,412	-
Net difference between projected and actual earnings on FRS Plan investments	7,902,626	-
Changes in proportion and differences between University contributions and proportionate share of contributions	2,290,180	3,543,303
University FRS contributions subsequent to the measurement date	15,656,279	-
Total	$ 46,272,729	$ 3,543,303

The deferred outflows of resources totaling $15,656,279, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2024	$ 7,432,918
2025	1,608,250
2026	(3,454,648)
2027	20,316,235
2028	1,170,392
Total	$ 27,073,147

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.70 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 6.70 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2022 valuation was updated from 6.80 percent to 6.70 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.70 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.70 percent) or 1 percentage point higher (7.70 percent) than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
University's proportionate share of the net pension liability	$206,982,812	$119,682,591	$46,689,219

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

Payables to the Pension Plan. At June 30, 2023, the University reported a payable of $1,767,576 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2023.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2023, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $1,724,176 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the University reported a liability of $24,082,990 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The University's proportionate share of the net pension liability was based on the University's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the University's proportionate share was 0.227378269 percent, which was a decrease of 0.00429652 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of $1,256,385. 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	$ 730,976	$ 105,967
Change of assumptions	1,380,448	3,725,623
Net difference between projected and actual earnings on HIS Plan investments	34,867	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	505,112	1,134,706
University HIS contributions subsequent to the measurement date	1,724,176	-
Total	$ 4,375,579	$ 4,966,296

The deferred outflows of resources totaling $1,724,176, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2024	$ (398,527)
2025	(212,569)
2026	(94,439)
2027	(215,197)
2028	(1,161,155)
Thereafter	(233,006)
Total	$ (2,314,893)

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.54 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.54 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2022 valuation was updated from 2.16 percent to 3.54 percent.

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

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
University's proportionate share of the net pension liability	$27,552,918	$24,082,990	$21,211,697

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

13. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2022-23 fiscal year were as follows:

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

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

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

The University's Investment Plan pension expense totaled $3,871,431 for the fiscal year ended June 30, 2023.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 4.23 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.38 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $14,701,622, and employee contributions totaled $8,365,173 for the 2022-23 fiscal year.

14. Construction Commitments

The University's construction commitments at June 30, 2023, 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	57,896,125	35,735,915	22,160,210
Jupiter STEM/Life Sciences Building	41,117,272	39,769,212	1,348,060
Student Union Renovation	28,244,101	12,196,829	16,047,272
FAU Deferred Building Maintenance	17,847,700	-	17,847,700
Wallach Institute for Holocaust & Jewish Studies	10,000,000	25,381	9,974,619
Health and Wellness/Recreation Center Expansion	3,824,024	-	3,824,024
Cooling Towers Replacement	3,500,000	3,472,345	27,655
Subtotal	234,270,210	159,020,038	75,250,172
Total Other Commitments (1)	39,225,245	22,954,417	16,270,828
Total	$ 273,495,455	$ 181,974,455	$ 91,521,000

(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.

15. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2022-23 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $56.3 million for named windstorm and flood through February 14, 2023, and decreased to $40.2 million for flood and $38.6 million for named windstorm starting February 15, 2023. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $168.7 million through February 14, 2023, and increased to $184.8 million starting February 15, 2023; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

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
2021-22	$ 1,184,508	$ 265,408	$ (294,617)	$ 1,155,299
2022-23	1,155,299	36,380	(40,202)	1,151,477

16. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of 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	$ 208,478,660
Research	77,365,784
Public Services	875,750
Academic Support	74,540,624
Student Services	28,206,300
Institutional Support	79,073,840
Operation and Maintenance of Plant	34,415,884
Scholarships, Fellowships, and Waivers	59,102,135
Depreciation	34,879,402
Auxiliary Enterprises	56,291,890
Total Operating Expenses	$ 653,230,269

17. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, 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 represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Facility
Assets	
Current Assets	$ 4,637,443
Noncurrent Assets	60,292,072
Total Assets	64,929,515
Liabilities	
Current Liabilities	4,184,954
Noncurrent Liabilities	36,613,116
Total Liabilities	40,798,070
Net Position	
Net Investment in Capital Assets	20,353,956
Unrestricted	3,777,489
Total Net Position	$ 24,131,445

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

	Housing Facility
Operating Revenues	$ 6,104,858
Depreciation Expense	(2,560,431)
Other Operating Expenses	(1,047,408)
Operating Income	2,497,019
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	11,354
Interest Expense	(1,691,479)
Other Nonoperating Expense	(67,987)
Net Nonoperating Expenses	(1,748,112)
Increase in Net Position	748,907
Net Position, Beginning of Year	23,382,538
Net Position, End of Year	$ 24,131,445

