

FLORIDA ATLANTIC UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2009



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The audit team leader was Diana G. Garza, CPA, and the audit was supervised by Ida Marie Westbrook, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**FLORIDA ATLANTIC UNIVERSITY
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether Florida Atlantic University and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the University's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, both in 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. The results of our operational audit of the University are included in our report No. 2010-131.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by 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.



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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 FINANCIAL STATEMENTS

We have audited the accompanying 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, 2009, which collectively comprise the University's basic financial statements as shown on pages 10 through 38. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the 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, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of 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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 9, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 39, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$974.3 million at June 30, 2009. This balance reflects a \$76.8 million, or 8.6 percent increase from the 2007-08 fiscal year, resulting from invested funds from student collections on hand and amounts due from the State for public education capital outlay (PECO) appropriations. While assets grew, liabilities decreased by \$2.4 million, or 1.3 percent, totaling \$185.5 million at June 30, 2009, compared to \$187.9 million at June 30, 2008. As a result, the University's net assets increased by \$79.1 million, reaching a year-end balance of \$788.8 million.

The University's operating revenues totaled \$201.8 million for the 2008-09 fiscal year, representing a 14.6 percent increase over the 2007-08 fiscal year due mainly to a receipt of \$8.8 million from the Florida Energy System Consortium. Operating expenses totaled \$395.2 million for the 2008-09 fiscal year, representing an increase of 1.7 percent over the 2007-08 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include: The Florida Atlantic University Foundation, Inc.; the Florida Atlantic University Research Corporation, Inc.; and the Harbor Branch Oceanographic Institution Foundation, Inc.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. MD&A information for The Florida Atlantic University Research Corporation, Inc., is included in its separately issued audit report. The Florida Atlantic University Foundation, Inc., and the Harbor Branch Oceanographic Institution Foundation, Inc., report under Financial Accounting Standards Boards standards and, as such, do not include an MD&A in their audit reports.

THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, liabilities, and net assets at June 30:

Condensed Statement of Net Assets at June 30
(In Thousands)

	2009	2008
Assets		
Current Assets	\$ 299,832	\$ 244,691
Capital Assets, Net	669,173	645,988
Other Noncurrent Assets	5,332	6,899
Total Assets	974,337	897,578
Liabilities		
Current Liabilities	42,191	47,750
Noncurrent Liabilities	143,357	140,174
Total Liabilities	185,548	187,924
Net Assets		
Invested in Capital Assets, Net of Related Debt	552,819	551,911
Restricted	142,853	84,287
Unrestricted	93,117	73,456
Total Net Assets	\$ 788,789	\$ 709,654

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The statement of revenues, expenses, and changes in net assets 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 2008-09 and 2007-08 fiscal years:

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**
(In Thousands)

	2008-09	2007-08
Operating Revenues	\$ 201,805	\$ 176,110
Operating Expenses	395,201	388,457
Operating Loss	(193,396)	(212,347)
Net Nonoperating Revenues	204,185	222,317
Income Before Other Revenues, Expenses, Gains, or Losses	10,789	9,970
Other Revenues, Expenses, Gains, or Losses	68,346	153,441
Net Increase In Net Assets	79,135	163,411
Net Assets, Beginning of Year	709,654	546,243
Net Assets, End of Year	\$ 788,789	\$ 709,654

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 give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2008-09 and 2007-08 fiscal years:

Operating Revenues (In Thousands)		
	<u>2008-09</u>	<u>2007-08</u>
Net Tuition and Fees	\$ 93,301	\$ 82,449
Grants and Contracts	43,531	45,828
Sales and Services of Educational Departments	463	395
Sales and Services of Auxiliary Enterprises	46,969	26,807
Other	17,541	20,631
Total Operating Revenues	<u>\$ 201,805</u>	<u>\$ 176,110</u>

Net tuition and fees increased by \$10.8 million due primarily to a 5 percent increase in student fee rates. Sales and services of auxiliary enterprises increased by \$20.1 million due to additional funds, such as \$4.7 million for hurricane repair reimbursement, along with the reclassification of amounts previously reported as other revenues for auxiliary type activities, such as \$5.2 million from a lease agreement and \$0.9 million from child care. The decrease in other revenues due to the reclassification was partially offset by \$8.8 million received from the Florida Energy System Consortium.

