AGENDA

FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES
AUDIT AND COMPLIANCE COMMITTEE
VIRTUAL MEETING

Thursday, April 4, 2024 8:30 a.m. to (estimated) 9:30 a.m.

Virtual Access: *www.fgcu.edu/boardcast*

NOTES:

1. Indicated times within the agenda are approximate and are subject to change. Agenda items may be taken out of order at the call of the Chair and with the concurrence of the Committee.

2. Public comment on action items must be sent by email to treynold@fgcu.edu no later than 5 p.m. on Wednesday, April 3, 2024. Comments will be read into the record during the meeting.

Committee Members:
Trustee Joseph Fogg III – *Chair*
Trustee Leo Montgomery
Trustee Luis Rivera
Trustee Peter Sulick

8:30 a.m.	**Call to Order, Roll Call, and Opening Remarks** – *Chair Joseph G. Fogg III*
8:35 a.m.	**Consent Agenda (Includes Public Comment)** – *Chair Joseph G. Fogg III* • **Minutes of February 1, 2024 Meeting (TAB #1)**
8:40 a.m.	**Action (Includes Public Comment):** • **Florida Gulf Coast University Audited Financial Statements for the Fiscal Year Ended June 30, 2023** – *Director of Internal Audit William Foster* **(TAB #2)** • **Teacher Recruitment, Development, Retention and Recognition Activities Grant Audit** – *Director of Internal Audit William Foster* **(TAB #3)** • **2023 Annual Compliance Report** – *Chief Equity, Ethics, and Compliance Officer and Title IX Coordinator Precious Gunter* **(TAB #4)**

1

9:20 a.m.	**Old Business** – *Chair Joseph G. Fogg III*
9:25 a.m.	**New Business** – *Chair Joseph G. Fogg III*
9:30 a.m.	**Closing Remarks, and Adjournment** – *Chair Joseph G. Fogg III*

(END)

AGENDA INDEX
FGCU Board of Trustees
Audit and Compliance Committee
April 4, 2024

Tab #	Item	Action/Information
1	Minutes of February 1, 2024 Meeting	Committee Action (Consent Agenda)
2	Florida Gulf Coast University Audited Financial Statements for the Fiscal Year Ended June 30, 2023	Committee Action
3	Teacher Recruitment, Development, Retention and Recognition Activities Grant Audit	Committee Action
4	2023 Annual Compliance Report	Committee Action

ITEM: _1__

Florida Gulf Coast University Board of Trustees
Audit and Compliance Committee
April 4, 2024

SUBJECT: **Minutes of February 1, 2024 Meeting**

PROPOSED COMMITTEE ACTION

Approve minutes

BACKGROUND INFORMATION

The Audit and Compliance Committee met on February 1, 2024. Minutes of the meeting were kept as statutorily required. Enter text here.

Supporting Documentation Included: Minutes of February 1, 2024 Meeting

Prepared by: Transcription Experts and Project Manager Melissa Pind

Legal Review: N/A

Submitted by: President Aysegul Timur

FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE
VIRTUAL MEETING

Thursday, February 1, 2024

FLORIDA GULF COAST UNIVERSITY

Minutes

Members:
Present (virtual): Trustee Joseph Fogg III – Chair; Trustee Leo Montgomery; and Trustee Luis Rivera.

Not Present: Trustee Peter Sulick (Excused Absence).

Others:
Trustee Michael Wynn – FGCU Board of Trustees Chair

Staff (virtual): President Aysegul Timur; Executive Vice President and Provost Mark Rieger; Vice President for Student Success & Enrollment Management Mitchell Cordova; Vice President and General Counsel Vee Leonard; Vice President for Administrative Services and Finance, and Executive Director of FGCU Financing Corporation David Vazquez; Director of Internal Audit Bill Foster; Chief Equity, Ethics, and Compliance Officer and Title IX Coordinator Precious Gunter; Director of Board Relations and Associate Corporate Secretary Tiffany Reynolds; Project Manager Melissa Pind; and Administrative Assistant II Amy Liekweg.

Item 1: Call to Order, Roll Call, and Opening Remarks

Chair Joseph Fogg called the meeting to order at 9 a.m. He stated the meeting was being held virtually and noted the following for the record:

- The meeting was duly noticed in accordance with the Board's Bylaws;
- All participants were participating virtually through Microsoft Teams;
- Public access was provided through a noticed web link for viewing access; and
- The meeting notice directed any public comment on an agenda item to be emailed to Tiffany Reynolds by 5 p.m. on Wednesday, January 31. Public comment would be read into the record prior to the Committee vote, and the three-minute limit on time would apply.

Chair Fogg asked Director of Board Relations and Associate Corporate Secretary Tiffany Reynolds to call the roll and identify the staff participants. Roll call was taken with three of four Committee members participating, thus meeting quorum requirements. Trustee Peter Sulick was granted an excused absence.

Ms. Reynolds said no public comments had been submitted for the meeting.

Item 2: Consent Agenda (See Tab #1)

Chair Fogg stated there was one item on the Consent Agenda: Minutes of January 3, 2024 Meeting.

Trustee Leo Montgomery made a motion to approve the Consent Agenda. Trustee Luis Rivera seconded the motion. There was no public comment, or Committee discussion. Chair Fogg called for a voice vote with those in favor indicating “Yea” and those opposed “Nay.” The vote was unanimous in favor of the motion.

Item 3: Action (See Tabs #2-4)

Chair Fogg indicated there were three action items on today’s agenda. He called on Director of Internal Audit Bill Foster to present the items.

Florida Gulf Coast University Performance Based Funding Data Integrity Audit for Board of Governors (TAB #2)

Mr. Foster stated this was a request to approve the Florida Gulf Coast University Performance Based Funding Data Integrity Audit for the Board of Governors and to recommend its approval by the Florida Gulf Coast University (FGCU) Board of Trustees (BOT). He said the report represented the results of the Audit required of all state universities by the Board of Governors (BOG), as described in the memo from BOG Inspector General and Director of Compliance Julie Leftheris dated July 19, 2023 to FGCU Director of Internal Audit Bill Foster. He stated the purpose of the Audit was to determine whether the University’s processes operated effectively to provide complete, accurate and timely data submissions that supported the BOG’s Performance-Based Funding (PBF) metrics.

Mr. Foster said the Audit indicated no significant deficiencies in the processes implemented by the University that related to the integrity of the data which supported the PBF Model. He said the data testing provided reasonable assurance that the data submitted to the BOG was complete, accurate and timely. He said the long-standing University data administrator retired in January 2023, and a new data administrator was appointed by the President. He thanked the Institutional Research (IR) staff for their cooperation and assistance during the transition. He said IR’s knowledge was instrumental in the successful completion of the Audit; in addition to their knowledge, the Office of Internal Audit (OIA) saw growth and ownership over the last audit cycles that led to a more robust and enhanced process. He stated the robust and enhanced process was a result of the support by IR’s management and support staff.

Mr. Foster indicated Metrics 6, 8 and 10 were chosen for this year’s Audit:

- Metric 6: Bachelor's Degrees Awarded within Programs of Strategic Emphasis
- Metric 8: Graduate Degrees Awarded within Programs of Strategic Emphasis
- Metric 10: Bachelor's Degrees Awarded to Hispanic and African-American Students (FGCU BOT choice metric)

Mr. Foster said testing for the chosen metrics included data from 6 of 13 submissions during the audit period; 60 sample items were selected and 3,060 data elements were tested, which corresponded to a 95 percent confidence level. He said he believed the Audit could be relied upon by President Aysegul Timur and the FGCU BOT as a basis for certifying representations to the BOG, related to the integrity of data required for the PBF Model.

Chair Fogg noted this was a clean opinion.

Trustee Montgomery asked for clarification on what type of errors the BOG would require resubmission, as referenced in Appendix C of the Audit report.

Mr. Foster said he would get that information for Trustee Montgomery.

President Timur said errors could occur when data was uploaded or submitted. She said if that happened to FGCU, the data would be accurately resubmitted.

Trustee Rivera made a motion to approve the Florida Gulf Coast University Performance Based Funding Data Integrity Audit for Board of Governors and recommend its approval by the FGCU Board of Trustees. Trustee Montgomery seconded the motion. There was no public comment, or further Committee discussion. Chair Fogg called for a voice vote with those in favor indicating "Yea" and those opposed "Nay." The vote was unanimous in favor of the motion.

Florida Gulf Coast University Athletics National Collegiate Athletics Association (NCAA) Report for the Year ended June 30, 2023 (TAB #3)

Mr. Foster stated this was a request to accept the Florida Gulf Coast University Athletics National Collegiate Athletics Association (NCAA) Report dated January 12, 2024 and to recommend its acceptance by the FGCU BOT. He said the Report presented the results of the agreed-upon procedures report for the year ended June 30, 2023 as required by the NCAA Bylaws for colleges and universities in Division I athletics. He noted the Audit was performed by James Moore & Co, which was a different CPA firm from previous years.

Mr. Foster reviewed a summary of the key points in the NCAA Agreed-Upon Procedures Report:

- Pages 1 through 16 – Independent Accountants' Report – The auditors described the procedures performed and noted for each procedure there were no exceptions.

- Pages 17 and 18 – Statement of Revenues and Expenses with Related Notes – FGCU had six men's teams and nine women's teams. For the year ended June 30, 2023, FGCU Athletics had operating revenue of $18.4 million and operating expenses of $19.1 million, with a net decrease of $0.6 million.
- Page 19 – Variances – There was a 10.7 percent variance related to coaching salaries and benefits paid, and a 17 percent variance related to support staff compensation.
- Pages 20 through 99 – Data required by NCAA for Division I.

Mr. Foster noted a new men's basketball coach and a volleyball coach were hired, new positions were added in Athletics and pay increases were given to University staff.

Chair Fogg noted this Audit was different from previous Athletics audits; it tested various accounts according to procedures provided by FGCU. He asked President Timur to share her thoughts on Athletics' financial results.

President Timur said FGCU Athletics' expenses were misaligned with revenues generated. She said a task force was formed to review Athletics' finances. She said President Emeritus Mike Martin had assembled an advisory council to examine Athletics' finances and find solutions that better aligned functional areas, supported the athletic mission of the Institution and supported student-athletes. She said Athletics went through a reorganization and improvements were made, but it was not enough to balance revenue and expenses. She said Athletics received significant financial support from the FGCU Foundation and a strategic plan was being developed. She said FGCU's new Director of Intercollegiate Athletics would focus on revenue generation, strategically examining expenses and developing the Athletics program.

