



FOR THE **GATOR GOOD**

UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT | 2019-2020



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UF ANNUAL FINANCIAL REPORT | 2019-2020

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UNIVERSITY OF FLORIDA

The University of Florida is a comprehensive learning institution built on a land-grant foundation. We are the Gator Nation, a diverse community dedicated to excellence in education and research and shaping a better future for Florida, the nation, and the world.

MISSION

The University's mission is to enable students to lead and influence the next generation and beyond for economic, cultural, and societal benefit by striving to offer broad-based, inclusive public education, leading research, and public service. The fusion of these three endeavors stimulates a remarkable intellectual vitality and generates a synthesis that represents the University's greatest strength.

Education is a fundamental purpose of this University at both the graduate and undergraduate levels. Research and scholarship are integral to the education process and to the expansion of our understanding of the natural world, the intellect, and the senses. Service reflects the University's obligation to share the benefits of its research and knowledge for the public good.

These three interlocking elements span all academic disciplines and represent the University's commitment to lead and serve by pursuing and disseminating new knowledge while building upon the experiences of the past. The University of Florida aspires to advance by strengthening the human condition and improving the quality of life.

HISTORY

The University of Florida, the State's oldest university, traces its beginning of rich history to 1853, when the state-funded East Florida Seminary acquired the Kingsbury Academy in Ocala. After the end of the Civil War, the institution relocated to Gainesville, ultimately consolidated with the State's land grant Florida Agricultural College and was renamed the University of Florida in 1906. At the time, the University was an all-male institution with only 102 students.

Until 1947, the University of Florida was one of only three State universities, along with the Florida State College for Women (now Florida State University) and Florida A&M University. Women attended as early as 1916, and the student body grew to 601 women and 8,177 men when the Legislature removed all barriers for female enrollment in 1947.

Today, the University is one of the largest in the nation, boasting an enrollment of more than 56,000 students. The campus consists of 2,000 acres and more than 900 buildings, including the first Leadership in Energy and Environmental Design (LEED) Platinum-certified building in the state of

Florida. The University is comprised of 16 colleges, offers almost 100 bachelor programs and over 200 masters, doctoral, and professional programs. The University's programs and facilities span more than 180 locations around the State and the globe.

FACULTY

The University faculty, which numbers over 6,000, has over 54 Eminent Scholar Chairs and 45 elections to the National Academies of Science, Engineering, and Medicine or to the American Academy of Arts and Sciences. Present and past faculty include Pulitzer Prize winners, a pioneer in aviation engineering, a leading scholar on econometrics, three winners of NASA's top award for research, one of the four charter members of the Solar Hall of Fame, and a winner of the Smithsonian Institution's award for conservation.

From pharmacy and public relations to pain mitigation and materials engineering, the University of Florida is a recognized leader in a wide variety of specialties and areas. University researchers and scientists have made significant developments and discoveries in many fields, including astronomy, microbiology, metallurgy, and medical technology.

RESEARCH

The University of Florida is a world leader in research, contributing significantly to nearly every field of endeavor. Since 1985, the University of Florida has been a member of the Association of American Universities, which is comprised of 65 leading research universities in the United States and Canada. To date, the University of Florida is the only member university located in Florida.

University researchers have pioneered new therapies and better treatments in the fights against aging and disease. They have developed renewable energy sources that offer great promise in reducing our dependence on fossil fuels, as well as engineered healthier foods, developed more energy-efficient and sustainable construction techniques, and established better ways to protect the environment.

Through the years of research, University of Florida scientists, inventors, engineers, and researchers have developed products and practices that have been distributed and applied with an international reach, improving the lives of millions of people in Florida and around the world.

STUDENTS

The University of Florida's freshman retention rate of 96 percent speaks to the outstanding quality of the University's entire academic experience. Fall 2019 figures indicate an enrollment of over 56,000 students, with almost 80 percent of whom are from Florida. Almost every state in the nation is represented in the University of Florida student body, and the University has a large international enrollment, with over 4,600 international students representing more than 130 countries.

Sixty-seven percent of enrolled students are degree-seeking undergraduates, 21 percent are graduate students and seven percent are in a professional degree program, with the remaining five percent consisting of unclassified or non-degree seeking undergraduates.

University of Florida students also receive many opportunities to participate in extracurricular activities. There are more than 900 student organizations on campus.

The University of Florida is ranked 6th (tied) among public colleges and universities in the U.S. News Best Colleges (2021 ed.) and ranks 2nd in Kiplinger's "Best Public College Values" (2019) and 10th in Forbes "Best Value Public Colleges" (2019). Additionally, UF is ranked 6th in Washington Monthly National Universities public ranking (2020), 11th in the Wall Street Journal/Times Higher Education U.S. public ranking (2021 ed.), 8th in Money Magazine Best Colleges in America Ranked by Value public ranking (2020), and No. 3 in the Milken Institute's ranking of Best Universities for Technology Transfer (2017). The University's consistent ranking among the nation's top universities is a result of the commitment to provide the highest quality education at the best value.

INTRODUCTION FROM THE

SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

I AM PLEASED TO PRESENT the University of Florida's Annual Financial Report for the fiscal year ending on June 30, 2020. It would not be possible to discuss 2020 without first addressing the impact of COVID-19. While the pandemic abruptly altered university operations beginning in March, we were able to adapt successfully and continue our forward momentum in the face of unforeseen circumstances, thanks largely to the ongoing efforts of our students, faculty and staff. Despite significant challenges, the University of Florida continued its forward momentum and maintained its stable financial position.

Throughout the 2020 fiscal year, the University continued making strategic investments in its physical capital and its people, which have been critical to advancing UF's enhanced national stature.

- Along with our continued commitment to enhancing UF's world-class teaching and research through the University's ongoing initiative to appoint 500 faculty, we launched an additional effort to recruit 100 faculty who specialize in artificial intelligence and data science. These appointments will be multi-disciplinary in nature, advancing our vision to create "AI Across the Curriculum" so that all students, no matter the major, can add these critical skills into their academic portfolios. Scheduled to be operational in 2021, the most powerful AI supercomputer in higher education will benefit students, faculty, students and industry throughout Florida and beyond.
- The University benefited from continued support from Governor Ron DeSantis, the Florida Legislature, and State University System Board of Governors which has enabled us to advance student and faculty success and invest in facilities.
- A record number of students totaling over 56,000 enrolled at the University in 2019-20, and in the spring, they quickly pivoted from face-to-face to online learning.
- UF was awarded over \$30 million in federal CARES Act funding during the fiscal year to fund institutional costs and student support during the pandemic. Coupled with additional campus aid, UF provided in excess of \$18 million to our students.
- The Go Greater fundraising campaign received gifts and commitments totaling over \$523 million and is scheduled to reach its \$3 billion goal well ahead of schedule. The generosity of donors and alumni, especially in the face of economic uncertainty, is allowing UF to maintain and increase investments in our future.
- As a land grant university, UF advances agricultural research and education not only in Gainesville, but also through extension offices in each of Florida's 67 counties.
- The University continued investing in physical infrastructure, spanning new construction and renovation of existing facilities. Some notable projects during the year included construction of the Herbert Wertheim Laboratory for Engineering Excellence, renovations to the Nuclear Science Building, a new baseball stadium, and facilities for both the Institute of Black Culture and Institute of Hispanic - Latino Cultures.

As you read the following report concerning the financial activities at the University of Florida during fiscal year 2020, recognize that these results were achieved during unprecedented challenges and with the commitment of the entire UF community.

Sincerely,

Christopher J. Cowen
Senior Vice President and Chief Financial Officer



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Florida, 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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. 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 from material misstatement. The financial statements of Shands Teaching Hospital and Clinics, Inc. and Shands Jacksonville HealthCare, Inc., discretely presented component units, were audited in accordance with auditing standards generally accepted in the United States of America but were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Florida and of its aggregate discretely presented component units as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Florida's basic financial statements. The University Overview and the Introduction from the Senior Vice President and Chief Financial Officer, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The University Overview and the Introduction from the Senior Vice President and Chief Financial Officer have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Partial Comparative Information

We have previously audited the University of Florida's 2018-19 fiscal year financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 6, 2020. In our opinion, the partial comparative information presented as of and for the fiscal year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2021, on our consideration of the University of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 11, 2021
Audit Report No. 2021-127

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto.



THE UNIVERSITY OF FLORIDA (the University) is a component unit of the State of Florida and one of only 17 universities in the country to have the distinction of land, sea and space grant status. As the State's flagship university, it is the only Florida institution to belong to the prestigious Association of American Universities. In addition, the University is one of only six in the country with colleges of law, medicine, agriculture, and veterinary medicine on one central campus, as well as undergraduate and graduate degrees available via distance and online learning. For the fourth year in a row, the University of Florida rose in the *U.S. News & World Report* rankings, based on up to fifteen key measures of quality, once again remaining the most highly ranked university in Florida and the only university in the state in the top 10. As the University continues to climb, it remains highly accessible to students, its sixteen colleges offering students almost 100 undergraduate majors and 200 graduate programs, with an affordable tuition that allows more than half of the University's graduates to leave with no student loan debt.

The University of Florida's student population of over 56,000 makes it an integral part of Gainesville, a town of approximately 134,000 residents and the University's host city. The University of Florida has adopted a strategic development plan, based on an exploration of key issues within the university community and the City of Gainesville, which seeks to shape the University and the surrounding community's future over the next 40 to 50 years. This future is based on sustainable growth - with a 2,000-acre campus and more than 900 buildings, including the first Leadership in Energy and Environmental Design (LEED) Platinum-certified building in the state of Florida, the University now has more LEED-certified buildings than any other American university.

The financial reporting entity for the financial statements includes the University and its component units. Note 1 to the financial statements provides detailed information on the financial reporting entity and discretely presented component units.

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, financial statements, and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2020, and June 30, 2019.

FINANCIAL HIGHLIGHTS

The University continues to maintain and protect its strong financial position, with assets of \$4.4 billion at June 30, 2020. This reflects a \$88.0 million, or 2.1%,

increase from the 2018-19 fiscal year. During the fiscal year, the total investments increased \$44.4 million. The primary investment objective of the University is the safety of the University's principal and liquidity. Secondary to this responsible financial stewardship is the optimization of investment income. The University succeeded in both objectives during the fiscal year, maximizing the use of available funds in a prudent manner.

In addition, the capital assets increased \$42.9 million, primarily due to additional work in progress, as the University continues to invest in updated facilities, including modern research laboratories and classrooms, in support of the University's strategic plan.

While total assets increased, liabilities also increased by \$231.2 million, or 9.5%, totaling \$2.7 billion at June 30, 2020, primarily due to the change in Other Postemployment Benefits Payable (OPEB). The OPEB liability is determined by an actuarial valuation for the expected payments needed to fund projected plan benefits.

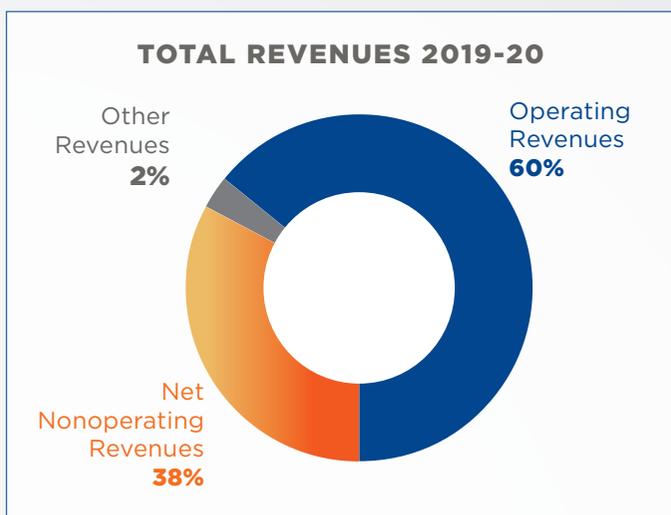
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's net position decreased by \$15.3 million, resulting in a year-end balance of \$1.9 billion.

The University of Florida has a strong and diverse revenue base. Operating revenues, which are revenues generated by the University in fulfilling its instruction, research, and public service missions, totaled \$2.0 billion for the 2019-20 fiscal year, with a 0.5% increase over the 2018-19 fiscal year, a slight increase despite the impact of the COVID-19 pandemic on third and fourth quarter operations. Major components of operating revenues are Student Tuition and Fees and Grants and Contracts.

Student Tuition and Fees, net of Scholarship Allowances, increased by \$24.6 million, or 6.6% as the University witnessed a slight increase in enrollment, primarily for out-of-state graduate students.

The University of Florida is recognized by U.S. News & World Report as one of the Top 10 public research universities in the United States and, as such, Grants and Contracts revenue is essential to the University's success in fulfilling its mission. As the University continues to benefit from the Faculty 500 hiring initiative, the current student-faculty ratio is 17:1, compared to 21:1 five years ago. This new talent will enhance the University's ability in securing competitive research funding and provide graduate and undergraduate students an opportunity to work with these top scholars and researchers as part of their educational experience.

The following chart provides a graphical presentation of the University's total revenues by category for the 2019-20 fiscal year:



Operating expenses totaled \$3.4 billion for the 2019-20 fiscal year, representing a \$154.0 million, or 4.8%, increase compared to the 2018-19 fiscal year. The largest category contributing to this increase was Employee Compensation and Benefits, underlining the University's commitment toward recruiting and retaining exceptional faculty and staff.

State Appropriations, Net Investment Income, and Noncapital Grants, Contracts, and Gifts are all considered nonoperating revenues as they are not generated by the University's primary, ongoing operations. Net nonoperating revenues and expenses in the 2019-20 fiscal year increased by \$9.8 million over the prior year, as federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding offset reductions in other revenue sources.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The financial statements and notes thereto encompass the University and its component units.

The Statement of Net Position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University by employing the accrual basis of accounting, and presents the financial position of the University at a specified time. Net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, is one indicator of the University's current

financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The Statement of Revenues, Expenses, and Changes in Net Position represents 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. GASB Statement No. 35 categorizes revenues and expenses as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The 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 the natural classifications. The University has chosen to report the expenses in their natural classification on the Statement of Revenues, Expenses, and Changes in Net Position and has displayed the functional classification in the Operating Expenses table and in the notes to the financial statements.

Certain revenue sources that the University relies on to provide funding for operations, including State Noncapital 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.

Other Revenues are composed of State Capital Appropriations and Capital Grants, Contracts, and Donations.

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 assists 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 reflect the net cash used by the operating activities of the University. Cash flows from capital and related financing activities include activities of the capital funds and related long-term debt. Cash flows from investing activities reflect the net source and use of cash related to the purchases and sales of investments and income earned on those investments. Cash flows from noncapital financing activities include those activities not covered in the other sections.

The University's basic financial statements include discretely presented component units categorized as follows:

Direct-Support Organizations are separate, not-for-profit corporations organized and operated exclusively to assist the University in achieving excellence by providing supplemental resources from private gifts, bequests, and valuable education support services.