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 assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2008-09 and 2007-08 fiscal years:

Operating Expenses (In Thousands)		
	<u>2008-09</u>	<u>2007-08</u>
Compensation and Employee Benefits	\$ 244,220	\$ 243,891
Services and Supplies	79,240	80,173
Utilities and Communications	14,932	13,972
Scholarships, Fellowships, and Waivers	30,478	26,513
Depreciation	26,331	23,908
Total Operating Expenses	<u>\$ 395,201</u>	<u>\$ 388,457</u>

Scholarships, fellowships, and waivers increased by \$4 million primarily due to an increase in student financial aid. Depreciation increased by \$2.4 million primarily due to new building additions.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, 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 2008-09 and 2007-08 fiscal years:

Nonoperating Revenues (Expenses)		
(In Thousands)		
	<u>2008-09</u>	<u>2007-08</u>
State Appropriations	\$ 172,036	\$ 189,255
Federal and State Student Financial Aid	35,772	31,536
Investment Income	1,607	5,702
Other Nonoperating Revenues	2,232	2,141
Loss on Disposal of Capital Assets	(2,036)	(740)
Interest on Capital Asset-Related Debt	(5,426)	(5,577)
Net Nonoperating Revenues	<u>\$ 204,185</u>	<u>\$ 222,317</u>

Net nonoperating revenues decreased by \$18.1 million, or 8.1 percent, primarily due to a decrease in State appropriations resulting from the downturn in the State's economy and a decrease in investment income resulting from lower returns in the declining economy, offset slightly by increases in State student financial aid programs.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, and donations. The following summarizes the University's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

Other Revenues, Expenses, Gains, or Losses		
(In Thousands)		
	<u>2008-09</u>	<u>2007-08</u>
Capital Appropriations	\$ 64,537	\$ 101,051
Capital Grants, Contracts, Donations, and Fees	3,809	52,390
Total	<u>\$ 68,346</u>	<u>\$ 153,441</u>

Capital revenues reported in the 2007-08 fiscal year included the funding for the acquisition of Harbor Branch Oceanographic Institute, which accounted for \$44.6 million of State capital appropriations and \$48.2 million of capital assets.

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 the capital financing activities include all plant funds and related long-term debt activities. Cash flows from the 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 the noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2008-09 and 2007-08 fiscal years:

Condensed Statement of Cash Flows		
(In Thousands)		
	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (161,397)	\$ (182,072)
Noncapital Financing Activities	206,876	222,349
Capital and Related Financing Activities	(22,203)	(5,147)
Investing Activities	(24,766)	(33,418)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,490)	1,712
Cash and Cash Equivalents, Beginning of Year	2,859	1,147
Cash and Cash Equivalents, End of Year	\$ 1,369	\$ 2,859

Major sources of cash came from State appropriations (\$172 million), net student tuition and fees (\$93.3 million), capital appropriations (\$63.4 million), grants and contracts (\$45.3 million), and sales and services of auxiliary enterprises (\$47 million). Major uses of funds were for payments to employees (\$241.1 million), payments to suppliers for goods and services (\$91.2 million), and purchase or construction of Capital Assets (\$57.1 million).

Cash and cash equivalents decreased \$1.5 million during the 2008-09 fiscal year, primarily due to decreases in State and capital appropriations offset slightly by increases in tuitions and fees and sales and services of auxiliary enterprises.

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

CAPITAL ASSETS

At June 30, 2009, the University had \$967.9 million in capital assets, less accumulated depreciation of \$298.7 million, for net capital assets of \$669.2 million. Depreciation charges for the current fiscal year totaled \$26.3 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)**

	<u>2009</u>	<u>2008</u>
Land	\$ 32,439	\$ 32,439
Buildings	462,101	460,139
Construction in Progress	35,624	32,811
Infrastructure and Other Improvements	45,866	42,703
Furniture and Equipment	50,498	49,764
Library Resources	15,734	15,235
Property Under Capital Lease and Leasehold Improvements	24,930	10,508
Works of Art and Historical Treasures	813	637
Computer Software	1,168	1,752
Capital Assets, Net	<u>\$ 669,173</u>	<u>\$ 645,988</u>

During the year, the University entered into an agreement with the School Board of St. Lucie County, Florida, for the joint construction of the Palm Pointe Research School to be partially financed by the University with \$15 million in PECO funds. 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, 2009, were incurred on the following projects: College of Engineering and Computer Science, FAU-UF Joint Use Facilities – Davie Campus, Recreation and Wellness Center, and General Classroom Facility and Multi Media Center Boca. The University’s major capital commitments at June 30, 2009, are as follows:

	<u>Amount (In Thousands)</u>
Total Commitment	\$104,161
Completed to Date	<u>(35,624)</u>
Balance Committed	<u>\$ 68,537</u>

Additional information about the University’s capital commitments is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2009, the University had \$120.2 million in outstanding bonds and capital leases, representing a decrease of \$1.6 million, or 1.3 percent, from the prior fiscal year. This decrease was the result of issuing \$3.1 million of new bonds, which was offset by the payments to retire debt of \$4.7 million. 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)**

	2009	2008
Bonds Payable	\$ 109,769	\$ 110,894
Capital Leases	10,402	10,868
Total	\$ 120,171	\$ 121,762

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 budget that the Florida Legislature adopted for the 2008-09 fiscal year adjusted mid-year to reflect a 4.7 percent decrease for State universities. Regarding the University’s legislative priorities, the Legislature did not provide for a salary increase or for enrollment growth at State universities. The University expects a modest increase in revenue from student tuition increases yet enrollment is estimated to be stable.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009**