Chair Fogg said this Audit was very complex. He asked Mr. Foster to interpret the Grants-in-Aid section on page 12 of the Independent Accountants' Report.

Mr. Foster said Grants-in-Aid referred to grants and aid that supported student-athlete scholarships.

Chair Fogg asked for further clarification.

President Timur said she agreed with Mr. Foster; it referred to scholarships and other grants provided to student-athletes.

Chair Fogg said this Audit was very difficult to understand.

Vice President for Administrative Services and Finance, and Executive Director of FGCU Financing Corporation David Vazquez said he would get an explanation of this section from Athletics' staff and share it with the Audit and Compliance Committee (ACC).

Trustee Michael Wynn asked President Timur if the expense overrun was due to planned organizational changes and investments and/or the inability to control expenses.

President Timur said the expense overrun was due to multiple factors, which was the reason a task force was formed; to comprehensively review Athletics' organizational structure and finances.

Trustee Wynn noted it was one thing to have a planned organizational transition, as opposed to something that required more scrutiny, such as poor money management.

Mr. Foster noted the total dollar amount of scholarships given to student-athletes was approximately $4.3 million (as shown on page 38 of 80), which matched the Grants-in-Aid amount shown on the summary report.

Trustee Montgomery said this Audit was very detailed; however, he did not see the athletic director salary included in the expenses.

Mr. Foster responded the athletic director salary was included in expenses, which was one of the reasons for the increased expenses.

Chair Fogg noted the athletic director would be present for future ACC meetings in which the NCAA Audit was discussed, and would be able to answer questions.

Trustee Montgomery asked why men's basketball had a guarantee, while women's basketball did not.

Mr. Foster responded it may be due to athletic conference rules; conferences set guarantees.

Chair Fogg noted men's and women's basketball were in the same conference.

Mr. Foster responded in the affirmative. He noted FGCU received guarantees from away games.

Mr. Vazquez said it was a scheduling issue related to finding guaranteed games to play. He noted FGCU Women's Basketball was nationally-ranked, and it was difficult to find teams willing to host games where they could potentially lose on their home court.

Trustee Montgomery made a motion to accept the Florida Gulf Coast University Athletics National Collegiate Athletics Association (NCAA) Report dated January 12, 2024 and recommend its acceptance by the FGCU Board of Trustees. Trustee Rivera seconded the motion. There was no public comment, or further Committee discussion. Chair Fogg called for a voice vote with those in favor indicating "Yea" and those opposed "Nay." The vote was unanimous in favor of the motion.

WGCU Public Media Audit Report for the Years Ended June 30, 2023 and June 30, 2022 (TAB #4)

Mr. Foster stated this was a request to accept the WGCU Public Media Audit Report for the Years Ended June 30, 2023 and June 30, 2022 and to recommend its acceptance by the FGCU BOT. Mr. Foster stated this report presented the results of the Audit required by the Corporation for Public Broadcasting (CPB) for the comparative years ended June 30, 2023 and June 30, 2022. He stated the purpose of the Audit, which was required for all public media radio and television stations, was to document and review the financial activities of the University's public media function.

Mr. Foster reviewed the key points of the WGCU Public Media Audit:

- Pages 1 through 3 – Opinion – This was a clean opinion with positive variances.
- Pages 4 through 7 – Management's Discussion and Analysis
- Page 8 – Statement of Net Position
- Page 9 – Statement of Revenues, Expenses and Changes in Net Position
- Page 10 – Statement of Cash Flows
- Pages 11 through 20 – Notes to the Financial Statements
- Pages 21 through 23 – Supplemental Information

Mr. Foster stated this Audit included assets and liabilities related to the public broadcast function and included account activity within the University and the FGCU Foundation, which were under WGCU's control. He said the income statement reflected items that significantly changed: underwriting support increased from $733,000 to over $1 million, a nonrecurrent estate gift donation of $400,000 was received and donated facilities and support from the University increased by approximately $600,000. He said total revenues increased approximately 13.5 percent. He said in terms of expenses, the major change was 2 additional solicitors were hired in the underwriting and grant solicitation department.

Chair Fogg noted Trustee Sulick was the FGCU BOT's Liaison to WGCU. He noted WGCU had a cash surplus of approximately $6.5 million. He asked President Timur how the excess funds would be used.

President Timur said she was pleased to report WGCU had a strong strategic plan and business plan, and she would ensure the Board heard about WGCU's next steps and their plan to executive their strategic plan. She said she would look into WGCU presenting at the next FGCU BOT meeting.

Chair Fogg said he believed WGCU's news was politically imbalanced. He said he was interested in Trustee Sulick's view on the matter. Chair Fogg said he understood FGCU could not affect WGCU's network (CPB), but the University could have a say in WGCU's local news coverage.

Trustee Wynn said the Audit report referenced WGCU leasing a portion of its broadband channel for approximately $2 million. He asked if that was a three- or five-year deal, was $2 million the cumulative value of the deal and how would it be paid out.

Mr. Foster responded this was a 20-year amortization from a cell phone company for the use of WGCU's tower facilities and the associated bandwidth.

Chair Fogg asked for an answer to his question regarding WGCU's excess cash as part of the potential WGCU presentation to the FGCU BOT. He asked if WGCU's surplus could be used by FGCU for projects such as workforce housing.

Trustee Rivera made a motion to accept the WGCU Public Media Audit Report for the Years Ended June 30, 2023 and June 30, 2022 and recommend its acceptance by the FGCU Board of Trustees. Trustee Montgomery seconded the motion. There was no public comment, or further Committee discussion. Chair Fogg called for a voice vote with those in favor indicating "Yea" and those opposed "Nay." The vote was unanimous in favor of the motion.

Item 4: Old Business

Chair Fogg noted there was discussion at the last ACC meeting about proposed amendments to BOG Regulation 9.016, Prohibited Expenditures. He stated the BOG approved the Regulation at its meeting last week, but he believed FGCU was already compliant with the State Statute. He asked Chief Equity, Ethics, and Compliance Officer and Title IX Coordinator Precious Gunter to speak to the Regulation.

Ms. Gunter said last week, amendments to BOG Regulation 9.016, Prohibited Expenditures were approved, which corresponded with Senate Bill (SB) 266. She noted the ACC had discussed possible Regulation amendments for the last year. She said the State Statute went into effect in July 2023, and FGCU had worked since then to ensure compliance with the law. She stated amended BOG Regulation 9.016 was now officially approved, and FGCU's next steps were to develop a University regulation that corresponded with the BOG Regulation. She said there might be a few necessary changes after FGCU's regulation was put into place.

Chair Fogg asked if the ACC would help draft the regulation.

Ms. Gunter stated FGCU administration was discussing the provisions and drafting a regulation. She said it could be presented to the ACC for review before it was presented to the full Board.

Chair Fogg said he wanted the ACC to see the new draft regulation before it was presented to the full Board. He asked if FGCU offered courses that were not in compliance with BOG Regulation 9.016.

Executive Vice President and Provost Mark Rieger responded he was investigating one course offering which had “critical race theory” in its subtitle. He noted FGCU offered 4,600 course sections per year, and there was one current course (an elective) that may not be compliant. He said he was working to understand how the course was approved and added to the schedule. He noted the BOG Vice Chancellor for Academic and Student Affairs said courses such as the one he was investigating, would be subject to more scrutiny as additional regulations were passed as a result of SB 266. He said there were no regulations that governed courses with this type of content, but he expected there would be in the future.

Item 5: New Business

There was no new business for discussion.

Item 6: Closing Remarks, and Adjournment

Chair Fogg stated the items voted on today would be recommended for full Board approval at the February 8 meeting. He adjourned the meeting at 9:32 a.m.

Minutes prepared by Transcription Experts, and reviewed by Melissa Pind, FGCU Project Manager.

Agenda Items:

A. See Tabs #1-4
   a. https://www2.fgcu.edu/Trustees/AgendaFile/2024/2-1-2024/FGCUACCMTG_AGENDAPACKET_2-1-2024.pdf

Attachment:

A. Record of Voice Votes

Record of Votes **Audit and Compliance Committee** **DATE: 2/1/2024**		Consent Agenda (Tab #1) 1 - Montgomery 2 - Rivera	FGCU PBF Data Integrity Audit for Board of Governors (Tab #2) 1 - Rivera 2 - Montgomery	FGCU Athletics NCAA Report for the Year ended June 30, 2023 (Tab #3) 1 - Montgomery 2 - Rivera	WGCU Public Media Audit Report for the Years Ended June 30, 2023 and June 30, 2022 (Tab #4) 1 - Rivera 2 - Montgomery
	TRUSTEES	**Yea/Nay**	**Yea/Nay**	**Yea/Nay**	**Yea/Nay**
1	Trustee Leo Montgomery	Yea	Yea	Yea	Yea
2	Trustee Luis Rivera	Yea	Yea	Yea	Yea
3	Trustee Peter Sulick	----	----	----	----
4	Trustee Joseph Fogg	Yea	Yea	Yea	Yea

ITEM: _2__

Florida Gulf Coast University Board of Trustees
Audit and Compliance Committee
April 4, 2024

SUBJECT: Florida Gulf Coast University Audited Financial Statements for the Fiscal Year Ended June 30, 2023

PROPOSED COMMITTEE ACTION

Accept the Florida Gulf Coast University Audited Financial Statements for the Fiscal Year Ended June 30, 2023, and recommend its acceptance by the FGCU Board of Trustees.

BACKGROUND INFORMATION

FGCU's Audited Financial Statements for the Fiscal Year Ended June 30, 2023, are attached. The financial statement audit is performed by the Auditor General every year in accordance with Section 11.45 Florida Statutes.

If accepted by the Audit and Compliance Committee, the audit will be provided to the FGCU Board of Trustees for its consideration.

Supporting Documentation Included: (1) Summary Memo, and (2) Florida Gulf Coast University Audited Financial Statements for the Fiscal Year Ended June 30, 2023

Prepared by: State of Florida Auditor General Sherrill F. Norman, CPA

Legal Review: N/A

Submitted by: Director of Internal Audit William Foster

TO: FGCU Board of Trustees Audit and Compliance Committee
FROM: William Foster, Director of Internal Audit
SUBJECT: Annual Audit, Florida Gulf Coast University Financial Statements
DATE: March 11, 2024

Below is a summary of the key points in the Financial Audit of Florida Gulf Coast University for the fiscal year ended June 30, 2023.