Health Science Center Affiliates are the several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center, including the Faculty Practice Plans.

Shands Hospital and Others includes Shands Teaching Hospital and Clinics, Inc., a not-for-profit corporation that is contractually obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the Health Science Center at the University of Florida. In addition, this category includes the University of Florida Self-Insurance Program and the University of Florida Healthcare Education Insurance Company.

STATEMENT OF NET POSITION

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

Condensed Statement of Net Position (in millions)		
	2020	2019
Assets:		
Current Assets	\$ 1,933.4	\$ 1,914.6
Capital Assets, Net	2,062.9	2,020.0
Other Noncurrent Assets	378.7	352.4
Total Assets	4,375.0	4,287.0
Deferred Outflows of Resources	459.3	335.2
Total Assets and Deferred Outflows of Resources	4,834.3	4,622.2
Liabilities:		
Current Liabilities	429.6	470.6
Noncurrent Liabilities	2,232.9	1,960.7
Total Liabilities	2,662.5	2,431.3
Deferred Inflows of Resources	273.4	277.2
Total Liabilities and Deferred Inflows of Resources	2,935.9	2,708.5
Net Position:		
Net Investment in Capital Assets	1,903.9	1,883.9
Restricted	366.5	283.4
Unrestricted	(372.0)	(253.6)
Total Net Position	\$ 1,898.4	\$ 1,913.7

The increase in assets followed a rise in total investments of \$44.4 million. Investments increased primarily as a result of the University's reinvestment of income earned on institutional investments. Capital assets, depreciable and nondepreciable, increased by \$42.9 million. The increase in capital assets demonstrates the continued importance the University places on providing modern facilities to enhance research and education.

The increase in current assets is a result of an \$18.8 million increase in Net Accounts Receivable, primarily due to additional amounts receivable on federal grants and contracts.

Alternatively, current liabilities decreased due to a combined decrease of \$53.1 million in Accounts Payable, Due to Component Units/University, and Unearned Revenue.

The large increase in noncurrent liabilities is primarily due to a \$195.2 million increase in Other Postemployment Benefits (OPEB) payable and a \$81.6 million increase in the noncurrent portion of Net Pension Liability. GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, requires employers participating in benefit plans other than pensions to report the projected benefit liability in accordance with the standard. The benefit liability is largely driven by actuarial valuations and measurements based on claims cost, age-adjusted premiums, benefit terms and legal agreements existing at the measurement date. Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The change in the Net Pension Liability is driven in part by the market performance for the plan assets as of the measurement date for the plan liabilities.

The reported deferred outflows of resources and deferred inflows of resources are also required under GASB Statements No. 68 and No. 75.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following table summarizes the University's activity for the 2019-20 and 2018-19 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position (in millions)		
	2019-20	2018-19
Operating Revenues	\$ 2,019.1	\$ 2,009.8
Operating Expenses	(3,387.5)	(3,233.5)
Operating Loss	(1,368.4)	(1,223.7)
Net Nonoperating Revenues	1,292.4	1,282.6
Income (Loss) Before Other Revenues	(76.0)	58.9
Other Revenues	60.7	98.9
Increase (Decrease) in Net Position	(15.3)	157.8
Net Position, Beginning of Year	1,913.7	1,755.9
Net Position, End of Year	\$ 1,898.4	\$ 1,913.7

The University continues to maintain a diverse revenue stream which serves to protect the University from over-reliance on a single revenue source. This diversification has helped the University show resistance to revenue loss and maintain stability of operations despite unexpected conditions resulting from the COVID-19 pandemic.

OPERATING REVENUES

The following table summarizes the operating revenues by source that were used to fund operating activities during the 2019-20 and 2018-19 fiscal years:

Operating Revenues (in millions)		
	2019-20	2018-19
Grants and Contracts	\$ 1,443.6	\$ 1,442.0
Student Tuition and Fees, Net of Scholarship Allowances	399.6	375.0
Sales and Services of Auxiliary Enterprises	114.7	131.4
Sales and Services of Educational Departments	53.8	55.9
Other	7.4	5.5
Total Operating Revenues	\$ 2,019.1	\$ 2,009.8

Total operating revenues remained consistent with the prior year. The increase in net student tuition and fees of \$24.6 million is primarily due to additional enrollment from out-of-state graduate students. Due to the University's response to the COVID-19 pandemic, operations noticeably subsided to ensure the safety of students, faculty and staff. Sales and Services of Auxiliary Enterprises experienced the greatest impact of this, with a decrease of \$16.7 million.

OPERATING EXPENSES

The following table summarizes the operating expenses for each method of classification for the 2019-20 and 2018-19 fiscal years:

Operating Expenses (in millions)		
	2019-20	2018-19
Natural Classification		
Employee Compensation and Benefits	\$ 2,429.9	\$ 2,271.6
Services and Supplies	528.7	577.4
Scholarships, Fellowships and Waivers *	199.0	163.1
Depreciation	154.4	143.1
Utilities and Communications	75.5	78.3
Total Operating Expenses	\$ 3,387.5	\$ 3,233.5
Functional Classification		
Instruction	\$ 799.0	\$ 770.5
Public Service	784.9	742.1
Research	739.8	707.2
Academic Support	239.6	213.7
Scholarships, Fellowships and Waivers *	199.0	163.1
Institutional Support	169.4	180.5
Depreciation	154.4	143.1
Operation and Maintenance of Plant	132.9	132.5
Auxiliary Enterprises	120.9	134.0
Student Services	47.6	46.8
Total Operating Expenses	\$ 3,387.5	\$ 3,233.5

* Net of Scholarship Allowances of \$267.7 million in the 2019-20 fiscal year and \$224.7 million in the 2018-19 fiscal year

Operating expenses increased primarily due to a \$158.3 million increase in Employee Compensation and Benefits, which was driven by a rise in the number of faculty and staff working at the University, a University-wide pay raise during the 2019-20 fiscal year, and an increase in pension expense as determined by the pension liability calculation. This overall increase is in direct alignment with the University's strategic plan, a key part of which is attracting and retaining talented faculty and staff. Services and Supplies decreased \$48.7 million primarily due to reduced utilization of contractual services by the University and travel restrictions implemented state-wide in response to the COVID-19 pandemic. Finally, Scholarships, Fellowships and Waivers increased \$35.9 million primarily due to CARES Act grants disbursed to students as aid in response to the COVID-19 pandemic, as well as increases in amounts disbursed under other scholarship programs, net of allowances.

NONOPERATING REVENUES AND EXPENSES

The following table summarizes the University's nonoperating revenues and expenses for the 2019-20 and 2018-19 fiscal years:

Nonoperating Revenues (Expenses) (in millions)		
	2019-20	2018-19
State Noncapital Appropriations	\$ 788.6	\$ 790.4
Federal and State Student Financial Aid	244.3	231.2
Noncapital Grants, Contracts, and Gifts	185.0	184.5
Investment Income, Net of Expenses	43.7	49.8
Net Increase in Fair Value of Investments	16.8	32.6
Loss on Disposal of Capital Assets	(0.1)	(0.2)
Interest on Capital Asset-Related Debt	(6.7)	(6.1)
Other Net Nonoperating Revenues	20.8	0.4
Net Nonoperating Revenues	\$ 1,292.4	\$ 1,282.6



Net Nonoperating Revenues remained consistent when compared to the prior year. Other Net Nonoperating Revenues increased as the University received \$22.8 million in CARES Act funding in response to COVID-19. However revenues from the Net Increase in the Fair Value of Investments decreased by \$15.8 million due to market performance of the University's investments as compared to the prior year.

OTHER REVENUES

The following table summarizes the University's other revenues for the 2019-20 and 2018-19 fiscal years:

Other Revenues (in millions)		
	2019-20	2018-19
State Capital Appropriations	\$ 46.1	\$ 73.4
Capital Grants, Contracts, and Donations	14.6	25.5
Total Other Revenues	\$ 60.7	\$ 98.9

The decrease of \$38.2 million in Other Revenues is primarily due to a decrease Florida's Public Education Capital Outlay funding from the State.

STATEMENT OF CASH FLOWS

The following table summarizes cash flows for the 2019-20 and 2018-19 fiscal years:

Condensed Statement of Cash Flows (in millions)		
	2019-20	2018-19
Cash Provided (Used) by:		
Operating Activities	\$ (1,082.3)	\$ (1,050.8)
Noncapital Financing Activities	1,206.3	1,251.6
Capital and Related Financing Activities	(150.1)	(107.7)
Investing Activities	20.0	(86.4)
Net Increase (Decrease) in Cash and Cash Equivalents	(6.1)	6.7
Cash and Cash Equivalents, Beginning of Year	13.0	6.3
Cash and Cash Equivalents, End of Year	\$ 6.9	\$ 13.0

The University's Statement of Cash Flows is based on the reporting structure outlined by the Governmental Accounting Standards Board (GASB). Much of the University's cash used to fund operating expenses is provided from non-exchange transactions such as State Appropriations, Financial Aid and Noncapital Grants, Contracts, and Gifts. These revenues are considered non-operating under GASB standards and are reflected as such in the University's Statement of Cash Flows.

Major sources of funds for the University came from Grants and Contracts (\$1,423.6 million), State Noncapital Appropriations (\$788.6 million), Student Tuition and Fees, Net (\$395.1 million), Federal and State Financial Aid (\$244.3 million), and Noncapital Grants, Contracts, and Gifts (\$185.0 million). Major uses of funds were for Payments to Employees (\$2,258.3 million), Payments to Suppliers for Goods and Services (\$615.4 million), and the Purchase or Construction of Capital Assets (\$196.8 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2020, the University had approximately \$4.6 billion in capital assets, less accumulated depreciation of \$2.5 billion, for net capital assets of \$2.1 billion. Depreciation charges for the current fiscal year totaled \$154.4 million. Total Capital Assets increased in the 2019-20 fiscal year as construction continued on major projects. This increase reflects the University's dedication to an infrastructure and learning environment that supports its mission and strategic plan. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Total Capital Assets, Net (in millions)		
	2020	2019
Land	\$ 12.5	\$ 12.5
Buildings	1,517.6	1,525.4
Infrastructure and Other Improvements	53.1	47.9
Furniture and Equipment	219.6	210.6
Library Resources	47.8	46.4
Property Under Capital Lease and Leasehold Improvements	13.6	13.2
Other Capital Assets	35.1	43.1
Construction in Progress	163.6	120.9
Total Capital Assets (Nondepreciable and Depreciable, Net)	\$ 2,062.9	\$ 2,020.0

Additional information about the University's capital assets is presented in Note 8 to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses were incurred during the fiscal year on the University's largest ongoing projects, including Herbert Wertheim Laboratory for Engineering Excellence (\$23.3 million), Veterinary Medicine Energy Plant (\$17.6 million), and PK Yonge Middle & High School Expansion (\$8.8 million), which are expected to transform the associated learning and research environments and support the continued growth of the campus community.

The University's construction commitments at June 30, 2020, are as follows:

Major Construction Commitments (in millions)	
Total Commitments	\$ 967.1
Completed to Date	<u>163.6</u>
Balance Committed	<u>\$ 803.5</u>

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

DEBT ADMINISTRATION

The University is mindful of its financial stewardship and manages resources effectively, including the prudent use of debt to finance capital projects. At June 30, 2020, the University had \$158.4 million in outstanding capital asset-related debt. Capital asset related debt primarily consist of bonds issued to fund major construction projects such as student housing, research buildings, student activity centers, and parking garages. The following table summarizes the outstanding capital asset-related debt by type of debt at June 30:

Capital Asset-Related Debt (in millions)		
	2020	2019
Capital Improvement Debt	\$ 149.5	\$ 159.5
Loans and Notes	4.3	4.7
Installment Purchase Agreements	2.6	0.5
Capital Leases	<u>2.0</u>	<u>2.2</u>
Total Capital Asset-Related Debt	<u>\$ 158.4</u>	<u>\$ 166.9</u>

Additional information about the University's capital asset-related debt is presented in Note 12 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University of Florida remains financially secure despite the economic challenges posed by the COVID-19 pandemic. The Florida Economic Estimating Conference met on July 17, 2020 to adopt a new forecast for the State's economy. The forecast for the State of Florida predicts a gradual recovery for the Florida economy through the 2021-2022 fiscal year from lows experienced at the onset of the pandemic. This recovery will span several key economic indicators, including personal income, job growth, employment, and tourism. However any rebound of economic activity will be constrained by the availability of an effective vaccine.

The University holds an AA+ rating from Standard and Poor's Global Ratings (S&P), and an Aa2 rating from

Moody's Investor Services. An annual comment on these ratings issued by Moody's in March 2020 predicted that the University will maintain its excellent strategic positioning despite rapidly evolving business conditions for the higher education sector as a whole brought on by the COVID-19 pandemic, with a widely recognized brand for education and research, favorable student demand, strong operating performance and wealth management, and a highly manageable debt burden enhancing the University's resilience.

These strong ratings not only reflect the University's financial strength and reputation as a leading provider of higher education, but also enable the University to obtain competitive debt financing to support its mission and realize its strategic plan.

The continued State support amid the pandemic are reflected in the University's State Appropriations for the coming fiscal year. The General Revenue and Lottery allocation from the State budget totaled \$825.9 million for the 2020-21 fiscal year; however, \$49.1 million has been held back by order of the Governor in anticipation of potential statewide budget reductions when the legislature next convenes. As part of the 2020-21 budget, the University was allocated an additional \$15.0 million in National Ranking enhancement funds, as well as \$25.0 million in additional operational support funding; however, the effect of the holdback has thus far prevented the benefit of those allocations to be realized. Included in the overall allocation is \$47.7 million in performance funds and \$58.5 million in funding to support preeminence. Furthermore, the budget includes \$16.8 million in funding for the World Class Faculty & Scholar Program and \$16.7 million in funding for the State University Professional and Graduate Degree Excellence Program.

The 2020-21 fiscal year budget clearly reflects, even in a challenging economic environment, the sustained commitment of the Legislature and the Governor to support the University of Florida in its goal of becoming a top five public research university that the state, nation, and world look to for leadership.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplementary information, or requests for additional financial information should be addressed to Alan M. West, Assistant Vice President and Treasurer, P.O. Box 113200, Gainesville, Florida 32611.