Condensed Statement of Cash Flows

	Housing Facility
Net Cash Provided (Used) by:	
Operating Activities	$ 5,803,845
Noncapital Financing Activities	(60,487)
Capital and Related Financing Activities	(5,056,357)
Investing Activities	11,356
Net Increase in Cash and Cash Equivalents	698,357
Cash and Cash Equivalents, Beginning of Year	3,034,713
Cash and Cash Equivalents, End of Year	$ 3,733,070

18. Blended Component Unit

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

Condensed Statement of Net Position

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Assets:			
Current Assets	$ 10,746,327	$ 515,209,851	$ 525,956,178
Capital Assets, Net	-	822,662,683	822,662,683
Other Noncurrent Assets	-	13,874,115	13,874,115
Total Assets	10,746,327	1,351,746,649	1,362,492,976
Deferred Outflows of Resources	-	86,043,758	86,043,758
Liabilities:			
Current Liabilities	1,167,027	49,158,552	50,325,579
Noncurrent Liabilities	-	377,012,923	377,012,923
Total Liabilities	1,167,027	426,171,475	427,338,502
Deferred Inflows of Resources	-	141,181,355	141,181,355
Net Position:			
Net Investment in Capital Assets	-	757,060,965	757,060,965
Restricted - Expendable	9,579,300	73,371,404	82,950,704
Unrestricted	-	40,005,208	40,005,208
Total Net Position	$ 9,579,300	$ 870,437,577	$ 880,016,877

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

	Blended Component Unit Florida Atlantic University College of Medicine Self-Insurance Program	University	Total Primary Government
Operating Revenues	$ 1,788,114	$ 334,629,540	$ 336,417,654
Depreciation Expense	-	(34,879,402)	(34,879,402)
Other Operating Expenses	(416,524)	(617,934,343)	(618,350,867)
Operating Income (Loss)	1,371,590	(318,184,205)	(316,812,615)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	-	360,040,990	360,040,990
Interest Expense	-	(2,288,303)	(2,288,303)
Other Nonoperating Expense	-	(2,753,480)	(2,753,480)
Net Nonoperating Revenues	-	354,999,207	354,999,207
Other Revenues	-	23,327,167	23,327,167
Increase in Net Position	1,371,590	60,142,169	61,513,759
Net Position, Beginning of Year	8,207,710	810,295,408	818,503,118
Net Position, End of Year	$ 9,579,300	$ 870,437,577	$ 880,016,877

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	$ 1,115,652	$ (294,673,375)	$ (293,557,723)
Noncapital Financing Activities	-	345,272,612	345,272,612
Capital and Related Financing Activities	-	(32,081,869)	(32,081,869)
Investing Activities	(1,132,467)	(30,115,777)	(31,248,244)
Net Decrease in Cash and Cash Equivalents	(16,815)	(11,598,409)	(11,615,224)
Cash and Cash Equivalents, Beginning of Year	1,684,208	16,497,783	18,181,991
Cash and Cash Equivalents, End of Year	$ 1,667,393	$ 4,899,374	$ 6,566,767

19. 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	$ 95,536,912	$ 609,170	$ 100,139,014	$ 52,122,218	$ 1,596,737	$ 250,004,051
Capital Assets, Net	22,020,463	-	68,326	181,161,359	-	203,250,148
Other Noncurrent Assets	319,653,782	-	-	5,831,413	-	325,485,195
Total Assets	437,211,157	609,170	100,207,340	239,114,990	1,596,737	778,739,394
Deferred Outflows of Resources	-	-	-	5,511,838	-	5,511,838
Liabilities:						
Current Liabilities	10,014,943	-	1,813,537	18,863,089	1,532,236	32,223,805
Noncurrent Liabilities	3,479,867	-	-	227,084,288	-	230,564,155
Total Liabilities	13,494,810	-	1,813,537	245,947,377	1,532,236	262,787,960
Deferred Inflows of Resources	37,679,520	-	-	-	-	37,679,520
Net Position:						
Net Investment in Capital Assets	22,020,463	-	-	(19,331,352)	-	2,689,111
Restricted Nonexpendable	198,795,169	-	-	-	-	198,795,169
Restricted Expendable	148,262,843	-	10,998,068	16,332,979	-	175,593,890
Unrestricted	16,958,352	609,170	87,395,735	1,677,824	64,501	106,705,582
Total Net Position	$ 386,036,827	$ 609,170	$ 98,393,803	$ (1,320,549)	$ 64,501	$ 483,783,752