Page 1 through 4 – Opinions – The auditors have determined the financial statements present the financial position of the University fairly. This is known as a clean opinion and is what the Finance and Accounting area strives for each year.

Pages 5 through 17 - Management's Discussion and Analysis – This is the section where Management describes in reader friendly terms what occurred in the last fiscal year. This section points out major transactions, and presents comparative figures from the prior year.

Page 18 and 19 – Statement of Net Position – Years ago, this statement was known as the Balance Sheet. The first column is titled University and contains figures for the University and the Financing Corporation. The second column is titled Component Unit and represents the Foundation's information. At year end, the University had $801.7 million in assets and deferred outflows, $397.1 million liabilities and deferred inflows, leaving net position (residual equity) of $404.6 million. The Foundation had assets and deferred outflows of $185.7 million, liabilities and deferred inflows of $2.4 million, with net position (residual equity) of $183.3 million.

As a comparison, for the prior year the University had $795.1 million in assets and deferred outflows, $404.9 in liabilities and deferred inflows, with net position (residual equity) of $390.2 million. The Foundation had $164.7 million in assets and deferred outflows, $2.5 million in liabilities and deferred inflows, with net position of $162.2 million.

Page 21 – Statement of Revenues, Expenses and Changes in Net Position – This statement was formerly known as an Income Statement. For the year, the University had operating revenue of $150.0 million, operating expenses $324.5 million, nonoperating revenues $180.4 million, and state capital appropriations and other inflows of $8.5 million, for a net increase of $14.4 million. The Foundation had operating revenue of $25.6 million, operating expenses $22.1 million, non-operating revenue (investment gains) $14.5 million, other increases $3.1 million with a net increase of $21.1 million respectively.

For comparison, for the prior year, the University had had operating revenue $137.6 million, operating expense $318.0 million, non-operating revenue $183.9 million, state capital appropriations and other increases $10.3 million with a net increase of $13.8 million. The Foundation had operating revenue $21.8 million, operating expenses $20.8 million, non-operating expenses (investment losses) $17.0 million, other increases of $3.9 million with a net decrease of $12.1 million.

Pages 22 and 23– Statement of Cash Flows – This statement shows the effects to cash from the financial transactions. The net effect was a $3,403,825 decrease in cash and cash equivalents for the year compared to an increase of $2,046,305 for the prior year.

Pages 24 through 56 - Notes to the Financial Statements – There is a significant amount of information to explain the various line items in the financial statements. Compared to Management's Discussion and Analysis, these notes are not necessarily as reader friendly.

Pages 57 through 62 – Supplementary Information – This is the information the State of Florida has used to determine our Pension and Health Insurance Subsidy liabilities.

Pages 63 and 64 – Auditor's Report on Internal Control Over Financial Reporting and on Compliance – This report on internal control relates financial reporting and compliance with Government Auditing Standards. There were no deficiencies in internal controls noted.

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2024-136
February 2024

FLORIDA GULF COAST UNIVERSITY

For the Fiscal Year Ended
June 30, 2023

Sherrill F. Norman, CPA
Auditor General

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

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

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

This report and other reports prepared by the Auditor General are available at:

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State of Florida Auditor General
Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722

FLORIDA GULF COAST UNIVERSITY

TABLE OF CONTENTS

SUMMARY

Summary of Report on the Audit of the Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the blended and discretely presented component units. The financial statements of Florida Gulf Coast University Financing Corporation, a blended component unit, represent 6 percent, 46 percent, 10 percent, 6 percent, and 4 percent, respectively, of the assets, liabilities, net position, revenues, and expenses reported for Florida Gulf Coast University as of June 30, 2023. The financial statements of the discretely presented component unit represents 100 percent of the transactions and account balances of the discretely presented component unit columns as of June 30, 2023. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and discretely presented component units, are based solely on the reports of the other auditors.

Basis for Opinions

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

Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the University adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is a change in accounting principle that addresses accounting and financial reporting for subscription-based information technology arrangements. This affects the comparability of amounts reported for the 2022-23 fiscal year with amounts reported for the 2021-22 fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2024, on our consideration of the Florida Gulf Coast University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida Gulf Coast University's internal control over financial reporting and compliance.

Respectfully submitted,

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

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

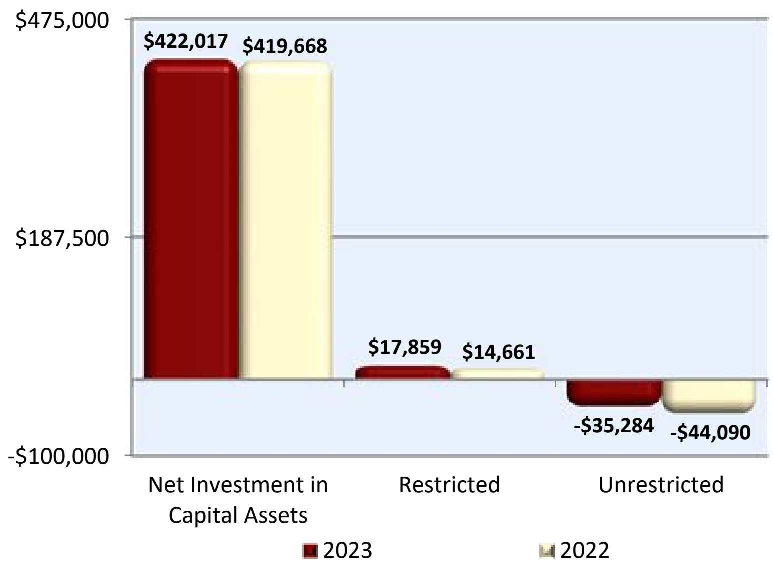
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University had a deficit in the unrestricted net position of $73.2 million and its blended component unit had an unrestricted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

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

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

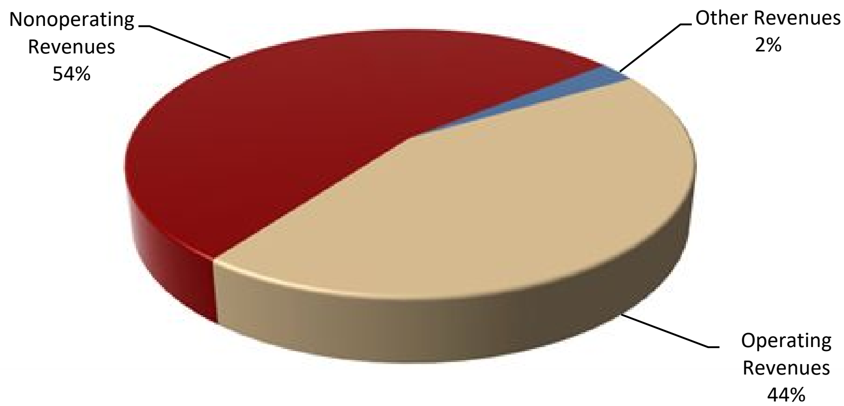
Net Position

(In Thousands)



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

Total Revenues
2022-23 Fiscal Year



Overview of Financial Statements

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

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

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

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

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

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

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

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

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

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

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

(In Thousands)

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

Operating Revenues

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

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

Operating Revenues
For the Fiscal Years

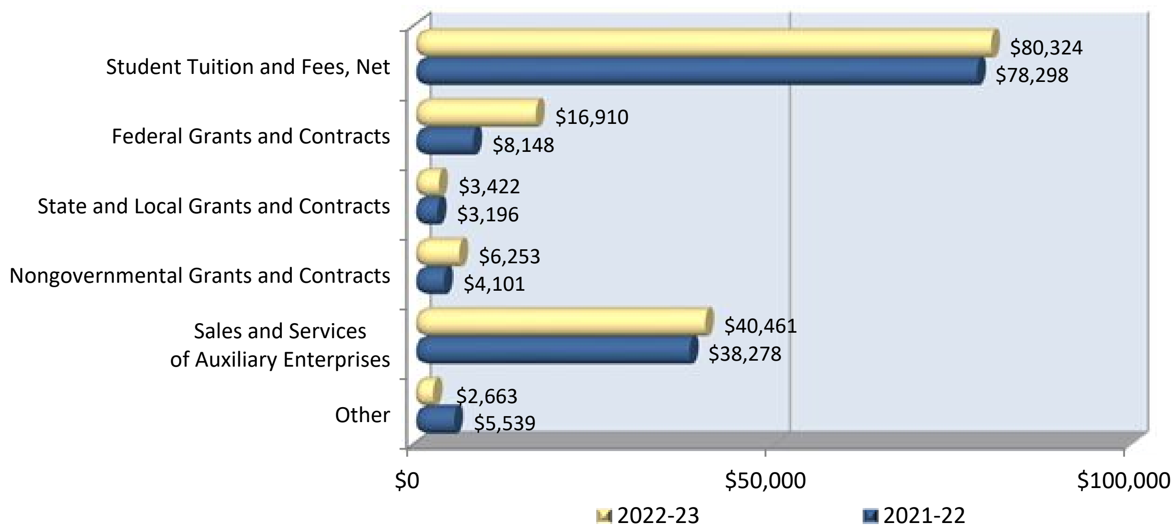
(In Thousands)

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

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

Operating Revenues

(In Thousands)