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,367,509	\$ 9,815,204
Investments	143,726,024	14,999,000
Accounts Receivable, Net	18,768,626	1,599,418
Loans and Notes Receivable, Net	534,176	24,893
Due from State	132,084,702	
Due from Component Units/University	2,837,824	631,009
Inventories	67,945	687,929
Other Current Assets	445,276	4,239,629
Total Current Assets	<u>299,832,082</u>	<u>31,997,082</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,807	26,000
Restricted Investments	1,832,711	162,049,127
Net Investments in Direct Financing-Type Lease		10,310,000
Accounts Receivable, Net		3,443,765
Loans and Notes Receivable, Net	2,736,817	548,858
Depreciable Capital Assets, Net	600,965,128	2,297,499
Nondepreciable Capital Assets	68,208,151	17,585,873
Other Noncurrent Assets	760,630	
Total Noncurrent Assets	<u>674,505,244</u>	<u>196,261,122</u>
TOTAL ASSETS	<u>\$ 974,337,326</u>	<u>\$ 228,258,204</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 11,437,288	\$ 6,148,074
Salaries and Wages Payable	8,305,614	
Deposits Payable	3,702,534	
Due to Component Units/University	631,009	2,837,824
Deferred Revenue	11,936,863	159,663
Long-Term Liabilities - Current Portion:		
Bonds Payable	4,473,071	
Notes Payable		890,744
Certificates of Participation Payable		305,000
Capital Leases Payable	349,359	
Compensated Absences Payable	1,355,416	
Total Current Liabilities	<u>42,191,154</u>	<u>10,341,305</u>

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 105,295,485	\$
Notes Payable		1,648,726
Certificate of Participation Payable		10,005,000
Capital Leases Payable	10,052,764	
Compensated Absences Payable	21,960,295	
Postemployment Healthcare Benefits Payable	4,215,000	
Other Noncurrent Liabilities	1,833,748	608,102
Total Noncurrent Liabilities	143,357,292	12,261,828
TOTAL LIABILITIES	185,548,446	22,603,133
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	552,819,570	19,883,372
Restricted for Expendable:		
Loans	2,603,139	
Capital Projects	130,667,883	
Other	9,581,630	197,906,408
Unrestricted	93,116,658	(12,134,709)
TOTAL NET ASSETS	788,788,880	205,655,071
TOTAL LIABILITIES AND NET ASSETS	\$ 974,337,326	\$ 228,258,204

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 REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$28,571,817	\$ 93,301,269	\$
Federal Grants and Contracts	23,440,399	
State and Local Grants and Contracts	10,650,132	3,281,340
Nongovernmental Grants and Contracts	9,440,372	114,592
Sales and Services of Educational Departments	463,525	
Sales and Services of Auxiliary Enterprises	46,969,011	
Interest on Loans and Notes Receivable	85,413	
Gifts and Donations, Net of Allowance for uncollectible pledges of \$13,099,058		(5,107,802)
Other Operating Revenues	17,455,187	6,338,046
Total Operating Revenues	201,805,308	4,626,176
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	244,219,618	6,499,004
Services and Supplies	79,240,363	5,100,806
Utilities and Communications	14,932,240	298,879
Scholarships, Fellowships, and Waivers	30,478,142	6,219,734
Depreciation	26,330,586	342,740
Other Operating Expenses		7,428,048
Total Operating Expenses	395,200,949	25,889,211
Operating Loss	(193,395,641)	(21,263,035)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	172,035,838	
Federal and State Student Financial Aid	35,772,358	
Investment Income (Loss)	1,606,638	(317,608)
Other Nonoperating Revenues	2,232,486	1,280,340
Loss on Disposal of Capital Assets	(2,035,612)	
Interest on Capital Asset-Related Debt	(5,426,591)	(120,974)
Net Realized or Unrealized Loss on Investments		(39,860,025)
Net Nonoperating Revenues (Expenses)	204,185,117	(39,018,267)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	10,789,476	(60,281,302)
Capital Appropriations	64,536,780	
Capital Grants, Contracts, Donations, and Fees	3,808,893	945,228
Increase (Decrease) in Net Assets	79,135,149	(59,336,074)
Net Assets, Beginning of Year	709,653,731	227,199,600
Adjustment to Beginning Net Assets		37,791,545
Net Assets, Beginning of Year, as Restated	709,653,731	264,991,145
Net Assets, End of Year	\$ 788,788,880	\$ 205,655,071