Statement of Net Position

As of June 30, 2020 (amounts expressed in thousands)

	University of Florida		Component Units		
	2020	2019	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 1)	\$ 262	\$ 2,559	\$ 51,510	\$ 143,477	\$ 342,070
Investments (Note 4)	1,650,553	1,640,768	115,194	39,940	583,597
Accounts Receivable, Net (Note 5)	118,293	99,473	117,738	97,106	379,840
Loans and Notes Receivable, Net (Note 5)	2,377	2,549	-	-	-
Due From State (Note 6)	97,849	100,287	-	-	9,032
Due From Component Units/University (Note 7)	56,306	61,241	224,276	10,387	119,468
Inventories	4,845	4,491	255	-	75,078
Other Current Assets	2,990	3,241	5,129	1,936	59,566
Total Current Assets	1,933,475	1,914,609	514,102	292,846	1,568,651
Noncurrent Assets:					
Restricted Cash and Cash Equivalents (Note 1)	6,589	10,462	18,023	-	29,519
Restricted Investments (Note 4)	211,580	172,728	1,968,031	7,879	857,180
Other Noncurrent Investments (Note 4)	137,029	141,308	-	-	-
Loans and Notes Receivable, Net (Note 5)	23,486	27,717	-	-	-
Depreciable Capital Assets, Net (Note 8)	1,882,250	1,882,135	194,020	129,894	1,393,931
Nondepreciable Capital Assets (Note 8)	180,627	137,910	128,226	5,872	232,851
Other Noncurrent Assets	-	78	18,373	1,255	206,545
Total Noncurrent Assets	2,441,561	2,372,338	2,326,673	144,900	2,720,026
TOTAL ASSETS	4,375,036	4,286,947	2,840,775	437,746	4,288,677
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Pension Resources (Note 10)	279,039	309,874	-	-	44,894
Deferred Outflows of Other Postemployment Benefits Payable (Note 10)	171,370	16,164	-	-	1,278
Other Deferred Outflows (Note 10)	8,883	9,184	-	-	79,570
TOTAL DEFERRED OUTFLOWS OF RESOURCES	459,292	335,222	-	-	125,742
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,834,328	\$ 4,622,169	\$ 2,840,775	\$ 437,746	\$ 4,414,419
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 78,538	\$ 91,269	\$ 35,136	\$ 14,540	\$ 576,607
Salaries and Wages Payable	62,098	51,092	-	15,122	111,119
Due To Component Units/University (Note 7)	199,343	221,822	143,755	18,888	81,996
Unearned Revenue (Note 11)	40,281	58,199	52,726	19,714	-
Deposits Held in Custody	5,699	6,165	14	165	-
Other Current Liabilities	2,350	-	4,716	-	-
Long-Term Liabilities - Current Portion: (Note 12)					
Capital Improvement Debt Payable	9,992	9,547	-	-	-
Bonds Payable	-	-	5,115	4,447	25,514
Loans and Notes Payable	428	418	20	336	-
Installment Purchase Agreements Payable	570	452	-	-	680
Capital Leases Payable	199	187	-	126	3,484
Compensated Absences Payable	10,773	11,377	346	-	-
Other Postemployment Benefits Payable	16,023	15,774	-	-	-
Net Pension Liability (Note 13)	3,313	4,198	-	-	-
Liability for Self-Insured Claims	-	-	24,490	-	8,540
Total Current Liabilities	429,607	470,500	266,318	73,338	807,940

Statement of Net Position

As of June 30, 2020 (amounts expressed in thousands)

	University of Florida		Component Units		
	2020	2019	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
Noncurrent Liabilities: (Note 12)					
Capital Improvement Debt Payable	\$ 139,454	\$ 149,953	\$ -	\$ -	\$ -
Bonds Payable	-	-	114,260	105,396	1,317,367
Loans and Notes Payable	3,891	4,319	479	5,434	-
Installment Purchase Agreements Payable	2,047	48	-	-	1,116
Capital Leases Payable	1,781	1,980	-	89	8,754
Compensated Absences Payable	126,597	113,459	3,958	-	-
Other Postemployment Benefits Payable	1,222,978	1,027,774	-	-	5,121
Net Pension Liability (Note 13)	721,566	639,920	-	-	-
Liability for Self-Insured Claims	-	-	-	-	30,279
Other Noncurrent Liabilities	14,632	23,286	54,376	11,985	102,025
Total Noncurrent Liabilities	2,232,946	1,960,739	173,073	122,904	1,464,662
TOTAL LIABILITIES	2,662,553	2,431,239	439,391	196,242	2,272,602
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Pension Resources (Note 10)	48,509	60,653	435	-	76,546
Deferred Inflows of Other Postemployment Benefits Payable (Note 10)	224,913	216,538	-	-	1,607
Other Deferred Inflows (Note 10)	-	-	17,077	-	2,121
TOTAL DEFERRED INFLOWS OF RESOURCES	273,422	277,191	17,512	-	80,274
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,935,975	2,708,430	456,903	196,242	2,352,876
NET POSITION					
Net Investment in Capital Assets	1,903,919	1,883,887	197,309	19,939	329,474
Restricted:					
Nonexpendable:					
Endowment	-	-	1,425,140	-	626
Expendable:					
Endowment	-	-	533,442	-	9,120
Loans	41,655	40,117	-	-	-
Capital Projects	259,395	195,724	-	-	-
Debt Service	4,536	5,575	-	-	-
Other	60,833	41,982	19,223	-	196,704
Unrestricted (Note 3)	(371,985)	(253,546)	208,758	221,565	1,525,619
TOTAL NET POSITION	1,898,353	1,913,739	2,383,872	241,504	2,061,543
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,834,328	\$ 4,622,169	\$ 2,840,775	\$ 437,746	\$ 4,414,419

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses, and Changes In Net Position

for the Fiscal Year Ended June 30, 2020 (amounts expressed in thousands)

	University of Florida		Component Units		
	2019-20	2018-19	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
OPERATING REVENUES					
Student Tuition and Fees	\$ 667,287	\$ 599,683	\$ -	\$ -	\$ -
Scholarship Allowances	(267,661)	(224,652)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	399,626	375,031	-	-	-
Federal Grants and Contracts	480,988	497,867	-	-	-
State and Local Grants and Contracts	46,763	49,871	-	-	-
Nongovernmental Grants and Contracts	915,825	894,253	-	-	-
Sales and Services of Auxiliary Enterprises	114,678	131,381	-	-	-
Sales and Services of Educational Departments	53,782	55,886	-	-	-
Sales and Services of Component Units	-	-	179,516	-	11,357
Hospital Revenues	-	-	-	956,970	2,660,975
Gifts and Donations - Component Units	-	-	147,869	-	-
Royalties and Licensing Fees - Component Units	-	-	48,262	-	-
Interest on Loans and Notes Receivable	1,037	1,130	-	-	-
Other Operating Revenues	6,335	4,381	6,115	101,763	61,037
Total Operating Revenues	2,019,034	2,009,800	381,762	1,058,733	2,733,369
OPERATING EXPENSES					
Employee Compensation and Benefits	2,429,894	2,271,619	1,757	106,999	1,227,703
Services and Supplies	528,756	577,319	396,156	245,448	1,247,515
Utilities and Communications	75,509	78,288	-	-	-
Scholarships, Fellowships, and Waivers, Net	198,968	163,122	-	-	-
Depreciation	154,351	143,106	11,157	10,564	146,165
Self-Insured Claims and Expenses	-	-	-	-	13,067
Total Operating Expenses (Note 18)	3,387,478	3,233,454	409,070	363,011	2,634,450
Operating Income (Loss)	(1,368,444)	(1,223,654)	(27,308)	695,722	98,919
NONOPERATING REVENUES (EXPENSES)					
State Noncapital Appropriations	788,598	790,425	7,663	-	7,050
Federal and State Student Financial Aid	244,325	231,233	-	-	-
Noncapital Grants, Contracts, and Gifts	185,017	184,502	-	-	-
Investment Income	47,244	52,773	54,556	2,487	92,985
Net Increase (Decrease) in the Fair Value of Investments	16,836	32,626	1,267	(10,300)	(18,294)
Investment Expenses	(3,559)	(3,096)	(635)	(2,771)	-
Other Nonoperating Revenues	24,126	3,419	16,938	18,420	84,758
Loss on Disposal of Capital Assets	(142)	(179)	-	(17)	(2,940)
Interest on Capital Asset-Related Debt	(6,742)	(6,124)	(3,401)	-	(44,488)
Other Nonoperating Expenses	(3,333)	(2,972)	(19,644)	(715,056)	(119,331)
Net Nonoperating Revenues (Expenses)	1,292,370	1,282,607	56,744	(707,237)	(260)
Income (Loss) Before Other Revenues	(76,074)	58,953	29,436	(11,515)	98,659
State Capital Appropriations	46,048	73,379	-	-	-
Capital Grants, Contracts, and Donations	14,640	25,449	-	-	-
Additions to Permanent Endowments	-	-	61,457	-	-
Total Other Revenues	60,688	98,828	61,457	-	-
Increase (Decrease) in Net Position	(15,386)	157,781	90,893	(11,515)	98,659
Net Position, Beginning of Year	1,913,739	1,755,958	2,292,979	253,019	1,566,805
Adjustment to Beginning Net Position (Note 2)	-	-	-	-	396,079
Adjusted Net Position, Beginning of Year, as Restated	1,913,739	1,755,958	2,292,979	253,019	1,962,884
Net Position, End of Year	\$ 1,898,353	\$ 1,913,739	\$ 2,383,872	\$ 241,504	\$ 2,061,543

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

for the Fiscal Year Ended June 30, 2020 (amounts expressed in thousands)

	University of Florida	
	2019-20	2018-19
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Net	\$ 395,139	\$ 375,407
Grants and Contracts	1,423,555	1,385,052
Sales and Services of Auxiliary Enterprises	108,096	131,179
Sales and Services of Educational Departments	52,807	56,760
Repayment of Loans and Notes Receivable from Students	10,447	12,210
Interest on Loans Receivable	1,046	1,132
Other Operating Receipts	5,282	3,071
Payments to Employees	(2,258,279)	(2,185,518)
Payments to Suppliers for Goods and Services	(615,376)	(660,434)
Payments to Students for Scholarships and Fellowships	(198,968)	(163,122)
Loans Issued to Students	(6,044)	(6,525)
Net Cash Used by Operating Activities	(1,082,295)	(1,050,788)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Noncapital Appropriations	788,598	790,425
Federal and State Financial Aid	244,325	231,233
Noncapital Grants, Contracts, and Gifts	185,017	184,502
Direct Loan Program Receipts	216,047	233,050
Direct Loan Program Disbursements	(216,056)	(233,119)
Net Change in Funds Held for Others	(23,153)	47,343
Other Nonoperating Receipts	23,969	1,617
Other Nonoperating Disbursements	(12,492)	(3,459)
Net Cash Provided by Noncapital Financing Activities	1,206,255	1,251,592
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt	-	31,045
State Capital Appropriations	48,486	61,449
Capital Grants, Contracts, and Donations	14,444	16,413
Proceeds from Sales of Capital Assets	898	1,834
Other Receipts for Capital Projects	158	1,811
Purchase or Construction of Capital Assets	(196,750)	(203,123)
Principal Paid on Capital Debt and Leases	(10,649)	(10,961)
Interest Paid on Capital Debt and Leases	(6,742)	(6,203)
Net Cash Used by Capital and Related Financing Activities	(150,155)	(107,735)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	2,236,008	2,215,136
Purchase of Investments	(2,262,702)	(2,353,683)
Investment Income	46,719	52,183
Net Cash Provided (Used) by Investing Activities	20,025	(86,364)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,170)	6,705
Cash and Cash Equivalents, Beginning of Year	13,021	6,316
Cash and Cash Equivalents, End of Year	\$ 6,851	\$ 13,021
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,368,444)	\$ (1,223,654)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	154,664	143,403
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Receivables, Net	(15,831)	(2,245)
Due From Component Units	4,935	(43,791)
Inventories	(354)	(544)
Other Assets	(216)	(1,029)
Accounts Payable	(10,854)	(3,550)
Salaries and Wages Payable	11,006	2,637
Unearned Revenue	(17,918)	(5,647)
Deposits Held in Custody	109	169
Other Postemployment Benefits Payable	195,453	(25,556)
Compensated Absences Payable	12,534	(393)
Net Pension Liability	80,761	32,947
Deferred Outflows – Pension and OPEB	(124,371)	(11,207)
Deferred Inflows – Pension and OPEB	(3,769)	87,672
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,082,295)	\$ (1,050,788)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES		
The following items are recognized on the Statement of Net Position or the Statement of Revenues, Expenses, and Changes in Net Position, but are not cash transactions for the Statement of Cash Flows:		
Unrealized gain on investments	\$ 16,836	
Acquisition of equipment under installment purchase agreements	\$ 2,614	
Loss on disposal of capital assets	\$ (142)	

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the University of Florida are described below to enhance the usefulness of the financial statements.

A. REPORTING ENTITY

The University of Florida is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees.

The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Florida 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 (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University of Florida is a component unit of the state of Florida, and its financial balances and activities are discretely presented in the State's Comprehensive Annual Financial Report.

B. DISCRETELY PRESENTED COMPONENT UNITS

Based on the application of the criteria for determining component units, certain affiliated organizations are required to be included within the University reporting entity as discretely presented component units because of the significance of their relationship with the University. These organizations are legally separate from the University and are governed by separate boards. The University

further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Hospital and Others. An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information is presented in Note 19.

However, financial activities of certain component units are not included in the University's financial statements and are denoted below with an asterisk (*). The total assets and operating revenues related to these component units are \$24 million and \$18 million, respectively. These amounts represent less than one percent of the total aggregate component units' assets and operating revenues.

C. DIRECT-SUPPORT ORGANIZATIONS

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

- **University of Florida Foundation, Inc.**, solicits, collects, manages, and directs contributions to the various academic departments and programs of the University and assists the University in fund raising, public relations, and maintenance of alumni records. Their financial statements include the activities of the University of Florida Alumni Association, Inc.

- **The University Athletic Association, Inc.**, conducts various inter-collegiate athletic programs for and on behalf of the University.

- **University of Florida Research Foundation, Inc.**, promotes, encourages, and assists research activities of the University through income derived from or related to the development and commercialization of intellectual properties, which include inventions, discoveries, processes, and work products.

- **GatorCare Health Management Corporation** coordinates and facilitates the management of the self-insured health insurance plan of the University and its participating affiliated employers, collecting and paying employer and employee premiums.

■ **Florida Foundation Seed Producers, Inc.**, supplies Florida farmers and producers with crop seed and nursery stock. This organization stocks foundation seed of the best-known varieties acceptable to Florida climate and soils in adequate quantities and at reasonable prices.

■ **University of Florida Development Corporation** develops and maintains Innovation Square where the University-owned Florida Innovation Hub is located.

■ **Gator Boosters, Inc.**, solicits funds for the benefit of the University athletic programs.

■ **Citrus Research and Development Foundation, Inc.**, advances disease and production research and product development activities to ensure the survival and competitiveness of Florida's citrus growers through innovation.

■ **University of Florida Alumni Association, Inc.**, supports activities of the alumni of the University of Florida. Its financial transactions are reflected in the financial statements of the University of Florida Foundation, Inc.

■ **Florida 4-H Club Foundation, Inc.**,* promotes the educational objectives of the 4-H Youth Development Program, an official part of the Florida Cooperative Extension Service.

■ **University of Florida Leadership and Education Foundation, Inc.**,* furthers agriculture and natural resources education and related activities, promotes agriculture and natural resources leadership, and makes contributions to and confers benefits upon the University.