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	$ 28,687,416	$ 107,053	$ 3,213,538	$ 39,994,315	$ 5,192,475	$ 77,194,797
Depreciation Expense	(564)	-	(10,244)	(9,096,956)	-	(9,107,764)
Operating Expenses	(33,607,628)	(184,551)	(6,962,967)	(18,370,508)	(5,431,318)	(64,556,972)
Operating Income (Loss)	(4,920,776)	(77,498)	(3,759,673)	12,526,851	(238,843)	3,530,061
Net Nonoperating Revenues (Expenses)	21,428,175	118,232	13,870,891	(8,589,579)	-	26,827,719
Other Revenues	6,990,216	-	-	-	-	6,990,216
Increase (Decrease) in Net Position	23,497,615	40,734	10,111,218	3,937,272	(238,843)	37,347,996
Net Position, Beginning of Year	362,539,212	568,436	88,282,585	(5,257,821)	303,344	446,435,756
Net Position, End of Year	$ 386,036,827	$ 609,170	$ 98,393,803	$ (1,320,549)	$ 64,501	$ 483,783,752

20. Current Unrestricted Funds

The Southern Association of Colleges and Schools, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented as follows:

Statement of Current Unrestricted Funds Net Position

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 4,360,356
Investments	368,012,636
Accounts Receivable, Net	23,729,886
Loans, Leases, and Notes Receivable, Net	561,243
Due From Component Units	9,104,052
Due From Other Funds	27,845,117
Other Current Assets	1,584,689
Total Current Assets	435,197,979
Noncurrent Assets:	
Loans, Leases, and Notes Receivable, Net	11,403,889
TOTAL ASSETS	446,601,868
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefits	35,395,450
Pensions	50,648,308
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,791,179
Salary and Wages Payable	9,181,727
Deposits Payable	4,174,650
Due To Component Units	1,857,747
Unearned Revenue	13,405,993
Compensated Absences Payable	3,557,321
Other Postemployment Benefits Payable	3,660,435
Net Pension Liability	24,631
Total Current Liabilities	37,653,683
Noncurrent Liabilities:	
Compensated Absences Payable	35,108,960
Other Postemployment Benefits Payable	141,991,088
Net Pension Liability	143,740,950
TOTAL LIABILITIES	358,494,681
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	114,248,446
Pensions	8,509,599
Leases	11,387,692
TOTAL NET POSITION	$ 40,005,208

Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Position

REVENUES	
Operating Revenues:	
Student Tuition and Fees (1)	$ 244,547,279
State and Local Grants and Contracts	32,782
Sales and Services of Educational Departments	752,225
Sales and Services of Auxiliary Enterprises (Pledged for Capital Improvement Debt: $6,104,858 for Housing)	79,819,313
Other Operating Revenues	3,977,396
Total Operating Revenues	329,128,995
EXPENSES	
Operating Expenses:	
Compensation and Employee Benefits	368,250,949
Services and Supplies	111,473,891
Utilities	13,688,404
Scholarships and Waivers	44,421,172
Total Operating Expenses	537,834,416
Operating Loss	(208,705,421)
NONOPERATING REVENUES (EXPENSES)	
State Noncapital Appropriations	224,865,990
Investment Income	6,510,080
Net Realized and Unrealized Gain on Investments	5,997,634
Other Nonoperating Revenues	8,734,805
Interest on Capital Asset-Related Debt	(2,288,303)
Other Nonoperating Expenses	(22,700)
Net Nonoperating Revenues	243,797,506
Income Before Other Revenues, Expenses, Gains, or Losses	35,092,085
Transfers to/from Other Funds	(54,495,344)
Decrease in Net Position	(19,403,259)
Net Position, Beginning of Year	59,408,467
Net Position, End of Year	$ 40,005,208

(1) Student tuition and fees revenues are reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarships allowances are not reflected in student tuition and fees revenues for the purposes of this disclosure.