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, 2009

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 93,116,763
Grants and Contracts	45,263,510
Sales and Services of Educational Departments	463,525
Sales and Services of Auxiliary Enterprises	46,991,799
Interest on Loans and Notes Receivable	85,413
Net Loans to Students	67,854
Other Operating Receipts	15,376,573
Payments to Employees	(241,052,238)
Payments to Suppliers for Goods and Services	(91,232,463)
Payments to Students for Scholarships and Fellowships	(30,478,142)
	(161,397,406)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	172,035,838
Federal and State Student Financial Aid	35,772,358
Net Change in Funds Held for Others	1,065,113
Other Nonoperating Disbursements	(1,996,988)
	206,876,321
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	3,060,470
Capital Appropriations	63,390,511
Capital Grants, Contracts, Donations, and Fees	4,307,000
Capital Subsidies and Transfers	(28,421,328)
Other Receipts for Capital Projects	2,173,245
Purchase or Construction of Capital Assets	(57,127,957)
Principal Paid on Capital Debt and Leases	(4,455,237)
Interest Paid on Capital Debt and Leases	(5,129,449)
	(22,202,745)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	(28,145,277)
Investment Income	3,378,741
	(24,766,536)
Net Decrease in Cash and Cash Equivalents	(1,490,366)
Cash and Cash Equivalents, Beginning of Year	2,859,682
	\$ 1,369,316
Cash and Cash Equivalents, End of Year	\$ 1,369,316

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009

	University
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (193,395,641)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	26,330,586
Change in Assets and Liabilities:	
Accounts Receivables, Net	940,755
Contracts and Grants Receivable	1,732,607
Inventories	(4,459)
Loans and Notes Receivable, Net	100,004
Deferred Charges and Other Assets	(143,006)
Accounts Payable	1,836,249
Deposits Payable	(1,883,476)
Compensated Absences Payable	1,125,381
Deferred Revenue	(78,406)
Postemployment Healthcare Benefits Payable	2,042,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (161,397,406)

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

The loss on the disposal of capital assets of \$2,035,612 was reported on the statement of revenues, expenses, and changes in net assets, but is not considered a cash transaction for the statement of cash flows.

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

FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *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 or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes 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. (Foundation), is a separate corporation operating independently from the University, and as such, it receives and administers most private support for the University. Any person or organization contributing money, stock, or any other item to be used in

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

support of the general or specific support the University usually does so through the offices of the Foundation.

- Florida Atlantic University Research Corporation, Inc. (Corporation), was established by Florida Atlantic University in 1990. It has been organized to promote and encourage, and to provide assistance to, the research activities of the University's faculty, staff, and students. The 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 Corporation is entitled to a portion of the royalties, license fees, or other revenue for the benefit of the University. The 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 Institution Foundation, Inc. (HBOI Foundation), a separate corporation operating independently from the University, became a provider of funding and support for the research and education in marine sciences and ocean engineering to the Harbor Branch Oceanographic Institute, a research institute within the University. Effective July 1, 2008, HBOI Foundation became a component unit and direct-support organization of the University. The 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.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller's office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (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 Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

- Notes to Financial Statements
 - Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities 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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred, and follow FASB standards of accounting and financial reporting for not-for-profit organizations except for the Florida Atlantic University Research Corporation, Inc., which follows GASB standards of accounting and financial reporting.

The University follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

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 on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets 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 assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship discounts and allowances are the differences

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied “The Alternate Method” as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship discounts and allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be 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 Federal depository insurance, up to specified limits, or collateralized with securities held in Florida’s multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, property under capital lease, library resources, computer software, works of art and historical treasures, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and 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 \$1,000 for tangible personal property, new buildings, and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property under Capital Lease – 5 to 20 years or the term of the lease, whichever is greater
- Leasehold Improvements – 40 years

FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

- Works of Art and Historical Treasures – 50 years
- Computer Software – 3 to 7 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, capital leases payable, compensated absences payable, and postemployment healthcare benefits payable that are not scheduled to be paid within the next fiscal year. Noncurrent liabilities also consist of amounts due to the Federal government for the Federal Perkins Loan Program - Federal Capital Contributions. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds using the straight-line method.

2. PRIOR PERIOD ADJUSTMENTS

Adjustments to beginning net assets are reported in accordance with FASB Statement No. 154. An adjustment to beginning net assets reported in the statement of revenues, expenses, and changes in net assets for \$37,791,545 was made to record the beginning net assets of the HBOI Foundation, which became a component unit of the University on July 1, 2008.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, 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. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

**FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

External Investment Pools

The University reported investments at fair value totaling \$145,558,735 at June 30, 2009, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor’s and had an effective duration of 1.84 years at June 30, 2009. 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 Comprehensive Annual Financial Report.

Component Units Investments

Investments reported by the University’s component units at June 30, 2009, are those held by Florida Atlantic University Foundation, Inc., and the Harbor Branch Oceanographic Institution Foundation, Inc., and are reported at fair market value as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Stocks	\$ 52,854,523
International Stocks	34,026,141
Fixed Income Securities	49,304,280
Other Investments	38,358,062
Subtotal	174,543,006
Funds Held in Trust by Others	2,505,121
Total Investments	<u><u>\$ 177,048,127</u></u>

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2009, the University reported the following amounts as net accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 7,419,166
Student Tuition and Fees	10,846,692
Other	502,768
Total Accounts Receivable, Net	<u><u>\$ 18,768,626</u></u>

FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Loans and Notes Receivable. Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

Allowance for Uncollectible Receivables. Allowances for uncollectible 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 \$5,669,148 and \$426,379, respectively, at June 30, 2009. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

5. DUE FROM STATE

This amount consists of \$132,084,702 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, and other allocations due from the State to the University for construction of University facilities.

6. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The \$631,009 reported as due to component units consists of amounts owed by the University to the Foundation pursuant to an agreement to support the Foundation's operations. The \$2,837,824 due from component units primarily consists of amounts owed to the University by the Foundation for scholarships, student aid, and to support the activities of HBOI Foundation. The Foundation received funds from the HBOI Foundation, Inc., to support the activities of HBOI. The University and its component units' financial statements are reported for the fiscal year ended June 30, 2009.

7. INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net assets.
- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net assets, and are valued at cost using either the moving average method or the first-in, first-out method.

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 32,439,234	\$	\$	\$ 32,439,234
Works of Art and Historical Treasures	51,550	127,415	33,585	145,380
Construction in Progress	32,810,914	2,812,623		35,623,537
Total Nondepreciable Capital Assets	\$ 65,301,698	\$ 2,940,038	\$ 33,585	\$ 68,208,151
Depreciable Capital Assets:				
Buildings	\$ 590,867,782	\$ 18,659,375	\$ 4,259,395	\$ 605,267,762
Infrastructure and Other Improvements	62,508,075	5,923,705	1,369,620	67,062,160
Furniture and Equipment	117,893,769	12,378,795	7,698,158	122,574,406
Library Resources	68,019,734	3,083,584	327,903	70,775,415
Property Under Capital Lease and Leasehold Improvements	15,414,080	15,030,527	1,344,510	29,100,097
Works of Art and Historical Treasures	633,333	137,980	40,000	731,313
Computer Software	4,137,445	220,496	157,569	4,200,372
Total Depreciable Capital Assets	859,474,218	55,434,462	15,197,155	899,711,525
Less, Accumulated Depreciation:				
Buildings	130,728,986	13,011,511	574,302	143,166,195
Infrastructure and Other Improvements	19,805,036	1,493,914	102,659	21,196,291
Furniture and Equipment	68,129,460	7,869,088	3,922,105	72,076,443
Library Resources	52,784,842	2,584,743	327,904	55,041,681
Property Under Capital Lease and Leasehold Improvements	4,906,653	579,127	1,315,714	4,170,066
Works of Art and Historical Treasures	47,544	15,836		63,380
Computer Software	2,385,481	776,367	129,507	3,032,341
Total Accumulated Depreciation	278,788,002	26,330,586	6,372,191	298,746,397
Total Depreciable Capital Assets, Net	\$ 580,686,216	\$ 29,103,876	\$ 8,824,964	\$ 600,965,128

9. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2009, to spend the funds, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2009, the University reported the following amounts as deferred revenue:

**FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Amount
Capital Appropriations	\$ 90,075
Student Tuition and Fees	7,048,007
Contracts and Grants	4,205,780
Athletic	593,001
Total Deferred Revenue	\$ 11,936,863

10. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2009, include bonds, capital leases, compensated absences, and postemployment healthcare benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 110,893,825	\$ 3,060,470	\$ 4,185,739	\$ 109,768,556	\$ 4,473,071
Capital Leases Payable	10,867,693		465,570	10,402,123	349,359
Compensated Absences Payable	22,190,330	2,585,951	1,460,570	23,315,711	1,355,416
Postemployment Healthcare Benefits Payable	2,173,000	3,326,000	1,284,000	4,215,000	
Other Noncurrent Liabilities		1,833,748		1,833,748	
Total Long-Term Liabilities	\$ 146,124,848	\$ 10,806,169	\$ 7,395,879	\$ 149,535,138	\$ 6,177,846

Revenue Bonds Payable. The University had the following bonds payable outstanding at June 30, 2009:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Bonds:				
2000 Student Housing	\$ 24,400,000	\$ 570,000	4.6	2010
2001 Parking Facility	7,990,000	5,540,000	3.0 - 4.8	2021
2002 Parking Facility	8,995,000	6,805,199	2.5 - 4.35	2023
2003 Student Housing	35,285,000	28,775,049	3.0 - 4.875	2033
2006A Student Housing	27,640,000	26,117,939	4.0 - 4.625	2036
2006B Student Housing	21,775,000	20,397,210	3.5 - 4.375	2030
Total Auxiliary Revenue Bonds	126,085,000	88,205,397		
State University System Revenue Bonds:				
1997A Series	5,601,098	3,789,169	3.85 - 5.0	2016
1998 Series	2,761,595	1,873,817	4.0 - 5.0	2023
2001 Series	5,610,730	4,412,633	4.0 - 5.0	2026
2003A Series	3,534,098	1,416,263	4.5 - 5.375	2013
2005A Series	491,349	413,623	3.625 - 4.125	2022
2006A Series	6,940,534	6,625,196	4.0 - 5.0	2030
2008A Series	3,103,777	3,032,458	4.0 - 6.50	2033
Total State University System Revenue Bonds	28,043,181	21,563,159		
Total	\$ 154,128,181	\$ 109,768,556		

Note: (1) Amount outstanding includes unamortized bond discounts and premiums, and deferred losses on refunding issues.