■ **University of Florida Investment Corporation*** promotes the educational purposes of the University of Florida by providing investment research, advice, counsel, and management to and for the University Board of Trustees and affiliated organizations of the University.

■ **UF Historic St. Augustine, Inc.**,* ensures the long-term preservation and interpretation of State-owned historic properties in St. Augustine.

■ **Southwest Florida Research and Education Foundation, Inc.**,* provides research and educational support to the University of Florida Southwest Florida Research and Education Center.

■ **Cattle Enhancement Board, Inc.**,* promotes research, education and extension at, or for the benefit of, the Institute of Food and Agricultural Sciences at the University of Florida on issues related to the Florida cattle industry, including, but not limited to production, disease prevention, forage development, and genetic research and technology.

D. HEALTH SCIENCE CENTER AFFILIATES

The corporations listed below, except Faculty Clinic, Inc., are Faculty Practice Plans, as provided for in Board of Governors Regulation 9.017. The Faculty Practice Plans provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, veterinary, and dental care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the University of Florida J. Hillis Miller Health Science Center (JHMHC) and are component units of the University of Florida.

■ **Florida Clinical Practice Association, Inc.**, bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Medicine.

■ **University of Florida Jacksonville Physicians, Inc.**, bills and collects professional fees from the clinical practice of the University of Florida physicians in order to fund and promote the educational, clinical and research missions, and support the clinical activities, of the Jacksonville campus of the College of Medicine.

■ **Faculty Associates, Inc.**, bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Dentistry.

■ **Florida Veterinary Medicine Faculty Association, Inc.**, bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Veterinary Medicine.

■ **University of Florida College of Pharmacy Faculty Practice Association, Inc.**, performs billing and collection of fees to support the educational, research, and service programs of the University of Florida College of Pharmacy.

■ **Faculty Clinic, Inc.**,* operates primarily as a facility management company that leases space to Shands Jacksonville and University of Florida Jacksonville Physicians, Inc.

■ **University of Florida College of Nursing Faculty Practice Association, Inc.**,* performs billing and collection of professional fees to support the educational, research, and service programs of the University of Florida College of Nursing.

■ **Florida Health Professions Association, Inc.**,* performs billing and collection of clinical professional fees to support the educational, research, and service programs of the University of Florida College of Public Health and Health Professions.



E. SHANDS HOSPITAL AND OTHERS

■ **Shands Teaching Hospital and Clinics, Inc.**, (Shands) was incorporated October 15, 1979, as a not-for-profit corporation. Shands, a major tertiary care teaching institution, is a leading referral center in the state of Florida and the southeast United States and facilitates medical education programs at the University.

Shands entered into a contractual agreement with the State Board of Education as of July 1, 1980, as subsequently restated and amended, to provide for the use of hospital facilities at the JHMHC through December 31, 2057, with renewal provisions. The contractual agreement also provides for the transfer to Shands of all other assets and liabilities arising from the operation of the hospital facilities prior to July 1, 1980. At termination of the contractual agreement, the net position of Shands reverts to the State Board of Education. Legal title to all buildings and improvements transferred to Shands remains with the state of Florida during the term of the contractual agreement. The contractual agreement provides for a 12-month grace period for any event of default, other than the bankruptcy of Shands. In addition, the contractual agreement limits the right of the State Board of Education to terminate the contractual agreement solely to the circumstance in which Shands declares bankruptcy and, in such event, requires net revenues derived from the operation of the hospital

facilities to continue to be applied to the payment of Shands' debts.

Under the terms of the contractual agreement, Shands is obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the JHMHC and further agrees to contract with the State Board of Education for the provision of these programs. By operation of law, the University of Florida Board of Trustees has become the successor-in-interest to the State Board of Education.

■ **Shands Jacksonville HealthCare, Inc.**, (Shands Jacksonville) is a Florida not-for-profit corporation. Shands Jacksonville was organized primarily to provide healthcare and related services to the community, including the City of Jacksonville and surrounding counties, and to support the teaching and research missions of the University.

■ **University of Florida Self-Insurance Program** (the Program) was created by the Florida Board of Regents, succeeded by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes. The Program provides comprehensive general liability and professional liability (malpractice) coverage for the University of Florida and affiliated teaching hospitals that are providing education in healthcare or veterinary services.

■ **University of Florida Healthcare Education Insurance Company** (HEIC) was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. HEIC writes coverage for the participants in the Self-Insurance Program (the Program) for loss exposure above the Program's retention. HEIC obtains excess loss reinsurance coverage from commercial insurance carriers for certain layers of exposure.

F. BASIS OF PRESENTATION

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

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

G. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Position is presented by major sources and is reported net of tuition scholarships, discounts, and allowances. Tuition scholarships, discounts, and allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third-party making payments 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 scholarships, discounts, and allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, using a ratio of total aid to aid not considered 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*.

H. CASH AND CASH EQUIVALENTS

The amount reported by the University as cash and cash equivalents consists 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 assets or other restricted assets, are classified as restricted.

I. INVESTMENTS AND FAIR VALUE MEASUREMENT

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The University reports certain investments at net asset value as allowed per GASB Statement No. 72, *Fair Value Measurement and Application*.

J. CAPITAL ASSETS

University capital assets consist of land, construction in progress, works of art and historical treasures, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease and leasehold improvements, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value on 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 \$4 million for intangible assets, which includes computer software, \$5,000 for tangible personal property, and \$250 for library resources. The costs of all new buildings and projects adding new square footage are capitalized. Infrastructure and leasehold improvements have a \$250,000 capitalization threshold. For building renovations, the threshold is \$250,000, or the entire amount if the costs are at least 25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 5 to 50 years, depending on construction
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Lease and Leasehold Improvements – up to 50 years
- Computer Software – 5 years

K. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits (OPEB) payable, net pension liabilities, and other noncurrent liabilities that are not

scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts and losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Losses on refunding are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method.

L. PENSIONS

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

2. ADJUSTMENTS TO BEGINNING NET POSITION

The beginning net position of Shands was increased by \$396,079,000 as a result of the acquisition of Central Florida Health, Inc. (UFHCF) effective January 1, 2020. As a result of this acquisition, Shands’ consolidated basic financial statements include the financial position and changes in financial position and cash flows of UFHCF as if the acquisition occurred at the beginning of the earliest period presented. Shands recognized, measured and combined the assets, deferred outflows, liabilities, deferred inflows and net position of UFHCF based upon GASB accounting principles.

Table 1 summarizes adjustment to the beginning net position of Shands reported in the Shands Hospital and Others column of the Statement of Revenues, Expenses, and Changes in Net Position:

Description	Shands Hospital and Others
Shands Teaching Hospital & Clinics, Inc.	\$ 396,079,000
Total Adjustments to Beginning Net Position	\$ 396,079,000

3. DEFICIT NET POSITION IN INDIVIDUAL FUNDS

The University reported a net position which included a deficit in unrestricted funds as shown in Table 2. This deficit can be attributed to the full recognition of long-term liabilities (i.e. net pension liabilities – GASB Statement No. 68 – and OPEB payable – GASB Statement No. 75) in these funds.

Table 2. Deficit Net Position in Individual Funds

Description	Net Position
Unrestricted	\$ (371,984,789)
Total	\$ (371,984,789)

4. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements

governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees, as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. Investments of the University and its component units at June 30, 2020, are reported at fair value and shown in Tables 3 through 6.

Table 3. University Investments

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 680,321,132	\$ -	\$ -	\$ 680,321,132
State Board of Administration Debt Service Accounts	8,119	8,119	-	-
Total Investments by Fair Value Level	680,329,251	\$ 8,119	\$ -	\$ 680,321,132
Investments Measured at the Net Asset Value (NAV)				
Private Equity Funds	1,318,832,825			
Total University Investments	\$ 1,999,162,076			

Table 4. University Investments Measured at the NAV

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity Funds	\$ 1,318,832,825	\$ -	N/A	N/A

University investments measured at net asset value are comprised of the following category:

■ **Private Equity Funds** – This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies.

Table 5. Component Unit Investments

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 420,158,759	\$ -	\$ -	\$ 420,158,759
Commercial Paper	6,146,061	6,146,061	-	-
US Guaranteed Obligations	321,727	-	321,727	-
Federal Agency Obligations	20,129,906	15,998,430	4,131,476	-
Domestic Bonds and Notes	114,008,263	41,372,000	72,636,263	-
International Bonds and Notes	1,000,640	-	1,000,640	-
Domestic Stock	129,897,631	128,475,940	29,038	1,392,653
Bond Mutual Funds	186,039,571	135,700,564	50,339,007	-
Equity Mutual Funds	147,074,909	92,824,203	54,250,706	-
Other Investments	31,841,127	13,871,082	15,678,030	2,292,015
Real Estate Investments	3,054,000	3,054,000	-	-
Total Investments by Fair Value Level	1,059,672,594	\$ 437,442,280	\$ 198,386,887	\$ 423,843,427
Investments Measured at the Net Asset Value (NAV)				
International Equity	88,940			
Real Estate Investments (Directly Owned)	6,634,817			
Hedge Funds	5,645,839			
Private Equity Funds	2,438,142,316			
Total Investments Measured at the NAV	2,450,511,912			
Total Investments Measured at Fair Value	3,510,184,506			
Other				
Money Market Funds	22,877,074			
Cash Surrender Value of Life Insurance Policy	496,342			
Certificates of Deposits	7,332,000			
Cash Collateral on Deposit with Swap Counterparty	6,340,000			
Real Estate Investments	15,526,000			
Other Investments	9,064,586			
Total Other Investments	61,636,002			
Total Component Unit Investments	\$ 3,571,820,508			

Table 6. Component Unit Investments Measured at the NAV

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International Equity	\$ 88,940	\$ -	Illiquid	N/A
Real Estate Investments	6,634,817	-	Illiquid	N/A
Hedge Funds	5,645,839	-	Quarterly	45 Days
Private Equity Funds	2,438,142,316	271,262,903	Monthly	30 Days
Total Component Unit Investments	\$ 2,450,511,912	\$ 271,262,903		

Component unit investments measured at net asset value are comprised of the following categories:

■ **International Equity** - This category includes an investment in a foreign-based publicly-traded company focused on providing law enforcement with new tools and technology.

■ **Real Estate Investments** - This category includes contributions in the form of real estate with donor restrictions that the properties are to be sold and the proceeds to benefit the University or University of Florida Foundation. The real

estate is held at fair value less estimated costs to sell.

■ **Hedge Funds** - This category includes an investment in a hedge fund in which the fund manager is authorized to invest in a broad spectrum of securities that include, but are not limited to the following; equity and debt securities, currency, commodities, foreign debt, options, futures, and swaps.

■ **Private Equity Funds** - This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies.

A. EXTERNAL INVESTMENT POOLS

The University and its discretely presented component units (see Note 1) reported investments at fair value totaling \$680,321,132 and \$420,158,759, respectively, at June 30, 2020, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA investment pool carried a credit rating of AA-f by Standard & Poor's and had an effective duration of 0.43 years and fair value factor of 1.0291 at June 30, 2020. Participants contribute to the SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the

State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

B. OTHER INVESTMENTS

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, and mutual funds. For the University, the majority of the other investments are private equity funds managed by the University of Florida Investment Corporation (UFICO). For the University's discretely presented component units, other investments are those reported primarily by the University of Florida Foundation, Inc., The University Athletic Association, Inc., Florida Clinical Practice Association, Inc., Shands Teaching Hospital and Clinics, Inc., Shands Jacksonville HealthCare, Inc., and the University of Florida Self-Insurance Program. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools:

■ **Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University's component



units in debt securities, bonds and notes, and bond mutual funds, and their future maturities at June 30, 2020, are shown in Table 7.

■ **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. The private equity funds are unrated. At June 30, 2020, the University’s component units had bonds and notes and bond mutual funds, with quality ratings by nationally recognized rating agencies (e.g., Moody’s Investors Service), as shown in Table 8.

■ **Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University’s name. The University has no formal policy on custodial credit risk. The component units manage their custodial credit risk based on various investment policies, which may be obtained separately from the component units.

■ **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the University’s investments in a single issuer. The University has no formal policy on concentration of credit risk. The component units manage their concentration of credit risk

based on various investment policies, which may be obtained separately from the component units.

5. RECEIVABLES

A. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for grant and contract reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. Accounts receivable, net of an allowance for uncollectible accounts, reported as of June 30, 2020, are summarized in Table 9.

Table 9. Accounts Receivable

Description	
Grants and Contracts	\$ 86,300,631
Student Tuition and Fees	20,091,358
Sales and Services	10,363,476
Interest	1,537,859
Total Accounts Receivable, Net	\$ 118,293,324

B. LOANS AND NOTES RECEIVABLE

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

Table 7. Component Units Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 321,727	\$ -	\$ 321,727	\$ -	\$ -
Federal Agency Obligations	20,129,906	20,129,906	-	-	-
Bonds and Notes	115,008,903	11,809,995	55,475,518	37,915,390	9,808,000
Bond Mutual Funds	186,039,571	4,175,598	161,365,866	20,498,107	-
Total	\$ 321,500,107	\$ 36,115,499	\$ 217,163,111	\$ 58,413,497	\$ 9,808,000

Table 8. Component Units Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Federal Agency Obligations	\$ 20,129,906	\$ -	\$ 19,190,200	\$ -	\$ 939,706
Bonds and Notes	115,008,903	5,381,235	6,162,889	7,729,249	95,735,530
Money Market Funds	22,877,074	4,903,074	-	-	17,974,000
Bond Mutual Funds	186,039,571	62,464,784	63,509,952	32,327,297	27,737,538
Total	\$ 344,055,454	\$ 72,749,093	\$ 88,863,041	\$ 40,056,546	\$ 142,386,774

C. ALLOWANCES FOR UNCOLLECTIBLE RECEIVABLES

Allowances for uncollectible accounts and loans and notes receivable are reported based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$11,679,979, which is 26.7% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$4,523,254, which is 14.9% of total related loans and notes receivable. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

6. DUE FROM STATE

This amount consists of \$97,848,538 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund,

and general revenue allocations due from the State to the University for construction of University facilities.

7. DUE FROM AND TO COMPONENT UNITS/ UNIVERSITY

Component units' due from and due to amounts include receivables and payables between the various component unit columns. Some component units are not presented (see Note 1). Accordingly, amounts reported by the University as due from and to component units on the Statement of Net Position may not agree with amounts reported by the component units as due from and to the University.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2020, is presented in Table 10.