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

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

Operating Expenses

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

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

Operating Expenses
For the Fiscal Years

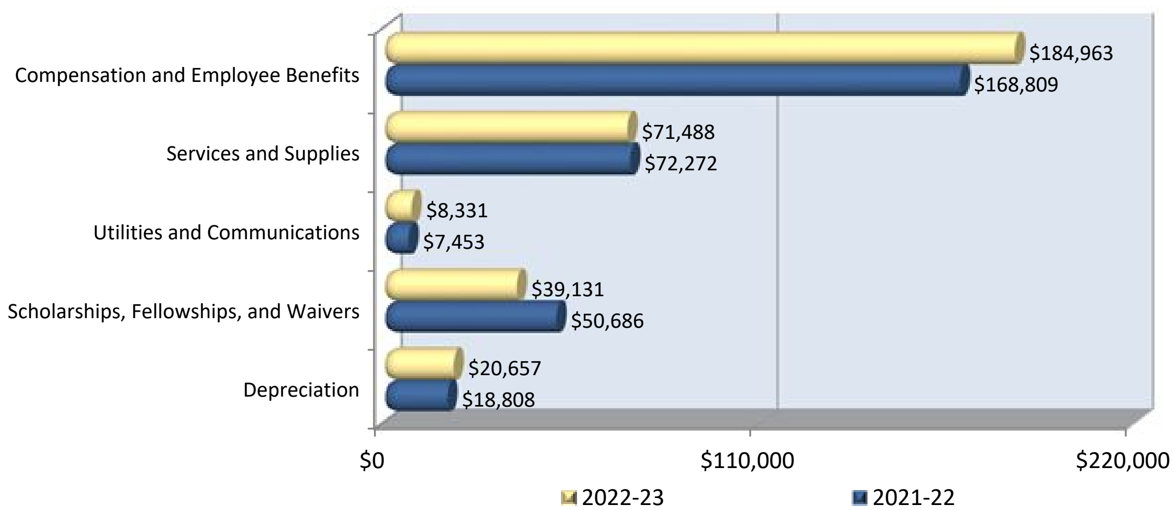
(In Thousands)

	2022-23	**2021-22**
Compensation and Employee Benefits	$ 184,963	$ 168,809
Services and Supplies	71,488	72,272
Utilities and Communications	8,331	7,453
Scholarships, Fellowships, and Waivers	39,131	50,686
Depreciation	20,657	18,808
Total Operating Expenses	$ 324,570	$ 318,028

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

Operating Expenses

(In Thousands)



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

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2022-23 and 2021-22 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

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

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

Other Revenues

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

Other Revenues
For the Fiscal Years

(In Thousands)

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

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

The Statement of Cash Flows

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

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

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

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

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

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

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

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

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

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

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

Capital Assets, Net at June 30

(In Thousands)

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

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

Capital Expenses and Commitments

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

	Amount (In Thousands)
Total Committed	$ 27,908
Completed to Date	(4,731)
Balance Committed	$ 23,177

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

Debt Administration

As of June 30, 2023, the University had $156.5 million in outstanding bonds payable, loans payable, and right-to-use leases and subscription-based information technology arrangements payable, representing a decrease of $5.2 million, or 3.2 percent, from the prior fiscal year resulting from principal payments and refunding of bond debt. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

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

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

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

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

The State has approved and appropriated funds to the University's capital budget in the amount of $60.1 million for the 2023-24 fiscal year. Public Education Capital Outlay appropriation to commence the planning for construction of the Health Sciences (Academic 10) Building in the amount of $58 million for the 2023-24 fiscal year. The Capital Improvement Fee appropriation of $2.1 million for the 2023-24 fiscal year is for remodel and renovation of the Student Union Center.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Mr. David Vazquez, Vice President of Administrative Services and Finance, Florida Gulf Coast University, 10501 FGCU Boulevard South, Fort Myers, Florida 33965.

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BASIC FINANCIAL STATEMENTS

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

June 30, 2023

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

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

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

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FLORIDA GULF COAST UNIVERSITY
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2023

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

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

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

For the Fiscal Year Ended June 30, 2023

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

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (174,537,253)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	20,657,179
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Prepaid Charges	(6,108)
Accounts Receivables, Net	5,904,752
Accounts Payable	2,054,659
Salaries and Wages Payable	(2,723,161)
Deposits Payable	600,131
Compensated Absences Payable	416,536
Unearned Revenue	(750,073)
Revenue Received in Advance	(143,667)
Other Postemployment Benefits Payable	(27,138,699)
Net Pension Liability	46,484,231
Deferred Outflows of Resources Related to Other Postemployment Benefits	7,565,371
Deferred Inflows of Resources Related to Other Postemployment Benefits	19,831,496
Deferred Outflows of Resources Related to Pensions	(5,942,767)
Deferred Inflows of Resources Related to Pensions	(39,158,696)
NET CASH USED BY OPERATING ACTIVITIES	$ (146,886,069)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 5,507,984
Losses from the disposal of capital assets were recognized as a decrease to nonoperating income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (33,867)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by the Federal Deposit Insurance Corporation (FDIC), up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

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

Cash and cash equivalents reported for the Foundation at June 30, 2023, also includes at fair value $6,333,606 of Foundation moneys held in the State Treasury Special Purpose Investment Account (SPIA) investment pool representing ownership of a share of the pool, not the underlying securities. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.02 years, and a fair value factor of 0.9667 at June 30, 2023. The Foundation relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

Capital Assets. University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, right-to-use lease assets, subscription-based information technology arrangements, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property and $100,000 for buildings and infrastructure and improvements. Depreciation is computed on a straight-line basis over the following estimated useful lives:

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

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

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

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

2. Reporting Change

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

3. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (86,773,062)
Auxiliary Funds	13,580,206
Total University Net Position	(73,192,856)
Blended Component Unit	
Unrestricted Net Position	37,909,124
Total	$ (35,283,732)

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. Of the reported investments, $2 million is restricted by the covenants of the bond reimbursement agreements for the Capital Improvement Revenue Bonds Series 2008A and 2009A and $520,119 for debt service reserve accounts for the Series 2005A loan.

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

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

External Investment Pools.

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

At June 30, 2023, the University reported investments totaling $13,868,339 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University’s investments in Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor’s and had weighted average days to maturity (WAM) of

37 days as of June 30, 2023. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

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

Other Investments.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The University's investments of $73,173,656 in United States Treasury securities, are valued using quoted market prices (Level 1 inputs).

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

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

University Debt Investments Maturities

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less than 1 Year**	**1 - 5 Years**	**5 - 10 Years**	**Over 10 Years**
United States Treasury Securities	$ 73,173,656	$ 73,173,656	$ -	$ -	$ -
Total	$ 73,173,656	$ 73,173,656	$ -	$ -	$ -

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

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

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

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

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

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

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

Real Assets: This investment is in a partnership that invests in a diversified portfolio of private equity and real assets investment funds (underlying funds or private investment funds), which in turn have been established to invest in a broad range of private equity, real estate, energy, and other hard-asset-oriented investments.

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

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

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

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

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

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

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

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The Foundation's investment policy requires a maximum equity holding of 5 percent in any single company as a percentage at cost of the total equity portfolio, a maximum equity holding of 15 percent in a single non-U.S. country as a percentage at market value of total equity portfolio, and a maximum fixed income of 5 percent holdings in a single corporate issuer (excluding U.S. government and agencies) as a percentage at cost of total fixed income portfolio.

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

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

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

5. Receivables

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

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

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans receivable are reported net of allowances of $1,480,966 and $4,439, respectively, at June 30, 2023.

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

6. Due From State

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

7. Capital Assets

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

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

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

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

8. Unearned Revenue

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

9. Long-Term Liabilities

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

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

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

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

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

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

On November 29, 2017, the Financing Corporation issued $47,500,000 of Capital Improvement Refunding Housing Revenue Bonds, Series 2017A, with an original issue premium of $6,456,991, and interest rates ranging from 3.375 percent to 5 percent. The proceeds of the sale of the Series 2017A Bonds were used to refund the outstanding Capital Improvement Revenue Bonds, Series 2003 principal totaling $33,870,000, and Series 2007A principal totaling $20,200,000, and related issuance costs. As a result of the refunding, the University reduced its capital improvement debt service requirement by $11,614,278 over the next 20 years and obtained an economic gain of $7,670,123.

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

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

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

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

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

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

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

(1) Amount outstanding includes unamortized discounts and premiums.
(2) Variable interest rate at June 30, 2023.

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

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

Loans Payable. On July 1, 2013, the Financing Corporation entered into a Loan Agreement (2005A), dated July 1, 2013, in the amount of $6,800,000, and a Loan Agreement (2005B), dated July 1, 2013, in the amount of $5,100,000, collectively hereafter referred to as the Loan, authorizing the refunding of Capital Improvement Revenue Bonds, Series 2005A (Student Residence Phase VII), and Capital Improvement Revenue Bonds, Series 2005B (Student Parking Phase I), which resulted in defeasance of the variable rate capital improvement revenue bond debt and securing fixed rate tax-exempt loans. The proceeds from the fixed rate tax-exempt loans were used to refund the outstanding principal debt of Capital Improvement Revenue Bonds, Series 2005A, in the par amount of $6,800,000, and Capital Improvement Revenue Bonds, Series 2005B, in the par amount of $5,100,000. Accordingly, the Capital Improvement Revenue Bonds, Series 2005A, and Series 2005B, are no longer reported as a bond payable on the face of the statement of net position for the reporting period ended June 30, 2018, and the new fixed rate tax-exempt loan is reported as loans payable. The maturity dates or principal payment schedules were not modified, and there was no economic gain or loss from the advanced refunding of the bond debt.

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

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

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

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

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

Fiscal Year Ending June 30	Principal	Interest	Total
2024	$ 877,911	$ 227,897	$ 1,105,808
2025	913,607	193,595	1,107,202
2026	950,755	157,900	1,108,655
2027	989,412	120,752	1,110,164
2028	1,029,642	82,095	1,111,737
Total	$ 4,761,327	$ 782,239	$ 5,543,566

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2023, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $15,275,905. The current portion of the compensated absences liability, $1,597,195, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

General Information about the OPEB Plan

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

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

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of $66,604,227 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.85 percent, which was a decrease of 0.04 from the proportionate share measured as of June 30, 2021.

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

Inflation	2.60 percent
Salary increases	Varies by FRS Class
Discount rate	4.09 percent
Healthcare cost trend rates	
PPO	10.31 percent for 2023, decreasing to an ultimate rate of 4.04 percent for 2076 and later years.
HMO	7.53 percent for 2023, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2022, valuation were based on a review of recent plan experience done concurrently with the July 1, 2022, valuation.

The following changes have been made since the prior valuation:

- The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Rate Index as of the measurement date as required under GASB Statement No. 75. The discount rate increased from 2.18 percent to 4.09 percent.
- The census data reflects changes in status for the 24-month period since July 1, 2020.

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

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

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

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

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

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

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

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

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

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

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

Revenue Received in Advance. Long-term revenue received in advance represents funds received but not yet earned under the terms and conditions of auxiliary services contracts. Total long-term revenue received in advance at June 30, 2023, amounted to $1,951,472, with $143,667 expected to be earned during the 2023-24 fiscal year.

10. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

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

FRS Pension Plan

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

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2022-23 fiscal year were:

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

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

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

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

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

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

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

The deferred outflows of resources totaling $7,726,759, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

HIS Pension Plan

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

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

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

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

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

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

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

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

The deferred outflows of resources totaling $1,032,956, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

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

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

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

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

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

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

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

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

11. Retirement Plans – Defined Contribution Pension Plans

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

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

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

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

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

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

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

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

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

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

12. Construction Commitments

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

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

13. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2022-23 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $56.3 million for named windstorm and flood through February 14, 2023, and decreased to $40.2 million for flood and $38.6 million for named windstorm starting February 15, 2023. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $168.7 million through February 14, 2023, and increased to $184.8 million starting February 15, 2023; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by

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

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

14. Functional Distribution of Operating Expenses

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

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

15. Segment Information

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

Condensed Statement of Net Position

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

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

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

Condensed Statement of Cash Flows

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

16. Blended Component Unit

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

Condensed Statement of Net Position

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

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

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

Condensed Statement of Cash Flows

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

17. Related Party Transactions

University and Blended Component Unit

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

Discretely Presented Component Unit

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

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

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

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

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

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

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

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

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

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

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

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

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 16, 2024, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

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

ITEM: _3__

Florida Gulf Coast University Board of Trustees
Audit and Compliance Committee
April 4, 2024

SUBJECT: Teacher Recruitment, Development, Retention and Recognition Activities Grant Audit

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PROPOSED COMMITTEE ACTION

Approve the Teacher Recruitment, Development, Retention and Recognition Activities Grant Audit.

BACKGROUND INFORMATION

This report represents a limited scope audit of the Teacher Recruitment, Development, Retention and Recognition Activities Grant program to assess the adequacy of internal controls, processes, and procedures with this Federal grant program and to determine whether expenditures were appropriate, properly authorized and in compliance with applicable guidelines.

If approved by the Audit and Compliance Committee, a copy of this report will be forwarded to the FGCU Board of Trustees for consideration of final approval.

Supporting Documentation Included: Teacher Recruitment, Development, Retention and Recognition Activities Grant Audit Report dated January 23, 2024

Prepared by: Director of Internal Audit William Foster

Legal Review: Vice President and General Counsel Vee Leonard (February 5, 2024)

Submitted by: Director of Internal Audit William Foster

Florida Gulf Coast University

Teacher Recruitment, Development, Retention and Recognition Activities Grant Audit

Internal Audit Report

Report Date: January 23, 2024

TEACHER RECRUITMENT, DEVELOPMENT, RETENTION and RECOGNITION ACTIVITIES GRANT AUDIT

EXECUTIVE SUMMARY

This report represents a limited-scope audit of the Teacher Recruitment, Development, Retention and Recognition Activities (TQA) grant program. The U.S. Department of Education (ED) granted funds to the Florida Department of Education (FLDOE) under the Every Student Succeeds Act (ESSA), signed on December 10, 2015. This Act reauthorizes the 50-year-old Elementary and Secondary Education Act (ESEA) to enhance student achievement and improve the quality of education. This grant program aimed to support State educational agencies (SEAs) and local educational agencies (LEAs) in several key areas. The primary goals included increasing student achievement in alignment with challenging State academic standards, enhancing the quality and effectiveness of teachers, principals, and other school leaders, boosting the number of proficient educators capable of improving student academic performance, and ensuring equitable access to high-quality educators for low-income and minority students. Each grant funding is a stand-alone award with its own performance period. Florida Gulf Coast University (FGCU) was awarded $2,028,870.90, $2,903,692.00, and $3,463,288.00 for grant years 2020-2021, 2021-2022 and 2022-2023, respectively.

Overall, based on the audit work performed, grant fund administration was generally performed in accordance with Federal, State, and University grant guidelines. However, we did find opportunities to streamline the acquisition of requisitions and purchase orders, improve the expediency of disbursement approval processes, and strengthen the adherence to reporting time and effort committed to grant activities, as detailed in this report.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. The audit procedures provided a reasonable basis for our opinion and the following reportable observations and recommendations.

OBJECTIVES

A. Determine whether expenditures are appropriate, properly authorized, and in compliance with the guidelines of Funding Authority 84.367A Title II, A Teacher and Principal Training Fund - U.S. Department of Education, Florida Department of Education, and Florida Gulf Coast University grant disbursement guidelines.

B. Determine whether there are effective internal controls, processes, and procedures related to the administration of the TQA Grant funds.

AUDIT SCOPE – End of Fieldwork was October 6, 2023

- Reviewed applicable U.S. Office of Management and Budget (OMB) Code of Federal Regulations (CFR) Title 2 – Grants and Agreements
- Reviewed guidance from Florida Administrative Code 60A-1.002 - Purchase of Commodities or Contractual Services
- Reviewed Florida State Statutes Title 19, Chapter 287, Public Business - Procurement of Personal Property and Services
- Reviewed applicable sections of the Florida's Every Student Succeeds Act (ESSA) State Plan
- Reviewed Florida's Reference Guide for State Expenditures and Travel Manual
- Reviewed regulations from the Florida Board of Governors, as applicable
- Reviewed FGCU's Regulation 6.025 - Procurement
- Reviewed applicable FGCU's grant guidelines as established by the Office of Research and Sponsored Programs (ORSP)
- Reviewed FGCU's procurement policies and procedures

BACKGROUND

The U.S. Department of Education (ED) granted funds to the Florida Department of Education (FLDOE) to enhance student achievement and improve the quality of education during the assessed years of 2020-2021, 2021-2022, and 2022-2023. This grant program aimed to support State educational agencies (SEAs) and local educational agencies (LEAs) in several key areas. The primary goals included increasing student achievement in alignment with challenging State academic standards, enhancing the quality and effectiveness of teachers, principals, and other school leaders, boosting the number of proficient educators capable of improving student academic performance, and ensuring equitable access to high-quality educators for low-income and minority students. State-level initiatives involved reforming teacher and principal certification programs, offering support for new educators, and providing ongoing professional development. Local-level efforts to recruit and retain high-quality educators, delivering professional development opportunities, and reducing class sizes to foster improved learning environments.

Each year, FGCU applies for a new award amount to cover grant-specific expenses. The total amount budgeted for each performance period is as follows:

Grant Number	Grant #00289	Grant #00366	Grant #00457	Total Audit Period
Performance Period	2020 - 2021	2021 - 2022	2022 - 2023	
Approved Budgets	$2,028,870.90	$2,903,692.00	$3,463,288.00	$8,395,850.90

Each grant is a stand-alone award with its own performance period. FGCU applies for award funding each year it wants to participate in this grant. Since this is a reimbursement type grant, FGCU makes the expenditures, then requests reimbursement from the grant. Funds allocated for each designated performance period must be utilized by the final date specified for incurring expenses and issuing purchase orders, as outlined in the Notice of Award. Any unspent funds will be retained by the FLDOE. The audit period covers the performance periods 2020 - 2021, 2021 - 2022, and 2022 - 2023.

	Audit Periods		
	2020-2021	2021-2022	2022-2023
Approved Allocated Budget	$2,028,870.90	$2,903,692.00	$3,463,288.00
Workday Expensed	$1,348,126.07	$1,321,136.63	$1,262,139.26
Remaining Unobligated Funds	$680,744.83	$1,582,555.37	$2,201,088.74**

***Note: At the time of the audit, the 2022-2023 grant performance period was still in progress, and the final amount of remaining unobligated funds was still pending.*

OBJECTIVE A

Review TQA grant expenditures and appropriate documentation for compliance with Federal cost principles, FLDOE's grant disbursement criteria, and Florida Gulf Coast University's (FGCU's) procurement, purchasing, and grant administration procedures.

Sampling Method

Multiple sources were used to determine the breakdown of Grant funds disbursed – 1) FLDOE's Notice of Award for the approved budget amounts per each of the performance periods; 2) FLDOE Project Disbursement Report used to report FGCU's grant expenditures for years 2020 - 2021 and 2021 - 2022. The report for the grant year 2022 - 2023 was not available at the time of this audit; and 3) Journal entries posted in Workday indicating the expenditures charged to the grant in 2020 - 2021, 2021 - 2022, and 2022 - 2023, respectively.

The source documentation identifying the Grant expenses in Workday was the FGCU Budget Expenditure Report. The population breakdown is as follows:

Performance Period	Transactions	Grant Expenses
2020 - 2021	690	$1,348,126.07
2021 - 2022	1,011	$1,321,136.63
As of 8/1/2023	926	$1,262,139.26

For this internal audit, a systematic random sampling method was employed to select representative transactions from each award year. The audit encompassed 60 sample transactions totaling $618,637.69, with 20 samples drawn from each of the three award years under examination to maintain a 95% confidence level.

Within each selected year, a stratified sampling approach was used based on budget category percentages, acknowledging that budgets comprised categories such as Salaries, Fringe Benefits, Consultant Services, Materials and Supplies, Travel, and Scholarships. The allocation of samples to each category was determined by calculating the percentage of the total award amount allocated to that category, ensuring that the sample representation mirrored its proportionate share of the overall budget for each year.

By utilizing this systematic random sampling approach, we aimed to obtain a well-balanced and representative sample that accurately reflects the distribution of funds across budget categories in each of the three award years. This methodology was chosen to enhance the audit's ability to identify patterns, anomalies, or discrepancies within the selected transactions, providing a comprehensive evaluation of grant compliance and performance.

Documentation necessary for the audit was obtained from the following sources: 1) Workday, 2) Director, Office of Research and Sponsored Programs, and 3) Grant Coordinator.

Audit Criteria

In accordance with the cost principles outlined in the Code of Federal Regulations (2 CFR, part 200, section 200.403 and 45 CFR, part 75, section 75.403), Supporting Effective Instruction State Grants - Title II, Part A Legislation, Regulations, and Guidance, Sections 287.017(2), 287.058(3) and (4), F.S., FGCU's Guidelines for Research and Sponsored Programs version 3.1, FGCU's College and Universities Rate Agreement for Fringe Benefits, and FGCU's Procurement Procedure Manual, we reviewed documentation against the following criteria:

> **Criteria 1:** Whether the requisition and purchase order (PO) were obtained before the invoice?
>
> **Criteria 2:** Whether all required documentation was obtained to support the charge?
>
> **Criteria 3:** Whether expenses were allowable per Federal and State cost principles?