Auxiliary revenue bonds were issued to construct student parking garages and student housing facilities. Auxiliary revenue bonds outstanding, which include both term and serial bonds, are secured by a pledge of parking fees and housing rental revenues and an assessed transportation fee based on credit hours.

State University System revenue bonds were issued to acquire and construct various university facilities. These bonds are secured and payable from capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

In a prior fiscal year, a portion of the Housing Facility Revenue Bonds, Series 2000, was refunded and considered defeased in-substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. The defeased bonds are not reported as outstanding debt on the University's statement of net assets. Debt considered defeased at June 30, 2009, totaled \$20,060,000.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

On January 14, 2009, the State of Florida, Board of Governors, issued \$60,000,000 of University System Improvement Revenue Bonds, Series 2008A, with interest rates ranging from 4 to 6.5 percent. The maturity dates are from 2009 to 2033. The University's portion of the bonds (\$3,060,470, net of \$71,319 discount) is to be used for the construction of the Campus Recreation and Wellness Center.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 4,473,071	\$ 4,920,162	\$ 9,393,233
2011	4,640,994	4,743,975	9,384,969
2012	4,829,711	4,563,932	9,393,643
2013	5,060,689	4,367,931	9,428,620
2014	4,917,087	4,157,886	9,074,973
2015-2019	25,749,882	17,597,118	43,347,000
2020-2024	23,849,544	11,897,980	35,747,524
2025-2029	20,505,621	7,042,680	27,548,301
2030-2034	14,386,264	2,529,419	16,915,683
2035-2036	3,210,000	224,313	3,434,313
Subtotal	111,622,863	62,045,396	173,668,259
Less: Net Bond Discounts, Premiums, and Losses on Bond Refundings	(1,854,307)		(1,854,307)
Total	\$ 109,768,556	\$ 62,045,396	\$ 171,813,952

Notes Payable – Component Units

Notes payable at June 30, 2009, for the Florida Atlantic University Foundation, Inc., are as follows:

<u>Description</u>	<u>Amount</u>
Notes Payable to Bank in Semiannual Installments of \$400,000 Plus Interest at 4.20 Percent Until May 2012	\$ 2,400,000
Notes Payable to a Bank in Quarterly Installments of \$3,793 Plus Interest at 3.15 Percent Until October 2012	50,104
Total	\$ 2,450,104

Future debt principal payments in the aggregate are as follows:

**FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 813,759	\$ 95,170	\$ 908,929
2011	814,197	60,665	874,862
2012	814,650	26,192	840,842
2013	7,498	89	7,587
Total	\$2,450,104	\$182,116	\$2,632,220

Notes payable at June 30, 2009, for the HBOI Foundation, Inc., are as follows:

<u>Description</u>	<u>Amount</u>
Notes Payable to GE Capital Bank in Monthly Installments of \$750 of Principal and Interest at 3.9 Percent Until December 2011	\$ 19,366
Line of Credit for \$250,000 to a Bank Unsecured and Due on Demand; Monthly Interest Payable at Prime (3.25 Percent at June 30, 2009); Guaranteed by HBOI Foundation, Inc.	70,000
Total	\$ 89,366

Future debt principal payments in the aggregate are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$76,985	\$ 660	\$77,645
2011	8,668	329	8,997
2012	3,713	36	3,749
Total	\$89,366	\$1,025	\$90,391

Capital Leases Payable. Computer, communications, and image scanning equipment in the amount of \$2,380,245 is being acquired under capital lease agreements. The stated interest rate is 0.0 to 3.33 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2009, are as follows:

**FLORIDA ATLANTIC UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2010	\$48,219
2011	23,958
2012	19,151
2013	<u>7,980</u>
Total Minimum Payments	99,308
Less, Amount Representing Interest	<u>(7,185)</u>
Present Value of Minimum Payments	<u><u>\$92,123</u></u>

The University entered into a capital lease agreement in connection with Certificates of Participation issued by Florida Atlantic University Foundation, Inc., to build dormitory buildings on the John D. MacArthur campus in Jupiter, Florida. The University, in exchange for use of the buildings, makes lease payments sufficient to cover all amounts due under the Certificates of Participation. At June 30, 2009, the amount reported by the University as capital leases payable included \$10,310,000, representing the total future minimum payments remaining under the Certificates of Participation.