Table 10. Capital Assets

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 12,467,035	\$ -	\$ -	\$ 12,467,035
Construction in Progress	120,860,252	135,352,894	92,632,492	163,580,654
Works of Art and Historical Treasures	4,582,422	112,753	115,616	4,579,559
Total Nondepreciable Capital Assets	137,909,709	135,465,647	92,748,108	180,627,248
Depreciable Capital Assets:				
Buildings	3,012,083,340	81,398,547	1,179,922	3,092,301,965
Infrastructure and Other Improvements	134,561,097	9,629,616	444,827	143,745,886
Furniture and Equipment	659,841,028	50,738,773	26,880,762	683,699,039
Library Resources	360,064,497	11,962,062	464,808	371,561,751
Property Under Capital Lease and Leasehold Improvements	23,113,034	1,874,121	-	24,987,155
Computer Software	62,886,853	-	-	62,886,853
Other Capital Assets	878,202	378,300	25,750	1,230,752
Total Depreciable Capital Assets	4,253,428,051	155,981,419	28,996,069	4,380,413,401
Less Accumulated Depreciation:				
Buildings	1,486,651,203	89,146,811	1,073,182	1,574,724,832
Infrastructure and Other Improvements	86,607,400	4,435,999	444,827	90,598,572
Furniture and Equipment	449,241,314	40,354,950	25,474,146	464,122,118
Library Resources	313,629,125	10,594,574	464,808	323,758,891
Property Under Capital Lease and Leasehold Improvements	9,926,802	1,413,193	-	11,339,995
Computer Software	24,533,000	8,310,002	-	32,843,002
Other Capital Assets	704,365	95,065	23,742	775,688
Total Accumulated Depreciation	2,371,293,209	154,350,594	27,480,705	2,498,163,098
Total Depreciable Capital Assets, Net	1,882,134,842	1,630,825	1,515,364	1,882,250,303
Total Capital Assets, Net	\$ 2,020,044,551	\$ 137,096,472	\$ 94,263,472	\$ 2,062,877,551

9. MUSEUM AND ART COLLECTIONS

The Florida Museum of Natural History, which is the official state-sponsored and chartered natural history museum and part of the University, maintains a depository of biological, paleontological, archaeological, and ethnographic materials. The Museum's collections contain over 40 million specimens and objects, more than half of which are catalogued, either individually or in lots. While many of the collections are undoubtedly quite valuable and irreplaceable, the University has not placed a dollar value on these items and, accordingly, the financial statements do not include these assets.

The Samuel P. Harn Museum of Art, which is also part of the University, maintains a collection of over 11,000 works of art. In accordance with professional practice among the nation's art museums, and in compliance with museum accreditation standards, the University has not placed a dollar value on these items.

10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Certain changes in the University's proportionate share of the net pension liabilities of the cost-sharing multiple-employer Florida Retirement System and Health Insurance Subsidy defined benefit plans, as well as in the University's proportionate share of the total other postemployment benefits liability of the Division of State Group Insurance, are reported as deferred outflows and inflows of resources. These include changes in actuarial assumptions, differences between actual and expected experience in the measurement of the liabilities, the net difference between projected and actual earnings on pension plan investments as well as changes in the University's proportion of the collective liabilities since the prior measurement date, and changes between the University's contributions and its proportionate share of contributions. In

addition, University contributions to the pension and other post-employment benefits plans subsequent to the measurement date for the collective liabilities are reported as deferred outflows of resources. See Note 12 for a discussion of the University's other postemployment benefits payable and the related deferred outflows and inflows of resources. See Note 13 for a complete discussion of the University's defined benefit pension plans and the related deferred outflows and inflows of resources. Other deferred outflows consists of the resources tied to the asset retirement obligation recorded by the University under GASB Statement No. 83. See Note 12 for a complete discussion of the University's asset retirement obligation and the related deferred outflows.

11. UNEARNED REVENUE

Unearned Revenue includes amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Unearned Revenue as of June 30, 2020, is summarized in Table 11.

Table 11. Unearned Revenue

Description	
Grants and Contracts	\$ 28,578,319
Student Tuition and Fees	6,406,540
Auxiliary Enterprises	5,296,248
Total Unearned Revenue	\$ 40,281,107

12. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2020, include capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liability activity for the fiscal year ended June 30, 2020, is presented in Table 12.

Table 12. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Asset-Related Debt:					
Capital Improvement Debt Payable	\$ 159,500,415	\$ -	\$ 10,054,502	\$ 149,445,913	\$ 9,992,000
Loans and Notes Payable	4,736,782	-	417,839	4,318,943	427,671
Installment Purchase Agreements Payable	500,088	2,613,999	496,860	2,617,227	570,400
Capital Leases Payable	2,167,241	-	187,380	1,979,861	199,466
Total Capital Asset-Related Debt	166,904,526	2,613,999	11,156,581	158,361,944	11,189,537
Other Long-Term Liabilities:					
Compensated Absences Payable	124,836,076	22,858,056	10,324,214	137,369,918	10,772,544
Other Postemployment Benefits Payable	1,043,548,000	436,529,410	241,076,698	1,239,000,712	16,022,540
Net Pension Liability	644,118,253	439,142,985	358,382,727	724,878,511	3,312,845
Other Noncurrent Liabilities	23,286,415	500,000	9,154,291	14,632,124	-
Total Long-Term Liabilities	\$ 2,002,693,270	\$ 901,644,450	\$ 630,094,511	\$ 2,274,243,209	\$ 41,297,466

A. CAPITAL IMPROVEMENT DEBT PAYABLE

Capital improvement debt is issued to construct student housing, parking, and various other University facilities. The outstanding debt for student housing and the parking facilities is secured by a pledged portion of housing rental revenues and parking fees. The outstanding debt for the Clinical Translational Research Building is secured by a pledged portion of indirect cost revenues received by

the College of Medicine. The outstanding debt for the renovation and expansion of the student activity center building is secured by a pledged portion of the student and activity fees. Pledged revenues are equal to the remaining debt service requirements to maturity for the capital improvement debt.

A summary of the University's capital improvement debt payable at June 30, 2020, is presented in Table 13.

Table 13. Capital Improvement Debt Payable

Type and Series	Amount of Original Issue	Amount Outstanding		Interest Rates	Maturity Date
		Principal	Interest		
Student Housing Auxiliary Debt:					
2011A Housing	\$ 16,350,000	\$ 5,410,000	\$ 975,663	3.00 to 4.00%	2028
2012A Housing	26,500,000	17,550,000	3,731,200	3.00 to 4.00%	2031
2013A Housing	24,805,000	16,955,000	4,596,831	3.00 to 5.00%	2033
2016A Housing	19,390,000	14,980,000	3,421,088	3.00 to 5.00%	2030
Total Student Housing Debt	87,045,000	54,895,000	12,724,782		
Parking Garage Auxiliary Debt:					
2018A Parking	39,070,000	37,260,000	14,898,550	4.00 to 5.00%	2038
Total Parking Garage Debt	39,070,000	37,260,000	14,898,550		
Other University of Florida Revenue Bonds:					
2011 Clinical Translational Research Building	29,838,000	18,737,000	4,659,770	4.43%	2030
2013 Student Activity	41,540,000	31,365,000	10,661,706	4.00 to 5.00%	2033
Total Other University of Florida Revenue Bonds	71,378,000	50,102,000	15,321,476		
Plus: Unamortized Premiums	-	8,236,485	-		
Less: Unamortized Discounts	-	(22,130)	-		
Less: Unamortized Refunding Losses	-	(1,025,442)	-		
Total Capital Improvement Debt	\$ 197,493,000	\$ 149,445,913	\$ 42,944,808		



Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2020 are presented in Table 14.

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 9,992,000	\$ 6,045,056	\$ 16,037,056
2022	10,459,000	5,574,892	16,033,892
2023	10,960,000	5,081,523	16,041,523
2024	10,587,000	4,577,830	15,164,830
2025	11,045,000	4,114,076	15,159,076
2026-2030	58,109,000	13,229,894	71,338,894
2031-2035	23,160,000	3,670,237	26,830,237
2036-2039	7,945,000	651,300	8,596,300
Total Principal & Interest	142,257,000	42,944,808	185,201,808
Plus: Unamortized Premiums	8,236,485	-	8,236,485
Less: Unamortized Discounts	(22,130)	-	(22,130)
Less: Unamortized Refunding Losses	(1,025,442)	-	(1,025,442)
Total	\$ 149,445,913	\$ 42,944,808	\$ 192,390,721

B. LOANS AND NOTES PAYABLE

On August 30, 2013, the University borrowed \$6,472,538 at an interest rate of 2.33% to finance the cost of energy savings contracts and renovation of the J. Wayne Reitz Union. The principal and interest costs are expected to be met by cost savings of the newer system. The University's outstanding note is secured with collateral of the energy performance equipment used in the renovation. The note contains a provision that in an event of default, the contract can be terminated and equipment returned and/or declare all payments payable under the contract to the end of the then current budget year of the University, to be immediately due and payable. The note matures on August 31, 2029, and principal and interest payments are made annually. Annual requirements to amortize the note as of June 30, 2020, are presented in Table 15.

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 427,671	\$ 96,001	\$ 523,672
2022	437,734	85,938	523,672
2023	448,034	75,638	523,672
2024	458,576	65,096	523,672
2025	469,366	54,306	523,672
2026-2030	2,077,562	104,402	2,181,964
Total	\$ 4,318,943	\$ 481,381	\$ 4,800,324

C. INSTALLMENT PURCHASE AGREEMENTS PAYABLE

The University has entered into several installment purchase agreements for the purchase of equipment with original cost

bases totaling \$2,967,249. There is no remaining stated interest on any of the outstanding agreements. Future minimum payments remaining under installment purchase agreements as of June 30, 2020, are presented in Table 16.

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 570,400	\$ -	\$ 570,400
2022	522,800	-	522,800
2023	522,800	-	522,800
2024	522,800	-	522,800
2025	478,427	-	478,427
Total Minimum Payments	\$ 2,617,227	\$ -	\$ 2,617,227

D. CAPITAL LEASES PAYABLE

The University entered into a lease agreement with the University of Florida Foundation, Inc. (the Foundation), a direct-support organization (component unit) of the University. Under the terms of the agreement, the University agreed to lease from the Foundation a 607-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning July 1, 1994. Lease payments of \$100,000 annually are due each July 1. Lease payments from the University to the Foundation were based on an original construction cost of \$3,000,000 and no interest. For reporting purposes, the lease is considered a capital lease under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The initial obligation was discounted at an imputed interest

rate of 6.45% and was recorded at \$1,382,470. The asset, which is included in the Property Under Capital Lease and Leasehold Improvements, was recorded at a cost of \$3,000,000.

The University entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Annual lease payments of \$227,167 are due each May 1, which began on May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under GASB Statement No. 62. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$2,981,939. The asset, which is included in the Property Under Capital Lease and Leasehold Improvements, was recorded at a cost of \$6,815,002. A summary of pertinent information related to the two capital leases is presented in Table 17.

Table 17. Capital Leases Payable

Capital Leases	Interest Rate	Original Balance	Outstanding Balance
Garage No. 06 (607 spaces)	6.45%	\$ 1,382,470	\$ 342,970
Garage No. 10 (800 spaces)	6.45%	2,981,939	1,636,891
Total		\$ 4,364,409	\$ 1,979,861

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2020, are presented in Table 18.

Table 18. Capital Leases Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 199,466	\$ 127,701	\$ 327,167
2022	212,331	114,835	327,166
2023	226,027	101,140	327,167
2024	240,605	86,561	327,166
2025	156,124	71,042	227,166
2026-2030	945,308	190,528	1,135,836
Total	\$ 1,979,861	\$ 691,807	\$ 2,671,668

E. COMPENSATED ABSENCES PAYABLE

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Regulations, University Regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance.

The University reports a liability for the accrued leave in accordance with its policy regarding leave payment upon separation from employment. However, state noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations.

At June 30, 2020, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$137,369,918. The current portion of the compensated absences liability 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.

F. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

General Information about the OPEB Plan

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

for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor’s recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

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

Proportionate Share of the Total OPEB Liability

The University’s proportionate share of the total OPEB liability of \$1,239,000,712 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2019. At June 30, 2019, the University’s proportionate share, determined by its proportion of total benefit payments made, was 9.79%, which decreased 0.10% from its proportionate share measured as of June 30, 2018.

■ Actuarial Assumptions and Other Inputs – The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified, as presented in Table 19.

Table 19. Actuarial Assumptions - OPEB

Inflation	2.60%
Salary Increases	Varies by FRS Class
Discount Rate	2.79%

Healthcare cost trend rates for the Preferred Provider Organizations (PPO) and Health Maintenance Organizations (HMO), respectively, are 6.7% and 5.2% for the 2019-20 fiscal year, increasing to a maximum rate of 8.6% and 6.6% in the 2022-23 fiscal year, and decreasing to 5.2% and 5.3% for 2072 and later years.

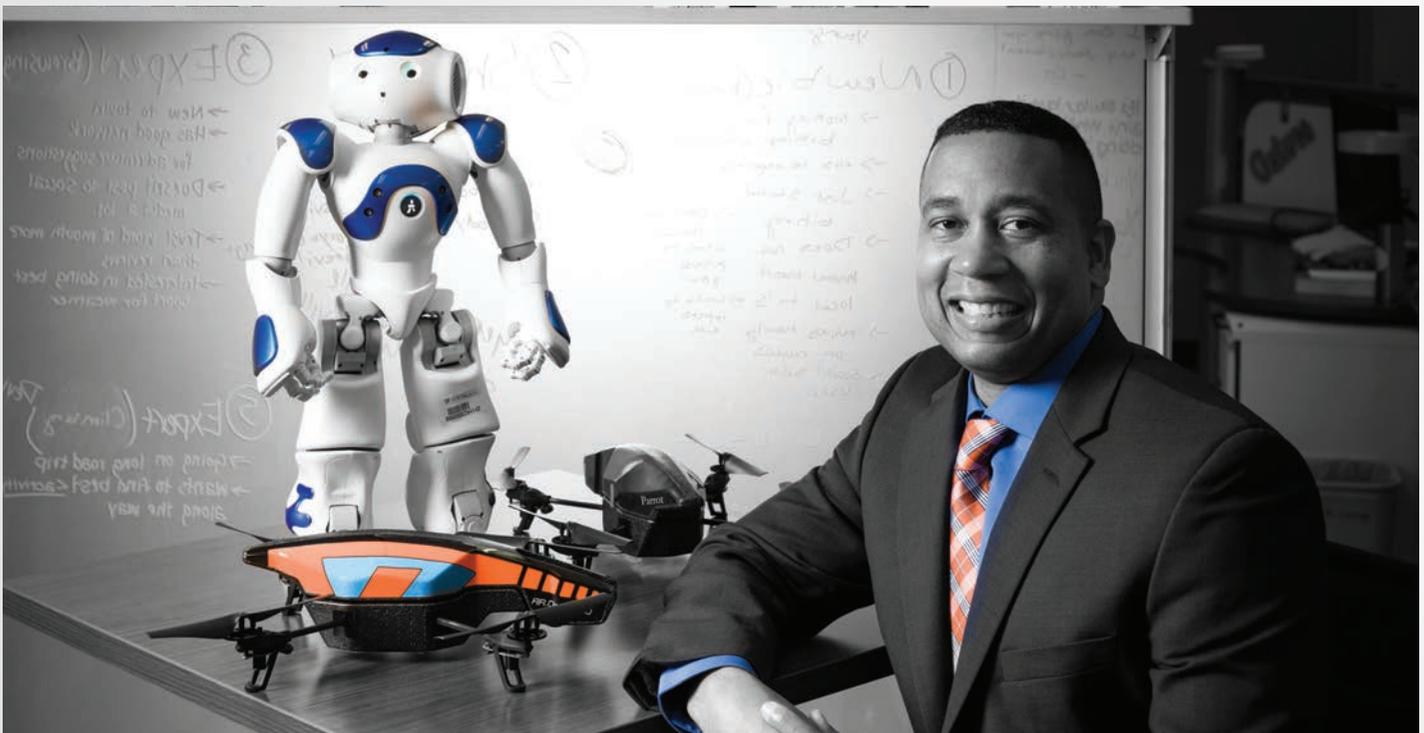
The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of June 30, 2019.