SUMMARY ANALYSIS

Based on Internal Audit's review, we have determined that out of the 60 items tested, 35 transactions generally conformed with the cost principles outlined in our audit criteria. Of the remaining 25 transactions:

> **Criteria 1:** 24 transactions showed requisitions and POs were obtained after FGCU was invoiced for the product or service.

Criteria 2: One (1) transaction for an executed contract for a change in vendor conducting the Annual Teacher Prep Report for 2021 was not received for review. However, in lieu of a contract, FLDOE submitted a Sponsored Exemption Letter indicating the new vendor is a sole source of providing the reporting service. This is in accordance with Section 287.057(3)(c), F.S., Procurement of Personal Property and Services, and FGCU Regulation 6.025, Procurement.

Criteria 3: No exceptions were identified.

OBSERVATIONS – OBJECTIVE A

Criteria: Sections 287.017, Category 2 and 287.058(4), F.S. state that every procurement of contractual services whose value is less than or equal to $35,000 shall be evidenced by a written agreement or purchase order. In lieu of a written agreement, a purchase order can be used. The purchase order must include, but need not be limited to, an adequate description of the services, the contract period, the payment method, and must be signed by purchasing or contracting personnel acting on behalf of the agency.

FGCU's Guidelines for the Office of Research and Sponsored Programs, version 3.1, developed by the Office of Research and Sponsored Programs (ORSP), Section 3.8(a)(1) follows Florida Statutes but indicates that a Purchase Requisition (PR) is used to request Procurement Services to issue a Purchase Order (PO) to secure commodities/services needed in the ongoing operations of a sponsored project. These requisitions are initiated in Workday and will be routed for approval by an Accountable Officer (an assistant, associate, or full dean / director or above) with the authority to approve such requisitions.

As detailed in Section IV of the FGCU Procurement Services – Purchasing guide, the purchasing cycle commences when a department acknowledges the necessity for a product or service. This need is conveyed to the Procurement team via the requisition process. A purchase requisition is formulated in Workday and electronically transmitted to procurement to facilitate the creation of a purchase order. To ensure enough lead time for deliveries and prevent emergency scenarios, departments should submit requisitions before proceeding with the actual purchase or the initiation of the service. If a contract is part of the purchase, extra lead time may be required to allow for both procurement and legal review.

Condition: There was inconsistent application of procurement policies to establish requisitions and obtain purchase orders prior to receiving an invoice for payment.

Cause: Several factors may have contributed to the inconsistencies observed: 1) Breakdown in communication between FLDOE's grant management office and FGCU's grant coordinator concerning advance notification of events, purchases, and services and 2) Vendor misunderstandings of procurement requirements and documentation deadlines may lead to vendor's submitting invoices without waiting to receive an approved purchase order.

Documentation reveals that the Grant Coordinator proactively reached out to FLDOE's grant management office and relevant staff, attempting to comply with Federal and State grant guidelines as well as University procurement policies. This indicates a conscious effort to adhere to established protocols. Nevertheless, despite these efforts, persistent communication gaps and vendor misunderstandings still contributed to the observed inconsistencies in the grant management process.

Aside from these factors, this grant is a pass-through from the U.S. Department of Education (ED) to FLDOE to FGCU. At the time FGCU applies for and is awarded grant funding, FLDOE has already established how grant funds are to be used for contractual services, materials and supplies, and travel based on its own application with an award from ED, essentially shifting FGCU’s role in the grant to a fiscal agent. Therefore, FGCU is dependent on FLDOE’s adherence to Federal and State Statutes, Regulations, and Guidance in appropriately securing goods and services with quotes, bids, and vendor due diligence. Furthermore, FGCU’s grant Principal Investigator (PI) and grant staff must follow the University’s procurement and grant procedures and guidelines.

Effect: Failing to prepare a requisition and purchase order prior to receiving an invoice for goods and services can have several negative consequences for the University. This includes exposing FGCU to the risks of losing control over tracking and managing grant fund expenditures, staying within the grant’s budgetary limits, having inaccurate grant accounting and reporting, thus reducing the ability to enforce grant requirements.

This report includes a recommendation with regard to ensuring requisitions are created, and purchase orders are obtained prior to receiving the invoice.

RECOMMENDATIONS

We recognize that FGCU is paying expenses based on FLDOE’s established uses for the grant funds. In addition, we recognize that grant PIs share responsibilities with their department’s administrative staff and ORSP for ongoing administrative management of their sponsored projects (Grants). However, all those actively involved with the TQA grants must ensure compliance with Federal, State, and University procurement regulations and guidelines. It is important to submit requisitions before the actual purchase or start of the service to allow for the time needed to ensure FGCU's Office of Procurement Services and General Counsel, if applicable, can review all necessary documentation (i.e., contracts or quotes) and issue purchase orders to vendors prior to receiving their invoices.

- It is advisable for the grant coordinator continue to engage proactively with FLDOE's Grant Management Office. If this is unsuccessful, the grant coordinator should seek assistance from the grant PI and ORSP to secure early notifications regarding any upcoming events, travel plans, contracted services, and purchases related to the grant. Upon receiving these advance notices and confirming the budgeted funds for these expenses, the grant coordinator should promptly proceed with submitting the requisition.

- If the grant coordinator receives documentation for goods and or services without prior notification to create a requisition and obtain the purchase order, then an explanatory note should be added in Workday. This note should detail the reasons for the deviation from the standard procedure, supported by relevant documentation such as email exchanges or summaries of written and verbal communications.

Management Response: The FGCU grant coordinator will continue to work closely with FLDOE's Grant Management Office. The FGCU grant coordinator has been advised to seek direction from ORSP for any questions or oddities that might occur in this or any future projects. They have also been advised to add additional details in the comment section of any requisition that sufficiently explains why there is a deviation from the standard procedure and to attach any supporting documents to such requests. Communication is key when these larger projects take place. ORSP cannot know what the grant coordinator does not understand unless he/she asks. We are adding this information to our award meetings to remind all PI's and Grant Coordinators to provide details for expenses.

Response Provided By: Donna Gilmore, Director of the Office of the Office of Research and Sponsored Programs

Person Responsible: Nick Salmon, Grant Coordinator

*Implementation Date:*1/8/2024

OBJECTIVE B

Determine whether there are effective internal controls, processes, and procedures related to the administration of the TQA Grant funds.

Areas of Testing

1. **Assessment of Approval Appropriateness:**
   - We conducted an assessment to determine whether approvals complied with the FLDOE (Florida Department of Education) and FGCU (Florida Gulf Coast University) grant and procurement guidelines. This examination aimed to verify the appropriateness of approvals related to FLDOE grant activities, ensuring they aligned with the specified guidelines and regulations.
2. **Time and Effort Certifications Evaluation:**
   - In alignment with Uniform Grant Guidance - 2 CFR Part 200.430 (i) and FGCU's Guidelines for Research and Sponsored Programs version 3.1, we assessed the completion, accuracy, and maintenance of Time and Effort certifications for FGCU academic and administrative staff.
3. **Review of Financial and Performance Reporting:**
   - We assessed both the required monthly online reporting and final project disbursement reporting. This evaluation aimed to ascertain their completeness, accuracy, and timely

submission in strict adherence to the FLDOE Notice of Award Reporting Requirements.

Sampling Method for Test 1

The sampling process was structured as follows: The audit covered three consecutive award years, with a total sample size of 60 divided into 20 samples per year to maintain a 95% confidence level. Within each selected year, a stratified sampling approach was used based on budget category percentages, acknowledging that budgets comprised categories like Salaries, Fringe Benefits, Consultant Services, Materials and Supplies, Travel, and Scholarships. The allocation of samples to each category was determined by calculating the percentage of the total award amount allocated to that category, ensuring that the sample representation mirrored its proportionate share of the overall budget for each year. The same sample of transactions was used for both Objective A and Objective B – Test Objective 1 for consistency.

Documentation Review for Assessing Test 2

During our audit, we sought to verify compliance with time and effort certification requirements for positions involved in TQA grant activities. The positions identified and included in the grant budget were the FGCU Principal Investigator, FGCU Co-Investigator, and FGCU Grant Coordinator for all three years audited.

We requested documentation and were informed that the grant did not have a Co-Investigator. Therefore, we should have received documentation for the remaining two (2) positions. Despite our efforts, we were unable to secure documentation supporting the completion of these certifications for the specified periods.

Documentation Review for Assessing Test 3

FGCU was required to submit final project disbursement reports as documented on the Notice of Award for each performance period. The due dates for the final disbursement reports to FLDOE were 10/31/2021, 11/30/2022, and 10/30/2023. The 10/30/2023 report was not available during the time of our audit since the grant was still active. Therefore, our sample consisted of two (2) FLDOE approved final project disbursement reports. In addition, the Notice of Award listed the "Reimbursement Option" as Federal Cash Advance, which requires monthly online reporting of expenditures to be submitted to FLDOE. To ensure we were reviewing accurate reports, we requested from the grant coordinator the monthly report related to the end of each performance period. We received three (3) spreadsheet reports prepared by the Grant Coordinator, dated 8/31/2021, 8/31/2022, and 8/31/2023. All reports were reviewed for compliance with FLDOE's reporting requirements.

Criteria - Test 1

This objective primarily sought to assess compliance with grant disbursement approval procedures. Title 19, Chapter 287 - Procurement of Personal Property and Services, Section 287.058(4), F.S. mandates written agreements or purchase orders signed by authorized personnel within specified value thresholds. FGCU's Guidance for Research and Sponsored Programs Version 3.1, specifically Section 3.8 Procurement a.1, outlines the use of Purchase Requisitions (PR) and necessitates approval by an Accountable Officer, while FGCU's Procurement Services-Purchasing guide section 4 - Purchasing Cycle emphasizes departmental approval by authorized Accountable Officers for all grant expenditures. In the case for grant fund disbursements it would be the grant's Principal Investigator (PI), and Director, Office of Research and Sponsored Programs.

Criteria – Test 2

According to the Code of Federal Regulations Title 2-Grants and Agreements, part 200.430(i)(1), time and effort reporting is required to document the amount of activity required to fulfill the employee's obligation to the grant, as well as the total activity for which he or she is compensated, not to exceed 100%. Beginning fiscal year 2023-2024, ORSP Guidelines have been updated to show that time and effort will be prepared and certified periodically on a more uniform basis.