Certificates of Participation – Component Unit. The Florida Atlantic University Foundation, Inc., issued in 1999 and 2001, the 1999 and 2000 Certificates of Participation (the Certificates) for \$6,230,000 and \$6,300,000, respectively. These funds were used to build dormitory buildings on the John D. MacArthur campus in Jupiter, Florida. The stated interest rates on the 1999 certificates range from 3.5 to 5 percent, while interest rates on the 2000 Certificates range from 4.7 to 5.875 percent. At June 30, 2009, certificates of participation payable are as follows:

<u>COP Series</u>	<u>Amount of Issue</u>	<u>Total Retired</u>	<u>Outstanding Principal</u>	<u>Outstanding Interest</u>	<u>Interest Rates</u>	<u>Maturity Date</u>
1999	\$ 6,230,000	\$ 1,315,000	\$ 4,915,000	\$ 2,804,859	4.375 - 5.0	2028
2000	<u>6,300,000</u>	<u>905,000</u>	<u>5,395,000</u>	<u>4,014,534</u>	5.0 - 5.875	2030
Total	<u><u>\$12,530,000</u></u>	<u><u>\$2,220,000</u></u>	<u><u>\$10,310,000</u></u>	<u><u>\$6,819,393</u></u>		

The Foundation entered into Master Lease agreements with the former Board of Regents (the Board) whereby they are obligated to pay the Board \$1 per year for each property. The Foundation also 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.

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

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are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State 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, 2009, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$23,315,711. The current portion of the compensated absences liability (\$1,355,416) is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

Postemployment Healthcare Benefits Payable. The University follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. 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, an agent multiple-employer defined-benefit plan. The University subsidizes the premium rates paid by retirees by allowing them to participate in the 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 206 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,284,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$2,172,000.

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Annual OPEB Cost and Net OPEB Obligation. The University’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University’s net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 1,628,000
Amortization of Unfunded Actuarial Accrued Liability	1,558,000
Interest on Normal Cost and Amortization	127,000
Annual Required Contribution	3,313,000
Interest on Net OPEB Obligation	94,000
Adjustment to Annual Required Contribution	(81,000)
Annual OPEB Cost (Expense)	3,326,000
Contribution Toward the OPEB Cost	(1,284,000)
Increase in Net OPEB Obligation	2,042,000
Net OPEB Obligation, Beginning of Year	2,173,000
Net OPEB Obligation, End of Year	\$ 4,215,000

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	3,569,000	39.1%	2,173,000
2008-09	3,326,000	38.6%	4,215,000

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$45,191,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$45,191,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$160 million for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.2 percent.

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2007, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the estimated 2008-09 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 28 years.

Other Noncurrent Liabilities. The University participates in the Federal Perkins Loan Program. Under this program, the University receives Federal capital contributions which must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$1,833,748 at June 30, 2009.

11. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are

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established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at 6 years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military 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 and death benefits, and annual cost-of-living adjustments.

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 employer. An employee may participate in the 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 State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

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The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions including employee contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$5,272,310, \$5,312,849, and \$5,845,447, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 342 University participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$1,186,365.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on 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, Division of Retirement.

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 six 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 on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute,

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by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant’s annuity account.

There were 1,487 University participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$9,561,069 and employee contributions totaled \$4,591,387.

12. CONSTRUCTION COMMITMENTS

The University’s major construction commitments at June 30, 2009, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
College of Engineering and Computer Science - Boca	\$ 33,355,864	\$ 7,100,206	\$ 26,255,658
FAU-UF Joint Use Facilities - Davie Campus General Classroom Facility & Multi-Media Center - Boca	26,204,519	1,911,103	24,293,416
Recreation and Wellness Center - Boca	18,481,163	1,691,277	16,789,886
AD Henderson School Classroom Expansion	12,904,756	11,927,203	977,553
	397,982	176,967	221,015
Subtotal	91,344,284	22,806,756	68,537,528
Other Project Expenses (1)	12,816,781	12,816,781	
Total	\$ 104,161,065	\$ 35,623,537	\$ 68,537,528

Note: (1) Other project expenses represent costs associated with construction projects that do not have contractual agreements.

13. OPERATING LEASE COMMITMENTS

During the 2008-09 fiscal year, the University terminated its lease of the facilities at its Dania Beach Campus. The University leased the Biomed Research and Development Park under an operating lease, which expires in 2011. In addition, the University also leased various copiers under operating leases with terms of 60 months. These leased assets and the related commitments are not reported on the University’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

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Fiscal Year Ending June 30	Amount
2010	\$ 260,311
2011	179,455
2012	30,486
2013	10,457
2014	5,228
Total Minimum Payments Required	\$ 485,937

14. 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, and fleet automotive liability. During the 2008-09 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named wind and flood. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; 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 \$100,000 per person, and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

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15. LITIGATION

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University’s legal counsel and management, should not materially affect the University’s financial position.