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

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

The following changes have been made since the prior valuation:

- The discount rate as of the measurement date for GASB 75 purposes was changed to 2.79%. The prior GASB 75 report used 3.87%.
- The liability was increased 12 percent to reflect the full impact of the Excise Tax that will come into effect in 2022, notwithstanding a reasonable chance that this excise tax will be repealed before it takes effect.



■ **Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate** – Table 20 presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.79%) or 1 percentage point higher (3.79%) than the current rate:

Table 20. Sensitivity to Changes in Discount Rate - OPEB

	1% Decrease 1.79%	Current Discount Rate 2.79%	1% Increase 3.79%
University's Proportionate Share of the Total OPEB Liability	\$ 1,553,499,819	\$ 1,239,000,712	\$ 999,990,587

■ **Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** – Table 21 presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

Table 21. Sensitivity to Changes in Healthcare Cost Trend Rates - OPEB

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's Proportionate Share of the Total OPEB Liability	\$ 972,551,682	\$ 1,239,000,712	\$ 1,609,176,469

■ **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – For the fiscal year ended June 30, 2020, the University recognized OPEB expense of \$64,643,879. At June 30, 2020, the University reported deferred outflows of resources and deferred

inflows of resources related to OPEB as presented in Table 22. Of the total amount reported as deferred outflows of resources related to OPEB, \$16,022,540 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as presented in Table 23.

Table 23. Recognition of Deferred Inflows Related to OPEB

Fiscal Year Ending June 30	
2021	\$ (17,679,150)
2022	(17,679,150)
2023	(17,679,150)
2024	(17,679,150)
2025	(17,676,256)
Thereafter	18,827,689
Total	\$ (69,565,167)

G. ASSET RETIREMENT OBLIGATION PAYABLE

The University follows GASB Statement No. 83, *Certain Asset Retirement Obligations*, to account for significant asset retirement obligations (AROs). These AROs are included as part of Other Noncurrent Liabilities in Table 12, and the total amount of the AROs for the University was \$9,480,000 as of June 30, 2020. The University's AROs consist of radioactive and biohazardous tangible capital assets. The University utilizes governmental agency estimates and current remediation costs to estimate the AROs. The source of the obligations are federal and state regulations, and there are no legally required funding or assurance provisions associated with the AROs. There are no assets restricted for payments of the AROs. The remaining useful lives of the tangible capital assets range from 25 to 50 years. The University amortizes the associated deferred outflows of resources associated with the AROs by applying the straight-line method over the estimated remaining useful lives of the assets.

Table 22. Deferred Outflows and Inflows of Resources Related to OPEB

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognition Period
Change of Assumptions	\$ 155,347,531	\$ 175,208,943	8.0 years
Differences Between Expected and Actual Experience	-	31,898,884	8.0 years
Changes in Proportion and Differences Between University Benefit Payments and Proportionate Share of Benefit Payments	-	17,804,871	8.0 years
Transactions Subsequent to the Measurement Date	16,022,540	-	1.0 years
Total	\$ 171,370,071	\$ 224,912,698	

13. RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

The University follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for reporting the employer's proportionate share of the net pension liabilities for the FRS and HIS defined benefit plans.

General information about the Florida Retirement System and Health Insurance Subsidy Program

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

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

The University's pension expense totaled \$161,601,983 for the 2019-20 fiscal year for both the FRS Pension Plan and HIS Program.

1. Florida Retirement System Defined Benefit Pension Plan

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

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

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

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

■ **Benefits Provided** – Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011,

the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. Table 24 shows the percentage value for each year of service credit earned.

Table 24. Percentage Value of Service Credit Earned per Year

Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Senior Management Service Class	2.00%
Special Risk Class	
Service on and after October 1, 1974	3.00%

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3.00% per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3.00%, determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement, multiplied by 3.00%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

■ **Contributions** – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year are shown

in Table 25. The University's contributions to the Plan totaled \$53,482,766 for the fiscal year ended June 30, 2020.

Table 25. Florida Retirement System Contribution Rates

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00%	8.47%
Florida Retirement System, Senior Management Service	3.00%	25.41%
Florida Retirement System, Special Risk	3.00%	25.48%
Deferred Retirement Option Program-Applicable to Members from all of the Above Classes	0.00%	14.60%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates for each membership class include 1.66% for Health Insurance Subsidy. Also, employer rates, other than for DROP participants, include 0.06% for administrative costs of the Investment Plan.

(B) Contribution Rates are dependent upon retirement class in which reemployed.

■ **Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

– At June 30, 2020, the University reported a liability of \$558,623,812 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 1.62%, which was the same as its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$147,495,890. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions as presented in Table 26.

Table 26. Deferred Outflows and Inflows Related to Pensions - FRS

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognition Period
Differences Between Expected and Actual Experience	\$ 33,133,576	\$ 346,677	6.4 years
Change of Assumptions	143,478,631	-	6.4 years
Net Difference Between Projected and Actual Earnings on FRS Plan Investments	-	30,905,985	5.0 years
Changes in Proportion and Difference Between University Contributions and Proportionate Share of Contributions	15,437,489	3,464,586	6.4 years
University FRS Contributions Subsequent to the Measurement Date	53,482,766	-	1.0 year
Total	\$ 245,532,462	\$ 34,717,248	

The deferred outflows of resources related to pensions totaling \$53,482,766 resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown in Table 27.

Table 27. Recognition of Deferred Outflows and Inflows Related to Pensions - FRS

Fiscal Year Ending June 30

2021	\$	57,991,458
2022		17,662,481
2023		40,041,695
2024		31,200,802
2025		8,528,976
Thereafter		1,907,036
Total	\$	157,332,448

Actuarial Assumptions – The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as presented in Table 28.

Table 28. Actuarial Assumptions - FRS

Inflation	2.60%	
Salary Increases	3.25%	average, including inflation
Investment Rate of Return	6.90%	net of pension Plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

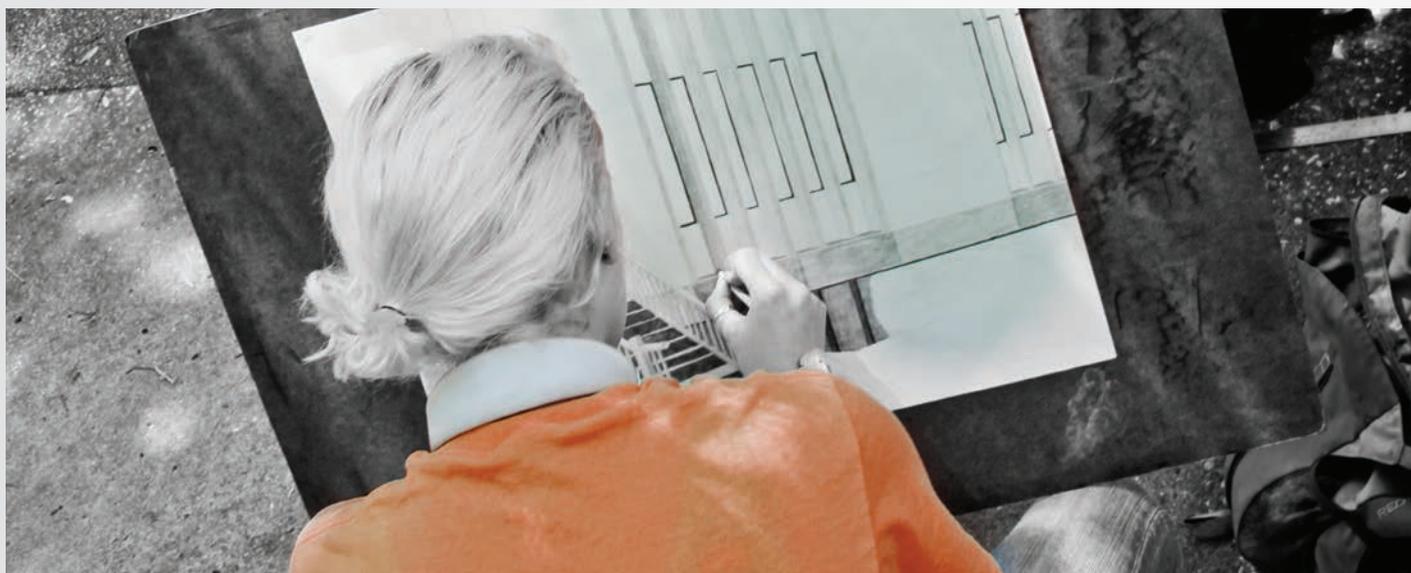
The actual assumptions, used in the July 1, 2019, valuation, were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on Plan investments was not based on historical returns, but instead was based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption was based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of long-term expected rates of arithmetic return for each major asset class are summarized in Table 29.

Table 29. Target Allocation and Expected Rate of Return

Asset Class	Target Allocation	Long-Term
		Expected Rate of Return
Cash	1.00%	3.30%
Fixed Income	18.00%	4.10%
Global Equity	54.00%	8.00%
Real Estate (Property)	10.00%	6.70%
Private Equity	11.00%	11.20%
Strategic Investments	6.00%	5.90%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 6.90%, which was a decrease of 0.10% from the prior measurement date. The Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.



■ **Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – Table 30 presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%) than the current rate.

Table 30. Sensitivity to Changes in Discount Rate - FRS

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
University's Proportionate Share of the Net Pension Liability	\$ 965,674,550	\$ 558,623,812	\$ 218,667,594

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

2. Health Insurance Subsidy Defined Benefit Pension Plan

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

■ **Benefits Provided** – For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement, multiplied by \$5. The payments are at least \$30, but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

■ **Contributions** – The HIS Plan is funded by required contributions from FRS participating employers, as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66% of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100%

of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The University's contributions to the HIS Plan totaled \$8,668,442 for the fiscal year ended June 30, 2020.

■ **Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2020, the University reported a liability of \$166,254,699 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 1.49%, which was an increase of 0.01% from its proportionate share of 1.48% measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the University recognized pension expense of \$14,106,093. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions as presented in Table 31.

Table 31. Deferred Outflows and Inflows Related to Pensions - HIS

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognition Period
Differences Between Expected and Actual Experience	\$ 2,019,349	\$ 203,574	7.2 years
Change of Assumptions	19,250,724	13,588,304	7.2 years
Net Difference Between Projected and Actual Earnings on Plan Investments	107,282	-	5.0 years
Changes in Proportion and Difference Between University Contributions and Proportionate Share of Contributions	3,460,462	-	7.2 years
University Contributions Subsequent to the Measurement Date	<u>8,668,442</u>	<u>-</u>	1.0 years
Total	<u>\$33,506,259</u>	<u>\$ 13,791,878</u>	

The deferred outflows of resources related to pensions totaling \$8,668,442 resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown in Table 32.

Table 32. Recognition of Deferred Outflows and Inflows Related to Pensions - HIS

Fiscal Year Ending June 30	
2021	\$ 4,587,532
2022	3,629,044
2023	1,900,116
2024	(783,410)
2025	401,599
Thereafter	1,311,058
Total	\$ 11,045,939

Actuarial Assumptions – The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as presented in Table 33.

Table 33. Actuarial Assumptions - HIS

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Municipal Bond Rate	3.50%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

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

Discount Rate – The discount rate used to measure the total pension liability was 3.50%, which was a decrease of 0.37% from the prior measurement date. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– Table 34 presents the University’s proportionate share of the net pension liability calculated using the discount rate of 3.50%, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

Table 34. Sensitivity to Changes in Discount Rate - HIS

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
University’s Proportionate Share of the Net Pension Liability	\$ 189,788,262	\$ 166,254,699	\$ 146,653,906

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

B. DEFINED CONTRIBUTION PENSION PLANS

1. FRS Investment Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions as the FRS defined benefit plan; these contributions 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. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members. Allocations

to the Investment Plan member investment accounts during the 2019-20 fiscal year are presented in Table 35.

Table 35. Florida Retirement System - Investment Plan Rates

Class	Percent of Gross Compensation
Florida Retirement System, Regular	6.30%
Florida Retirement System, Senior Management Service	7.67%
Florida Retirement System, Special Risk	14.00%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings.

If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over his or her account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes these amounts, if any, would be immaterial to the University.

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

There were 3,000 University participants during the 2019-20 fiscal year. The University's Investment Plan pension expense totaled \$11,467,970 for the fiscal year ended June 30, 2020.

2. 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 eight or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating investment companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14% of the participant's salary to the participant's account, 3.56% to cover the unfunded actuarial liability of the FRS pension plan, and 0.01% to cover administrative costs. Employees contribute 3.00% of their salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 7,530 University participants during the 2019-20 fiscal year. The University's contributions to the Program totaled \$50,778,302 and employee contributions totaled \$30,287,149 for the 2019-20 fiscal year.

C. OTHER RETIREMENT PROGRAMS

1. U.S. Civil Service Retirement System

Some University employees participate in the U.S. Civil Service Retirement System. Five employees were covered by the U.S. Civil Service Retirement System during the 2019-20 fiscal year. Employer contributions totaled \$23,885 and employee contributions totaled \$23,885 for the 2019-20 fiscal year. The University's participation in the Federal retirement system is not considered material by University management.

2. Institute of Food and Agricultural Sciences Supplemental Retirement

In 1984, the Florida Legislature enacted the Institute of Food and Agricultural Sciences Supplemental Retirement Act to provide a supplement to the monthly retirement benefit being paid under the Federal Civil Service Retirement System to retirees of the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida. The supplement is designated for IFAS cooperative extension employees employed before July 1, 1983, who are not entitled to benefits from either a State-supported retirement system or social security based on their service with IFAS. It was intended to compensate these IFAS employees for the difference between their Civil Service benefit and the benefits an FRS member receives, which includes a social security benefit. No additional persons can become eligible for this supplement.

There were 5 University participants during the 2019-20 fiscal year. Required employer contributions made to the program totaled \$77,780. Employees do not contribute to this program.

14. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2020, are presented in Table 36.