Criteria – Test 3

The required monthly online reporting and final project disbursement reporting were assessed for completeness, accuracy, and timely submission, demonstrating adherence to FLDOE's Notice of Award Reporting Requirements. Based on our review, all reports were adequately completed and submitted timely per stated grant requirements.

SUMMARY ANALYSIS

Based on Internal Audit's review of the TQA grant for the periods of 2020 - 2021, 2021 - 2022, and 2022 - 2023, it was determined that generally, internal controls were in place and grant procedures, regulations, and guidelines were being followed. However, we did find areas where exceptions were identified.

Test 1: Out of 60 transactions tested, 20 did not contain approvals from ORSP as part of the grant disbursement approval process. The items in question were identified as grant expense payments processed as ad hoc check requests and adjustments made with manual journal entries. Payments are identified as ad hoc when the payee is not an FGCU employee or student. The ad hoc classification is used on payments for non-employee travel reimbursements and non-employee, non-contracted service invoices, such as payments to employees of FLDOE to review textbooks. Manual journal entries are used for chargeback expenses (i.e., telephone services, cell phone services), Facilities and Administration (F&A) costs, or correcting entries.

Test 2: Based on our criteria above, we would have expected to receive 18 time and effort certifications for review. None of the certifications requested were available for review.

Test 3: No exceptions were noted out of the five reports, which included the required monthly online reporting and final project disbursement reporting received for review.

The probability of significant errors, fraud, noncompliance, and other risks was considered during the course of this audit.

OBSERVATIONS – OBJECTIVE B

Criteria: Our audit centered on assessing compliance with the approval procedures outlined in Section 287.058(4), F.S. This statute mandates that any procurement of contractual services falling within the value threshold specified in Section 287.017, F.S. for Category Two or less, which has a threshold of $35,000, must be supported by a sufficiently detailed written agreement or purchase order. These documents should be signed by authorized personnel, ensuring proper auditing, and may encompass the provisions and conditions detailed in subsection (1) of the statute.

FGCU Guidelines for Research and Sponsored Programs, specifically section 3.8 Procurement a.1, provide guidance on using Purchase Requisitions (PR) to request Procurement Services. These PRs, initiated within Workday, require approval by an Accountable Officer with the authority to approve such requisitions.

Furthermore, FGCU's Procurement Services - Purchasing guide, under section IV - Purchasing Cycle, highlights that additional lead time may be necessary to accommodate both procurement and legal review when a contract is part of the purchase. FGCU's Guidance for Research and Sponsored Programs Version 3.1 emphasizes that all purchase requisitions necessitate approval by the requesting department from an authorized Accountable Officer, e.g., the grant Principal Investigator (PI) and the Director, Office of Research and Sponsored Programs.

Condition: There was inconsistent execution of the approval process as required by Section 287.058, F.S., FGCU Guidelines for the Office of Research and Sponsored Programs, and FGCU Procurement Guidelines. Ad Hoc and manual journal TQA grant transactions were not included in the process that alerts ORSP's grant billing specialist to review the item for approval, an important component of grant management.

Cause: The cause relates to grant expense payments processed as Ad Hoc check requests and adjustments made with a manual journal entry process. Payments are identified as ad hoc when the payee is not an FGCU employee or student in Workday. Manual journal entries are used for chargeback expenses (i.e., telephone services, cell phone services), Facilities and Administration (F&A) costs, or correcting entries.

During discussions with the Assistant Director of Procurement and the Travel Manager, Internal Audit learned that the transition from Banner to Workday created an automated approval workflow for grant-related expenses. This revelation was further clarified by conversations with the Assistant Controller for Operations Support, who revealed that the initial configuration of Workday necessitated departments to define specific financial thresholds. These thresholds serve as benchmarks for triggering departmental notifications to review and approve expenses. Further investigation discovered that for ad hoc payments, the minimum for alerting ORSP for approval is $5,000. Consequently, any ad hoc payment falling below this amount bypasses ORSP review, effectively excluding it from the approval process.

For the manual journal entries, Workday currently does not have a mechanism in place to alert ORSP that the grant's award budget to actuals is being altered due to manual journal entries.

Effect: Bypassing required approvals for expenses paid with grant funds exposes FGCU to the risk of losing control over tracking and managing grant fund expenditures, staying within the grant's budgetary limits, having inaccurate grant accounting and reporting, and the potential inability to enforce grant requirements.

This report includes a recommendation regarding refining the approval process for ad hoc check requests and manual journal entries.

RECOMMENDATION

Internal Audit advises that the Director of the Office of Research and Sponsored Programs (ORSP) work with the Finance and Accounting department to modify the threshold in Workday from $5,000 to a reasonable threshold to ensure all expenses material to the grant are captured.

Additionally, per the ORSP Director, there are ongoing efforts between ORSP and the Finance and Accounting department to address the issue of ORSP not being notified when manual journal entries are posted to the grant's general ledger accounts. Plans are underway to implement a warning mechanism in Workday for manual journals associated with grant worktags, although further testing is needed to ensure its effectiveness.

Management Response: The ORSP Director requested ITS to lower the threshold in Workday from $5,000 to zero. ITS was concerned with the number of requests this would cause to come through ORSP team's inbox in Workday. There were 493 purchase requisitions so far in FY 2023 - 2024 and 890 for FY 2022 - 2023. A review of the 890 requests shows that 499 of them are $500 or higher, therefore it is recommended that a threshold of $500 be set for purchase requisitions and P-Card purchases. For Ad Hoc and Journal lines, the threshold will be set at zero so that all grant related transactions are reviewed by ORSP prior to taking place. Chargeback and copy charges come through Workday as a Journal so it requires ORSP to check each line for the grant worktag and to check the project end date before allowing the journal to continue. The ORSP team has been advised to check this moving forward. The thresholds have been set in Workday as of 1/23/2024.

Response Provided By: Donna Gilmore, Director, Office of Research and Sponsored Programs

Person Responsible: Donna Gilmore, Director, Office of Research and Sponsored Programs

Implementation Date: 1/8/2024

ADDITIONAL OBSERVATION – OBJECTIVE B

Criteria: Time and Effort Reporting is a Federal requirement and mandated by the Office of Management and Budget (OMB) in the Uniform Grant Guidance - 2 CFR Part 200.430 (i), which states in part: "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed".

FGCU's Office of Research and Sponsored Programs (ORSP) time and effort guidelines follow the Federal Uniform Grant Guidance. FGCU's guide states "The federal government requires a confirmation of effort of all individuals performing services on a sponsored project when all or a portion of their salary is charged to the sponsored project. FGCU uses the “after-the-fact activity records” to demonstrate that individuals who are compensated by federal funds have actually contributed the reported effort".

Condition: There was a lack of consistency in completing Time and Effort certifications, as mandated by Federal and University standards. These certifications, which play a pivotal role in grant management, showed that for this audit, none of the 18 expected certifications were available for audit.

Cause: The issue of time and effort reporting was identified in another federal grant audit. However, before fiscal year 2023 - 2024, continuous monitoring and reconciliation processes were not performed to ensure that time and effort certifications were regularly and accurately completed and incorporated into official records. In addition, two factors may have contributed to the inconsistencies observed. 1) FGCU was contending with the effects of the COVID pandemic, which caused limited access and communications amongst employees to conduct thorough reviews of essential documentation; 2) loss of personnel to effectively monitor and reconcile time and effort documentation.

Effect: Time and effort reporting remains a top priority in grant management. Failure to meet these requirements or to accurately complete time and effort documentation puts FGCU at risk of having inaccurate grant accounting, the inability to enforce grant requirements, and possible deferral or additional restrictions of future funding decisions by the sponsoring Federal agency. In addition, the sponsoring Federal agency can impose financial penalties.

This report includes a recommendation with regard to enhancing the time and effort documentation completion and reconciliation process.

RECOMMENDATION

The previous Federal Grant audit highlighted the need for improved time and effort reporting, and ORSP has taken proactive measures to rectify this issue. The actions currently being implemented are as follows:

1. Enhance the process for time and effort reporting, ensuring regular and accurate completion and incorporation into official records.
2. Strengthen internal training and policy enforcement regarding time and effort certifications.
3. Time and Effort Reporting: ORSP is manually preparing time and effort reports for each year retroactively since 2021. Moving forward, time and effort certifications will be prepared and certified at the end of each semester, with the updated ORSP Guidelines reflecting that reports will be completed three times a year.

4. System Integration: Collaborative meetings between ORSP and FGCU's IT Department are underway to integrate effort reporting functionalities within Workday. This integration will streamline the reporting process and ensure that time and effort certifications are managed effectively within the system.
5. Policy Development: ORSP is in the process of developing a stringent policy in conjunction with the General Counsel's office. This policy will specifically address Time and Effort Certification as an essential aspect of grant management, outlining clear consequences for non-compliance. The ORSP Director has initiated this process with the expectation that a comprehensive policy will be established within the next year.

Management Response: 1. ORSP is working with ITS to initiate time and effort in Workday. It was not offered to ORSP at the time Workday was implemented. We anticipate that it will be up and running by July 1, 2024, and effort certification will continue to be done manually for the summer 2023, fall and spring semesters of FY 2023 - 2024. 2. ORSP will strengthen internal training and enforcement regarding time and effort certifications moving forward. Workday did not offer an accessible report for ORSP to use so it required numerous manual calculations. As we develop time and effort in Workday, we will develop and offer training to faculty and staff so they understand what needs to be done with the notifications that will come through Workday. 3. Time and Effort for all fiscal years has been completed and is up-to-date. 4. ORSP is currently working with ITS to have effort reporting be set up in Workday to avoid the manual Time and Effort reporting especially since Workday does not offer an accessible report for ORSP to use. 5. ORSP is currently working with General Counsel on a Time and Effort Policy that we anticipate will be developed by November 2024.