16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	\$ 134,230,389
Research	21,846,505
Public Services	7,016,325
Academic Support	36,906,273
Student Services	25,674,089
Institutional Support	38,721,081
Operation and Maintenance of Plant	21,087,098
Scholarships and Fellowships	22,237,819
Depreciation	26,330,586
Auxiliary Enterprises	61,150,784
Total Operating Expenses	\$ 395,200,949

17. SEGMENT INFORMATION

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

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Condensed Statement of Net Assets

	Housing	Traffic and Parking Services
Assets		
Current Assets	\$ 14,197,845	\$ 7,665,839
Capital Assets, Net	86,341,098	17,351,252
Total Assets	100,538,943	25,017,091
Liabilities		
Current Liabilities	135,301	94,801
Noncurrent Liabilities	88,050,000	12,410,000
Total Liabilities	88,185,301	12,504,801
Net Assets		
Invested in Capital Assets, Net of Related Debt	(1,708,902)	4,941,252
Unrestricted	14,062,544	7,571,038
Total Net Assets	\$ 12,353,642	\$ 12,512,290

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

	Housing	Traffic and Parking Services
Operating Revenues	\$ 15,771,836	\$ 5,035,296
Depreciation Expense	(2,104,029)	(414,708)
Other Operating Expenses	(7,957,391)	(1,918,142)
Operating Income	5,710,416	2,702,446
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	98,547	59,633
Interest Expense	(4,039,266)	(529,251)
Other Nonoperating Expense	(1,583,062)	(224,026)
Net Nonoperating Expenses	(5,523,781)	(693,644)
Increase in Net Assets	186,635	2,008,802
Net Assets, Beginning of Year	12,167,007	10,503,488
Net Assets, End of Year	\$ 12,353,642	\$ 12,512,290

**FLORIDA ATLANTIC UNIVERSITY
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Condensed Statement of Cash Flows

	Housing	Traffic and Parking Services
Net Cash Provided (Used) by:		
Operating Activities	\$ 7,534,770	\$ 3,475,123
Noncapital Financing Activities	(1,583,062)	(224,026)
Capital and Related Financing Activities	(6,639,590)	(2,885,042)
Investing Activities	1,076,155	
Net Increase in Cash and Cash Equivalents	388,273	366,055
Cash and Cash Equivalents, Beginning of Year	6,761,896	1,309,037
Cash and Cash Equivalents, End of Year	\$ 7,150,169	\$ 1,675,092

18. COMPONENT UNITS

The University has three 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:

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	Direct-Support Organizations			Total
	Florida Atlantic University Foundation, Inc	Florida Atlantic University Research Corporation, Inc.	Florida Atlantic University HBOI Foundation, Inc.	
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 22,343,954	\$ 717,099	\$ 8,936,029	\$ 31,997,082
Capital Assets, Net	11,948,344	4,589	7,930,439	19,883,372
Other Noncurrent Assets	158,468,233		17,909,517	176,377,750
Total Assets	192,760,531	721,688	34,775,985	228,258,204
Liabilities:				
Current Liabilities	9,062,192	453,823	825,290	10,341,305
Noncurrent Liabilities	12,000,946		260,882	12,261,828
Total Liabilities	21,063,138	453,823	1,086,172	22,603,133
Net Assets:				
Invested in Capital Assets, Net of Related Debt	11,948,344	4,589	7,930,439	19,883,372
Restricted	157,223,409		40,682,999	197,906,408
Unrestricted	2,525,640	263,276	(14,923,625)	(12,134,709)
Total Net Assets	\$ 171,697,393	\$ 267,865	\$ 33,689,813	\$ 205,655,071
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues, Net	\$ (3,954,833)	\$ 1,100,967	\$ 7,480,042	\$ 4,626,176
Operating Expenses	16,511,746	1,213,584	8,163,881	25,889,211
Operating Loss	(20,466,579)	(112,617)	(683,839)	(21,263,035)
Net Nonoperating Revenues (Expenses)	(35,607,172)	6,798	(3,417,893)	(39,018,267)
Other Revenues, Expenses, Gains, and Losses	945,228			945,228
Decrease in Net Assets	(55,128,523)	(105,819)	(4,101,732)	(59,336,074)
Net Assets, Beginning of Year	226,825,916	373,684		227,199,600
Adjustment to Beginning Net Assets (1)			37,791,545	37,791,545
Net Assets, Beginning of Year, as Restated	226,825,916	373,684	37,791,545	264,991,145
Net Assets, End of Year	\$ 171,697,393	\$ 267,865	\$ 33,689,813	\$ 205,655,071

Note: (1) See note 2 of the financial statements.

**FLORIDA ATLANTIC UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b) (1)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$ -	\$ 48,429,000	\$ 48,429,000	0%	\$ 159,400,000	30.4%
(1)	\$ -	\$ 45,191,000	\$ 45,191,000	0%	\$ 160,000,000	28.2%

Notes: (1) The most recent actuarial valuation was July 1, 2007. An update, dated October 14, 2008, took into account anticipated PPO cost increases, HMO cost increases, and retiree contribution increases used in the July 31, 2008, report on the Financial Outlook for the State Employees' Group Self-Insurance Trust Fund.

(2) The actuarial cost method used by the University is the entry-age actuarial cost method.



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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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the basic 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, 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. 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*.

We noted certain matters that we reported to University management in our operational report No. 2010-131.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 23, 2010