Project Title	Total Commitment	Completed to Date	Balance Committed
Central Energy Plant & Utilities Infrastructure	\$ 295,115,373	\$ 6,109,518	\$ 289,005,855
Honors Residential College	175,000,228	175,893	174,824,335
Data Science and Information Technology Building	150,000,000	2,031,349	147,968,651
Herbert Wertheim Laboratory for Engineering Excellence	73,213,945	58,211,037	15,002,908
Norman Hall Rehabilitation and College of Education Center Addition	38,285,039	30,695,697	7,589,342
PK Yonge Middle and High School Expansion	29,950,352	10,061,870	19,888,482
Student Health Care Center	26,000,001	120,906	25,879,095
VetMed Plant Energy Services Contract	25,657,599	22,985,363	2,672,236
Public Safety Building	23,500,000	248,594	23,251,406
SW Campus Transportation Improvements	12,595,934	1,105,869	11,490,065
Utility Infrastructure Improvements - Stadium Road and O'Connell Center	8,819,296	349,973	8,469,323
Florida Museum of Natural History Special Collections Building	8,000,000	234,418	7,765,582
Electrical Substation 2 - Cable and Switchgear Replacement	6,010,162	5,228,936	781,226
Music Building Renovation	5,927,338	4,533,202	1,394,136
IFAS Blueberry Research Facility	5,091,253	122,502	4,968,751
UF Architecture Exterior Envelope Repair	5,000,000	94,358	4,905,642
Subtotal	888,166,520	142,309,485	745,857,035
Projects Under \$5,000,000	78,933,154	21,271,169	57,661,985
Total	\$ 967,099,674	\$ 163,580,654	\$ 803,519,020

15. STATE SELF-INSURANCE PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2019-20 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$68.5 million for named windstorm and flood through February 14, 2020, and decreased to \$62.75 million starting February 15, 2020. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 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 \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the

amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State's 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.

16. UNIVERSITY SELF-INSURANCE PROGRAMS

The University of Florida Self-Insurance Program (the Program) and the University of Florida Healthcare Education Insurance Company (HEIC), which are included in the University's reporting entity as discretely presented component units (see Note 1), provide general and professional liability protection for the University of Florida Board of Trustees (UFBOT) on behalf of the six health colleges of the JHMHC, the College of Veterinary Medicine teaching hospitals, the Student Health Care Center, direct-support organizations, and their employees and agents. Hospital professional liability protection, including general liability, is provided to Shands Teaching Hospital and Clinics,

Inc., Shands Jacksonville Medical Center, Inc. (a subsidiary of Shands Jacksonville HealthCare, Inc.-Shands Jacksonville), other entities statutorily authorized to participate in the Program, and their employees and agents. The Program and HEIC are distinct from and entirely independent of the self-insurance programs administered by the State described in Note 15.

The UFBOT and other immune entities are protected for losses which are subject to Section 768.28, Florida Statutes, including legislative claims bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1 million per claim and, for voluntary settlements, \$2 million per claim. For those protected entities not subject to Section 768.28, Florida Statutes, the Program provides \$2 million per claim. The per claim limit of liability protection for the participants does not exceed \$2 million per claim in the event more than one protected entity is involved in the same claim or action.

HEIC provides coverage for claims that are in excess of the protections provided by the Program, at limits of \$4 million per legislative claims bill coverage for participants subject to Section 768.28, Florida Statutes.

17. LITIGATION AND CONTINGENCIES

The University is involved in certain 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.

18. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of operating expenses (instruction, research, etc.) is assigned to each individual transaction based on the nature of the activity. The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position are presented by natural classification. Table 37 presents those same expenses in functional classification as recommended by NACUBO.

Table 37. Functional Expenses

Functional Classification	
Instruction	\$ 799,010,458
Public Service	784,964,026
Research	739,787,091
Academic Support	239,613,932
Scholarships, Fellowships, and Waivers, Net	198,967,850
Institutional Support	169,403,077
Depreciation	154,350,594
Operation and Maintenance of Plant	132,883,987
Auxiliaries	120,886,674
Student Services	47,610,571
Total Operating Expenses	\$ 3,387,478,260

19. COMPONENT UNITS

The University's financial statements include 17 discretely presented component units as discussed in Note 1. These component units comprise 100% of the transactions and account balances of the aggregate discretely presented component units columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 38, 39, and 40.

20. 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. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Department of Housing and Residence Education provides safe and affordable living space for students of the University of Florida. Capital improvement debt has been issued over the years to provide funding for the construction of facilities to house students of the University. A summary of the financial activity for these segments is presented in Table 41.

21. SUBSEQUENT EVENTS

On October 14, 2020, the Florida Board of Governors, on behalf of the University, issued a \$19,025,000 University of Florida Clinical Translational Research Building Revenue Refunding Bond, Series 2020A (Taxable). The bond will be repaid from indirect cost revenues received by the UF College of Medicine. The proceeds will refund all of the outstanding State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011, maturing in fiscal years 2021 through 2030. The average interest rate on the debt being refinanced is 4.43% compared to the interest rate of 1.54% on the refunding bond. The new bond matures on July 1, 2030. Interest and principal amortization payments are due semiannually on January 1 and July 1 beginning January 1, 2021. The bond was issued to achieve debt service savings from lower interest rates.

Table 38. Direct-Support Organizations (amounts expressed in thousands)

	University of Florida Foundation, Inc.	The University Athletic Association, Inc.	University of Florida Research Foundation, Inc.	GatorCare Health Management Corporation
CONDENSED STATEMENT OF NET POSITION				
Assets				
Due from Component Units/University	\$ 33,912	\$ 570	\$ 160,770	\$ 584
Other Current Assets	117,493	91,422	10,899	43,583
Capital Assets, Net	62,776	245,409	-	8
Other Noncurrent Assets	<u>1,936,674</u>	<u>49,234</u>	<u>-</u>	<u>18,023</u>
Total Assets	<u>2,150,855</u>	<u>386,635</u>	<u>171,669</u>	<u>62,198</u>
Liabilities				
Due to Component Units/University	36,547	25,840	54,506	21,629
Other Current Liabilities	5,497	43,085	9,748	24,568
Noncurrent Liabilities	<u>44,869</u>	<u>116,453</u>	<u>-</u>	<u>11,634</u>
Total Liabilities	<u>86,913</u>	<u>185,378</u>	<u>64,254</u>	<u>57,831</u>
Deferred Inflows of Resources				
Deferred Amounts Related to Pensions	435	-	-	-
Other Deferred Outflows	<u>17,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>104,425</u>	<u>185,378</u>	<u>64,254</u>	<u>57,831</u>
Net Position				
Net Investment in Capital Assets	61,877	126,035	-	7
Restricted-Nonexpendable Endowment	1,424,644	-	-	-
Restricted-Expendable Endowment	533,442	-	-	-
Restricted-Expendable Other	-	15,044	-	-
Unrestricted	<u>26,467</u>	<u>60,178</u>	<u>107,415</u>	<u>4,360</u>
Total Net Position	<u>\$ 2,046,430</u>	<u>\$ 201,257</u>	<u>\$ 107,415</u>	<u>\$ 4,367</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION				
Operating Revenues	\$ 149,246	\$ 156,657	\$ 46,966	\$ 854
Operating Expenses	<u>(203,210)</u>	<u>(138,514)</u>	<u>(48,917)</u>	<u>(1,324)</u>
Operating Income (Loss)	(53,964)	18,143	(1,951)	(470)
Nonoperating Revenues (Expenses) and Other Revenues, Expenses, Gains, or Losses				
Investment Income, Net of Expenses	45,567	4,648	2	1,938
Net Increase in the Fair Value of Investments	737	-	530	-
Other Nonoperating Revenues	-	14,611	2,300	-
Other Nonoperating Expenses	-	(5,141)	-	-
Addition to Permanent Endowments	<u>61,454</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	53,794	32,261	881	1,468
Net Position, Beginning of Year	<u>1,992,636</u>	<u>168,996</u>	<u>106,534</u>	<u>2,899</u>
Net Position, End of Year	<u>\$ 2,046,430</u>	<u>\$ 201,257</u>	<u>\$ 107,415</u>	<u>\$ 4,367</u>

Table 38. Direct-Support Organizations (amounts expressed in thousands)

	Florida Foundation Seed Producers, Inc.	University of Florida Development Corporation	Gator Boosters, Inc.	Citrus Research and Development Foundation, Inc.	Total Direct-Support Organizations
\$	-	\$ -	\$ 28,440	\$ -	\$ 224,276
	15,945	2,680	1,612	6,192	289,826
	4,921	9,132	-	-	322,246
	-	-	496	-	2,004,427
	<u>20,866</u>	<u>11,812</u>	<u>30,548</u>	<u>6,192</u>	<u>2,840,775</u>
	-	4,663	570	-	143,755
	8,580	274	28,798	2,013	122,563
	-	-	117	-	173,073
	<u>8,580</u>	<u>4,937</u>	<u>29,485</u>	<u>2,013</u>	<u>439,391</u>
	-	-	-	-	435
	-	-	-	-	17,077
	<u>8,580</u>	<u>4,937</u>	<u>29,485</u>	<u>2,013</u>	<u>456,903</u>
	4,921	4,469	-	-	197,309
	-	-	496	-	1,425,140
	-	-	-	-	533,442
	-	-	-	4,179	19,223
	<u>7,365</u>	<u>2,406</u>	<u>567</u>	<u>-</u>	<u>208,758</u>
\$	<u>12,286</u>	\$ <u>6,875</u>	\$ <u>1,063</u>	\$ <u>4,179</u>	\$ <u>2,383,872</u>
\$	3,219	\$ 1,774	\$ 20,231	\$ 2,815	\$ 381,762
	<u>(574)</u>	<u>(2,225)</u>	<u>(4,010)</u>	<u>(10,296)</u>	<u>(409,070)</u>
	2,645	(451)	16,221	(7,481)	(27,308)
	152	-	1,523	91	53,921
	-	-	-	-	1,267
	26	-	-	7,664	24,601
	(175)	-	(17,729)	-	(23,045)
	-	-	3	-	61,457
	<u>2,648</u>	<u>(451)</u>	<u>18</u>	<u>274</u>	<u>90,893</u>
	<u>9,638</u>	<u>7,326</u>	<u>1,045</u>	<u>3,905</u>	<u>2,292,979</u>
\$	<u>12,286</u>	\$ <u>6,875</u>	\$ <u>1,063</u>	\$ <u>4,179</u>	\$ <u>2,383,872</u>

Table 39. Health Science Center Affiliates (amounts expressed in thousands)

	Florida Clinical Practice Association, Inc.	University of Florida Jacksonville Physicians, Inc.	Faculty Associates, Inc.	Florida Veterinary Medicine Faculty Association, Inc.	University of Florida College of Pharmacy Faculty Practice Association, Inc.	Total Health Science Center Affiliates
CONDENSED STATEMENT OF NET POSITION						
Assets						
Due from Component Units/University	\$ 8,546	\$ 470	\$ -	\$ 1,371	\$ -	\$ 10,387
Other Current Assets	167,244	90,066	17,635	4,607	2,907	282,459
Capital Assets, Net	91,817	43,949	-	-	-	135,766
Other Noncurrent Assets	9,134	-	-	-	-	9,134
Total Assets	276,741	134,485	17,635	5,978	2,907	437,746
Liabilities						
Due to Component Units/University	16,505	584	-	1,799	-	18,888
Other Current Liabilities	25,509	27,917	308	716	-	54,450
Noncurrent Liabilities	90,238	32,666	-	-	-	122,904
Total Liabilities	132,252	61,167	308	2,515	-	196,242
Net Position						
Net Investment in Capital Assets	4,249	15,690	-	-	-	19,939
Unrestricted	140,240	57,628	17,327	3,463	2,907	221,565
Total Net Position	\$ 144,489	\$ 73,318	\$ 17,327	\$ 3,463	\$ 2,907	\$ 241,504
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION						
Operating Revenues	\$ 706,087	\$ 311,364	\$ 17,391	\$ 17,012	\$ 6,879	\$ 1,058,733
Operating Expenses	(208,583)	(153,317)	(320)	(791)	-	(363,011)
Operating Income	497,504	158,047	17,071	16,221	6,879	695,722
Nonoperating Revenues (Expenses)						
Investment Income (Loss), Net of Expenses	(802)	514	4	-	-	(284)
Net Decrease in the Fair Value of Investments	(4,959)	(5,341)	-	-	-	(10,300)
Other Nonoperating Revenues	13,420	5,000	-	-	-	18,420
Other Nonoperating Expenses	(520,743)	(153,577)	(22,030)	(14,645)	(4,078)	(715,073)
Change in Net Position	(15,580)	4,643	(4,955)	1,576	2,801	(11,515)
Net Position, Beginning of Year	160,069	68,675	22,282	1,887	106	253,019
Net Position, End of Year	\$ 144,489	\$ 73,318	\$ 17,327	\$ 3,463	\$ 2,907	\$ 241,504

Table 40. Shands Hospital and Others (amounts expressed in thousands)