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

	2022	2021	2020	2019
University's proportion of the total other postemployment benefits liability	1.86%	1.88%	1.87%	1.80%
University's proportionate share of the total other postemployment benefits liability	$ 145,651,523	$ 198,520,856	$ 192,222,601	$ 227,319,292
University's covered-employee payroll	$ 235,967,799	$ 240,475,668	$ 240,279,680	$ 236,092,648
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	61.73%	82.55%	80.00%	96.28%

2018	2017	2016
1.68%	1.68%	1.65%
$ 177,266,000	$ 181,529,000	$ 195,051,000
$ 223,425,863	$ 205,900,798	$ 182,835,559
79.34%	88.16%	106.68%

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

	2022 (1)	2021 (1)	2020 (1)	2019 (1)
University's proportion of the FRS net pension liability	0.321657909%	0.317887702%	0.334000126%	0.336190358%
University's proportionate share of the FRS net pension liability	$ 119,682,591	$ 24,012,803	$ 144,760,577	$ 115,776,117
University's covered payroll (2)	$ 235,967,799	$ 240,475,668	$ 240,279,680	$ 236,092,648
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	50.72%	9.99%	60.25%	49.04%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.89%	96.40%	78.85%	82.61%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2023 (1)	2022 (1)	2021 (1)	2020 (1)
Contractually required FRS contribution	$ 15,656,279	$ 13,725,728	$ 12,110,148	$ 11,097,344
FRS contributions in relation to the contractually required contribution	(15,656,279)	(13,725,728)	(12,110,148)	(11,097,344)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 266,230,712	$ 235,967,799	$ 240,475,668	$ 240,279,680
FRS contributions as a percentage of covered payroll	5.88%	5.82%	5.04%	4.62%

(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.

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
	0.335081173%	0.305479393%	0.284295076%	0.286843379%	0.268741487%	0.205028713%
	$ 100,897,172	$ 90,358,755	$ 71,784,730	$ 37,049,671	$ 16,397,183	$ 35,294,567
	$ 223,425,863	$ 205,900,798	$ 182,835,559	$ 172,516,889	$ 171,154,757	$ 161,228,170
	45.16%	43.88%	39.26%	21.48%	9.58%	21.89%
	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
	$ 10,424,327	$ 9,549,544	$ 7,952,381	$ 6,932,989	$ 6,993,485	$ 5,886,579
	(10,424,327)	(9,549,544)	(7,952,381)	(6,932,989)	(6,993,485)	(5,886,579)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 236,092,648	$ 223,425,863	$ 205,900,798	$ 182,835,559	$ 172,516,889	$ 171,154,757
	4.42%	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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
University's proportion of the HIS net pension liability	0.227378269%	0.231674789%	0.237019275%	0.241962620%
University's proportionate share of the HIS net pension liability	$ 24,082,990	$ 28,418,396	$ 28,939,667	$ 27,073,196
University's covered payroll (2)	$ 80,968,512	$ 80,379,566	$ 81,336,240	$ 80,279,611
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	29.74%	35.36%	35.58%	33.72%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.81%	3.56%	3.00%	2.63%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2023 (1)	**2022** (1)	**2021** (1)	**2020** (1)
Contractually required HIS contribution	$ 1,724,176	$ 1,375,830	$ 1,361,786	$ 1,365,831
HIS contributions in relation to the contractually required HIS contribution	(1,724,176)	(1,375,830)	(1,361,786)	(1,365,831)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 94,856,377	$ 80,968,512	$ 80,379,566	$ 81,336,240
HIS contributions as a percentage of covered payroll	1.82%	1.70%	1.69%	1.68%

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

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

2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
0.241054998%	0.230589109%	0.222100831%	0.224309818%	0.222149140%	0.229169248%
$ 25,513,532	$ 24,655,651	$ 25,884,932	$ 22,876,073	$ 20,771,487	$ 19,952,196
$ 77,121,704	$ 72,121,462	$ 60,852,426	$ 67,036,627	$ 65,674,496	$ 66,275,325
33.08%	34.19%	42.54%	34.12%	31.63%	30.11%
2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
$ 1,343,595	$ 1,307,247	$ 1,220,344	$ 1,138,408	$ 857,452	$ 761,008
(1,343,595)	(1,307,247)	(1,220,344)	(1,138,408)	(857,452)	(761,008)
$ -	$ -	$ -	$ -	$ -	$ -
$ 80,279,611	$ 77,121,704	$ 72,121,462	$ 60,852,426	$ 67,036,627	$ 65,674,496
1.67%	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 Index Rate as of the measurement date, as required under GASB Statement No. 75. The discount rate increased from 2.18 percent to 4.09 percent.

In addition, healthcare costs and premiums and healthcare trend rates were updated. Refer to Note 9. 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 2022, the long-term expected rate of return decreased from 6.80 percent to 6.70 percent.

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Florida 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 15, 2024, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and 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

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Tallahassee, Florida
February 15, 2024