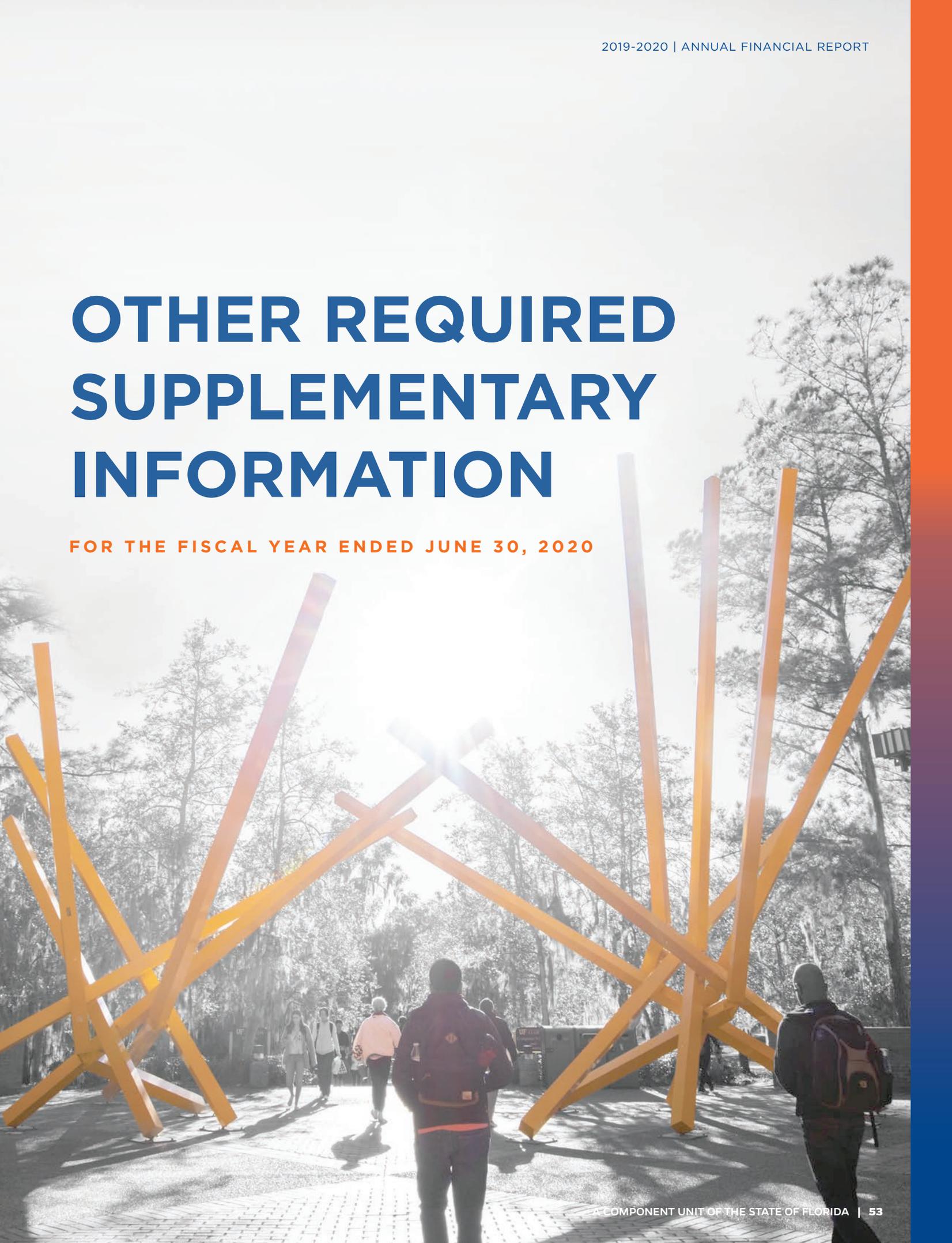
	Shands Teaching Hospital & Clinics, Inc.	Shands Jacksonville HealthCare, Inc.	University of Florida Self-Insurance Program	University of Florida Healthcare Education Insurance Company	Total Shands Hospital and Others
CONDENSED STATEMENT OF NET POSITION					
Assets					
Due from Component Units/University	\$ 52,042	\$ 8,383	\$ -	\$ 59,043	\$ 119,468
Other Current Assets	907,319	305,814	233,785	2,265	1,449,183
Capital Assets, Net	1,379,065	247,717	-	-	1,626,782
Other Noncurrent Assets	<u>1,033,880</u>	<u>59,364</u>	<u>-</u>	<u>-</u>	<u>1,093,244</u>
Total Assets	<u>3,372,306</u>	<u>621,278</u>	<u>233,785</u>	<u>61,308</u>	<u>4,288,677</u>
Deferred Outflows of Resources					
Deferred Amounts Related to Pensions	42,228	2,666	-	-	44,894
Deferred Amounts Related to OPEB	-	1,278	-	-	1,278
Other Deferred Outflows	<u>77,101</u>	<u>2,469</u>	<u>-</u>	<u>-</u>	<u>79,570</u>
Total Assets and Deferred Outflows of Resources	<u>3,491,635</u>	<u>627,691</u>	<u>233,785</u>	<u>61,308</u>	<u>4,414,419</u>
Liabilities					
Due to Component Units/University	8,546	14,407	59,043	-	81,996
Other Current Liabilities	553,649	163,228	9,052	15	725,944
Noncurrent Liabilities	<u>1,201,778</u>	<u>232,605</u>	<u>21,985</u>	<u>8,294</u>	<u>1,464,662</u>
Total Liabilities	<u>1,763,973</u>	<u>410,240</u>	<u>90,080</u>	<u>8,309</u>	<u>2,272,602</u>
Deferred Inflows of Resources					
Deferred Amounts Related to Pensions	71,023	5,523	-	-	76,546
Deferred Amounts Related to OPEB	-	1,607	-	-	1,607
Other Deferred Inflows	<u>2,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,121</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,837,117</u>	<u>417,370</u>	<u>90,080</u>	<u>8,309</u>	<u>2,352,876</u>
Net Position					
Net Investment in Capital Assets	309,071	20,403	-	-	329,474
Restricted-Nonexpendable Endowment	626	-	-	-	626
Restricted-Expendable Endowment	3,939	5,181	-	-	9,120
Other Restricted Net Position	-	-	143,705	52,999	196,704
Unrestricted	<u>1,340,882</u>	<u>184,737</u>	<u>-</u>	<u>-</u>	<u>1,525,619</u>
Total Net Position	<u>\$ 1,654,518</u>	<u>\$ 210,321</u>	<u>\$ 143,705</u>	<u>\$ 52,999</u>	<u>\$ 2,061,543</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION					
Operating Revenues	\$ 1,966,610	\$ 754,367	\$ 11,342	\$ 1,050	\$ 2,733,369
Operating Expenses	<u>(1,890,852)</u>	<u>(725,639)</u>	<u>(10,286)</u>	<u>(7,673)</u>	<u>(2,634,450)</u>
Operating Income (Loss)	75,758	28,728	1,056	(6,623)	98,919
Nonoperating Revenues (Expenses)					
Investment Income, Net of Expenses	79,348	1,845	8,642	3,150	92,985
Net Increase in the Fair Value of Investments	(18,294)	-	-	-	(18,294)
Other Nonoperating Revenues	55,787	36,021	-	-	91,808
Other Nonoperating Expenses	<u>(120,558)</u>	<u>(46,201)</u>	<u>-</u>	<u>-</u>	<u>(166,759)</u>
Change in Net Position	<u>72,041</u>	<u>20,393</u>	<u>9,698</u>	<u>(3,473)</u>	<u>98,659</u>
Net Position, Beginning of Year	1,186,398	189,928	134,007	56,472	1,566,805
Adjustments to Beginning Net Position (Note 2)	<u>396,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,079</u>
Net Position, Beginning of Year, as Restated	<u>1,582,477</u>	<u>189,928</u>	<u>134,007</u>	<u>56,472</u>	<u>1,962,884</u>
Net Position, End of Year	<u>\$ 1,654,518</u>	<u>\$ 210,321</u>	<u>\$ 143,705</u>	<u>\$ 52,999</u>	<u>\$ 2,061,543</u>

Table 41. Segment Information

	Transportation and Parking Services	Department of Housing and Residence Education
CONDENSED STATEMENT OF NET POSITION		
Assets		
Current Assets	\$ 17,274,661	\$ 13,341,487
Capital Assets, Net	60,428,853	112,977,822
Other Noncurrent Assets	<u>199,187</u>	<u>338,464</u>
Total Assets	<u>77,902,701</u>	<u>126,657,773</u>
Liabilities		
Current Liabilities	3,632,204	6,785,605
Noncurrent Liabilities	<u>40,598,899</u>	<u>52,400,183</u>
Total Liabilities	<u>44,231,103</u>	<u>59,185,788</u>
Net Position		
Net Investment in Capital Assets	18,319,286	55,812,639
Restricted	-	2,175,176
Unrestricted	<u>15,352,312</u>	<u>9,484,170</u>
Total Net Position	<u>\$ 33,671,598</u>	<u>\$ 67,471,985</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating Revenues (Expenses)		
Operating Revenues	\$ 12,598,952	\$ 47,775,865
Depreciation Expense	(2,176,531)	(7,299,729)
Other Operating Expenses	<u>(7,863,916)</u>	<u>(39,918,860)</u>
Operating Income	<u>2,558,505</u>	<u>557,276</u>
Nonoperating Revenues (Expenses)		
Investment Income	60,551	-
Interest on Capital Asset-Related Debt	(1,858,069)	(2,331,763)
Other Nonoperating Revenues (Expenses)	<u>(548,011)</u>	<u>2,111,100</u>
Net Nonoperating Revenues (Expenses)	<u>(2,345,529)</u>	<u>(220,663)</u>
Change in Net Position	212,976	336,613
Net Position, Beginning of Year	<u>33,458,622</u>	<u>67,135,372</u>
Net Position, End of Year	<u>\$ 33,671,598</u>	<u>\$ 67,471,985</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by		
Operating Activities	\$ 3,455,204	\$ 6,401,364
Noncapital Financing Activities	1,861,078	(4,095,232)
Capital and Related Financing Activities	(26,878,150)	(130,998)
Investing Activities	<u>21,561,868</u>	<u>(2,175,134)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020



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

	2019 (1) (4)	2018 (1) (3)	2017 (1) (2)	2016 (1)
University's Proportion of the OPEB Liability	9.79%	9.89%	9.89%	9.92%
University's Proportionate Share of the Total OPEB Liability	\$ 1,239,000,712	\$ 1,043,548,000	\$ 1,069,104,000	\$ 1,171,492,000
University's Covered Payroll	\$ 1,188,019,133	\$ 1,151,732,866	\$ 1,103,905,001	\$ 1,120,515,686
University's Proportionate Share of the Total OPEB Liability as a Percentage of Covered Payroll	104.29%	90.61%	96.85%	104.55%

Notes:

- (1) The amounts presented for the fiscal year were determined as of June 30. No assets are accumulated in a trust that meets the criteria in paragraph 4, GASB Statement No. 75 to pay related benefits.
- (2) The University's proportionate share of the total OPEB liability significantly decreased from the prior fiscal year due to changes to benefits and assumptions, resulting from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return.
- (3) The University's proportionate share of the total OPEB liability significantly decreased from the prior fiscal year due to changes in the discount rate of return.
- (4) The University's proportionate share of the total OPEB liability significantly increased from the prior fiscal year due to changes in the discount rate of return and the full impact of the excise tax that will come into effect in 2022.

Schedule of University's Proportionate Share of the Net Pension Liability - Florida Retirement System (FRS) Defined Benefit Pension Plan

	2019 (1) (7)	2018 (1) (6)	2017 (1) (5)	2016 (1) (4)	2015 (1) (2)	2014 (1) (3)	2013 (1)
University's Proportion of the FRS Net Pension Liability	1.62%	1.62%	1.53%	1.56%	1.59%	1.52%	1.23%
University's Proportionate Share of the FRS Net Pension Liability	\$ 558,623,812	\$ 487,417,535	\$ 453,912,167	\$ 393,639,963	\$ 204,919,550	\$ 92,657,576	\$ 212,307,108
University's Covered Payroll (8)	\$ 1,188,019,133	\$ 1,151,732,866	\$ 1,103,905,001	\$ 1,120,515,686	\$ 1,066,940,109	\$ 1,024,891,028	\$ 1,053,555,913
University's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered Payroll	47.02%	42.32%	41.12%	35.13%	19.21%	9.04%	20.15%
FRS Plan Fiduciary Net Position as a Percentage of the FRS Total Pension Liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) There were no changes in assumptions from the prior fiscal year.
- (3) Changes of assumptions - As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%.
- (4) Changes of assumptions - As of June 30, 2016, the long-term expected rate of return decreased from 7.65% to 7.60%.
- (5) Change of assumptions - As of June 30, 2017, the long-term expected rate of return decreased from 7.60% to 7.10%.
- (6) Change of assumptions - As of June 30, 2018, the long-term expected rate of return decreased from 7.10% to 7.00%.
- (7) Change of assumptions - As of June 30, 2019, the long-term expected rate of return decreased from 7.00% to 6.90%.
- (8) Covered payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, State University Optional Retirement Program, and DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part 111 of Chapter 121, Florida Statutes.

Schedule of University Contributions - Florida Retirement System (FRS) Defined Benefit Pension Plan

	2020 (1)	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually Required FRS Contribution	\$ 53,482,766	\$ 50,296,368	\$ 46,118,091	\$ 39,948,341	\$ 38,017,855	\$ 38,680,557	\$ 33,264,015
FRS Contributions in Relation to the Contractually Required FRS Contribution	(53,482,766)	(50,296,368)	(46,118,091)	(39,948,341)	(38,017,855)	(38,680,557)	(33,264,015)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll (2)	\$ 1,237,960,596	\$ 1,188,019,133	\$ 1,151,732,866	\$ 1,103,905,001	\$ 1,120,515,686	\$ 1,066,940,109	\$ 1,024,891,028
FRS Contributions as a Percentage of Covered Payroll	4.32%	4.23%	4.00%	3.62%	3.39%	3.63%	3.25%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, State University Optional Retirement Program, and DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of University's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy (HIS) Defined Benefit Pension Plan

	2019 (1) (7)	2018 (1) (6)	2017 (1) (5)	2016 (1) (4)	2015 (1) (3)	2014 (1) (2)	2013 (1)
University's Proportion of the HIS Net Pension Liability	1.49%	1.48%	1.47%	1.47%	1.46%	1.41%	1.38%
University's Proportionate Share of the HIS Net Pension Liability	\$ 166,254,699	\$ 156,700,718	\$ 157,259,112	\$ 171,404,762	\$ 148,825,945	\$ 131,969,507	\$ 120,063,826
University's Covered Payroll (8)	\$ 452,884,926	\$ 442,718,057	\$ 431,629,539	\$ 435,952,174	\$ 413,619,247	\$ 396,471,815	\$ 382,427,384
University's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered Payroll	36.71%	35.40%	36.43%	39.32%	35.98%	33.29%	31.40%
HIS Plan Fiduciary Net Position as a Percentage of the HIS Total Pension Liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Change of assumption - The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.
(3) Change of assumption - The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.
(4) Change of assumption - The municipal rate used to determine total pension liability decreased from 3.80% to 2.85%.
(5) Change of assumption - The municipal rate used to determine total pension liability increased from 2.85% to 3.58%.
(6) Change of assumption - The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.
(7) Change of assumption - The municipal rate used to determine total pension liability increased from 3.87% to 3.50%.
(8) Covered payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, and DROP.

Schedule of University Contributions - Health Insurance Subsidy (HIS) Defined Benefit Pension Plan

	2020 (1)	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually Required HIS Contribution	\$ 8,668,442	\$ 8,250,927	\$ 8,028,939	\$ 7,783,620	\$ 7,538,309	\$ 5,578,364	\$ 4,834,988
HIS Contributions in Relation to the Contractually Required HIS Contribution	(8,668,442)	(8,250,927)	(8,028,939)	(7,783,620)	(7,538,309)	(5,578,364)	(4,834,988)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll (2)	\$ 471,174,042	\$ 452,884,926	\$ 442,718,057	\$ 431,629,539	\$ 435,952,174	\$ 413,619,247	\$ 396,471,815
HIS Contributions as a Percentage of Covered Payroll	1.84%	1.82%	1.81%	1.80%	1.73%	1.35%	1.22%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, and DROP.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Florida, 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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 11, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. The financial statements of Shands Teaching Hospital and Clinics, Inc. and Shands Jacksonville HealthCare, Inc., discretely presented component units, were audited in accordance with auditing standards generally accepted in the United States of America but were not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with those component units or that are reported on separately by the auditors who audited the financial statements of the other discretely presented component units.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance

with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 11, 2021
Audit Report No. 2021-127

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