Response Provided By: Donna Gilmore, Director of the Office of Research and Sponsored Programs

Person Responsible: Donna Gilmore, Director of the Office of Research and Sponsored Programs

*Implementation Date:*1/8/2024

Audit Performed by:

Leslie Marone, MAcc, MBA, Internal Auditor II, & Lydia Paternoster, MBA, Internal Auditor I

Audit Reviewed by: William Foster, MBA, CPA, CIA, CGAP, CFE, CRMA, CCSA, CISA, Director, Internal Audit

ITEM: _4__

Florida Gulf Coast University Board of Trustees
Audit and Compliance Committee
April 4, 2024

SUBJECT: **2023 Annual Compliance Report**

PROPOSED COMMITTEE ACTION

Review the 2023 Annual Compliance Report, and approve a recommended version for action by the FGCU Board of Trustees

BACKGROUND INFORMATION

Board of Governor's Regulation 4.003 (State University Compliance and Ethics Programs) and FGCU's Compliance Office Charter require at least an annual report on the University's Compliance Program. The 2023 Annual Compliance Report is a summary of FGCU's comprehensive compliance and ethics program accomplishments, to include compliance partner reports from January 1, 2023 to December 31, 2023.

Upon approval of this Report by the FGCU Audit and Compliance Committee, it will be recommended for approval to the FGCU Board of Trustees.

Supporting Documentation Included: 2023 Annual Compliance Report

Prepared by: Chief Equity, Ethics, and Compliance Officer and Title IX Coordinator Precious Gunter

Legal Review: Vice President and General Counsel Vee Leonard (March 11, 2024)

Submitted by: Chief Equity, Ethics, and Compliance Officer and Title IX Coordinator Precious Gunter

2023 ANNUAL COMPLIANCE REPORT

FGCU

Office of Institutional Equity & Compliance (OIEC)

FOREWORD

An integral component for the prosperity of any organization or university is the establishment of a comprehensive Compliance and Ethics Program. At FGCU, we are dedicated to embodying the principles of integrity, morals, and values, considering them fundamental to our success.

Our commitment extends beyond the student body to encompass the entire University and regional community. The significance lies not only in establishing ethical standards but also in serving as exemplars of ethical conduct and character. The 2023 Annual Compliance Report underscores the strides we have made in developing a robust University-wide Compliance and Ethics Program.

As we prioritize the success of the Program, we actively involve faculty, staff, and student representatives. The collaborative effort reflects our ongoing commitment to shaping a culture of integrity. We extend gratitude to all who have participated and contributed thus far, acknowledging their role in our continual growth and improvement in this crucial area.

Wings Up and Go Eagles!

Aysegul Timur, President

TABLE OF CONTENTS

ABOUT THE OFFICE OF INSTUTIONAL EQUITY AND COMPLIANCE

In alignment with FGCU's vision of achieving national prominence, we promote a culture that celebrates our entire campus community. Our focuses are eliminating discrimination and harassment, promoting ethical decisions on all levels, and ensuring compliance with applicable regulations and guidelines.

FGCU does not discriminate on the basis of race, color, national origin, ethnicity, religion, age, disability, sex, gender identity/expression, marital status, sexual orientation, veteran status, or genetic predisposition. We promote ethical decisions and responsible stewardship of resources to foster trust and promote the best interests of our community. We also provide oversight and guidance of FGCU's Compliance Program in accordance with applicable state and federal laws, regulations, professional standards, and University regulations and policies.

The Office of Institutional Equity and Compliance is committed to upholding ethical standards and ensuring equity and fairness for all faculty, staff, students, visitors, and vendors. Our office provides the following functions for the University: Training and Awareness, Committee Management, Investigations and Informal Resolutions, External Agency Response, Equal Opportunity Certification for Grants and Degree Programs, Policy Analysis and Development, Conflict of Interest Review/Investigations, and Equal Opportunity Waivers of Advertisement.

Contact Us:
Office of Institutional Equity & Compliance
Edwards 114
10501 FGCU Boulevard South
Fort Myers, Florida 33965
239-745-4366

COMPREHENSIVE COMPLIANCE AND ETHICS REPORT

THE FOLLOWING REPORT IS A SUMMARY OF FGCU'S COMPREHENSIVE COMPLIANCE AND ETHICS PROGRAM ACCOMPLISHMENTS, INCLUDING COMPLIANCE PARTNER REPORTS FROM JANUARY 1, 2023 TO DECEMBER 31, 2023.

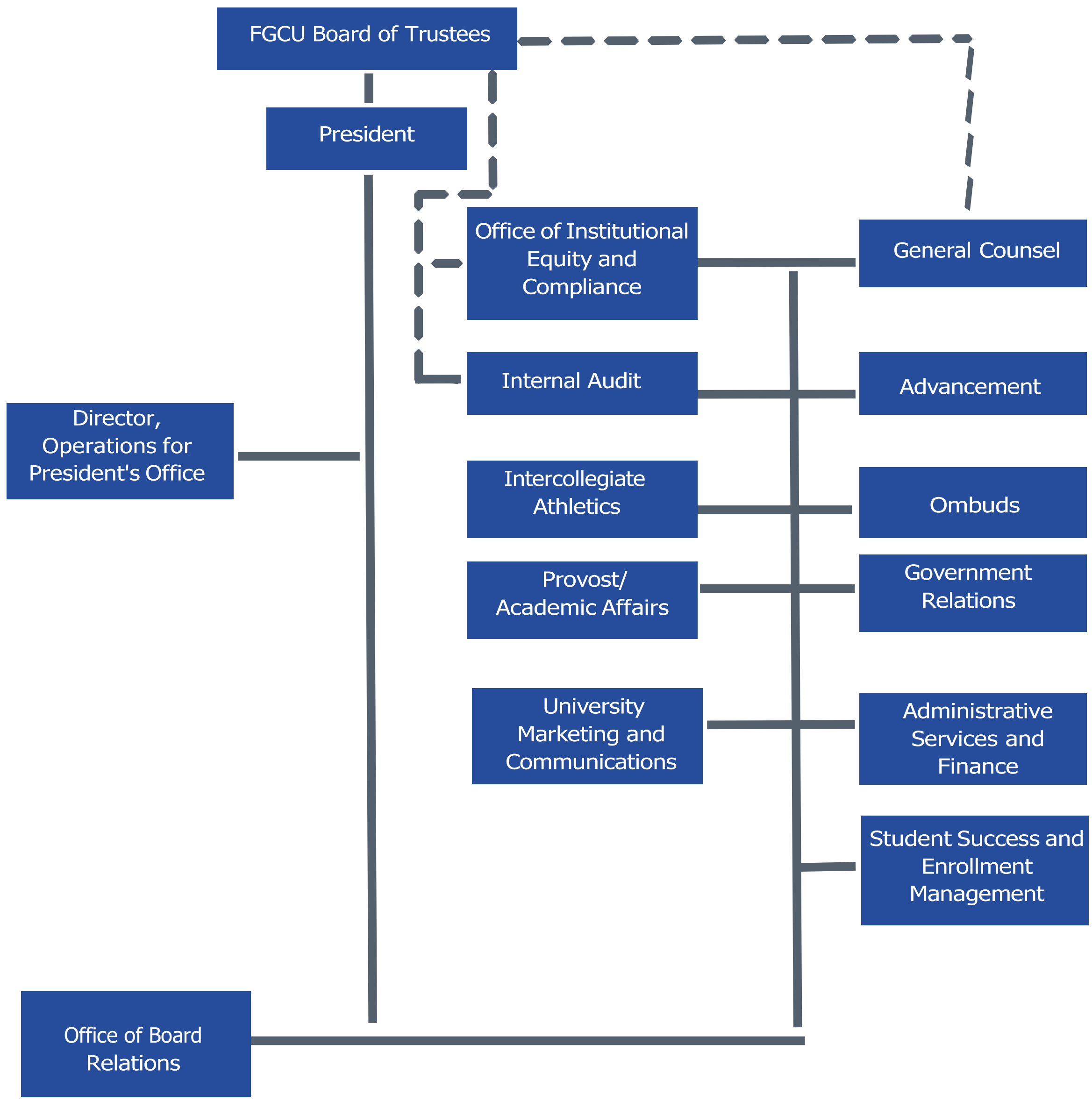
COMPLIANCE AND ETHICS PROGRAM

The goal of the Office of Institutional Equity & Compliance (OIEC) is to promote an organizational culture that encourages ethical conduct and a commitment to compliance. The responsibilities of the office are to:

- Develop and direct the University's compliance and ethics function; Provide leadership, oversight, and advice to ensure appropriate development, interpretation, and implementation of the University's policies and regulations pertaining to compliance in accordance with state and federal laws;
- Prepare, implement, and manage the University's Compliance and Ethics Program Plan as approved by the President, Audit and Compliance Committee, and the FGCU Board of Trustees; revise the Plan as necessary; Develop or implement compliance training or awareness programs; Develop and provide compliance and ethics training to the FGCU Board of Trustees, the President and Cabinet, and employees to assist University community members with performing their jobs, understanding compliance issues, and infusing an ethical framework into the fabric of the University;
- Engage in investigations, monitor activities, and conduct risk assessments for the University and its affiliated organizations to prevent and detect misconduct or violations of institutional policies or applicable laws and regulations;
- Develop a program consistent with Florida's Code of Ethics for Public Officers and Employees, and Chapter 8 of the Federal Sentencing Guidelines Manual;
- Administer and promote the FGCU Hotline, an anonymous mechanism available for individuals to report potential or actual misconduct and violations of University policy, regulation, or law, and ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in good faith;
- Ensure that managers responsible for compliance functions within the University coordinate and communicate program matters of substantial importance with the Chief Compliance Officer;
- Oversee the processing of internal complaints and refer concerns to an appropriate University office for review and disposition (such as Office of the General Counsel, Internal Audit, or Human Resources);

- Bring all compliance and ethics-related matters of substantial importance and all credible evidence of alleged misconduct, including criminal conduct, to the attention of the President and the Chair of the Audit and Compliance Committee of the FGCU Board of Trustees, as well as the Board of Governors' Inspector General, as applicable;
- Ensure that an initial review of the compliance and ethics program to determine its effectiveness was conducted no later than November 2021 and that a subsequent review is conducted at least once in each successive five- year period; *and*
- Perform other activities as deemed necessary by the President and/or the Chair of the Audit and Compliance Committee of the FGCU Board of Trustees.

Organizational Chart



FGCU Compliance Liaisons

The Compliance Liaisons are University employees designated with conducting compliance-related responsibilities for a specific program or function within the University, including, but not limited to the following:

Topic	University Unit
Academic Integrity	Dean of Students
ADA	Adaptive Services
Athletics and NCAA Rules	Athletic Compliance
Biohazardous Waste, Biosafety, and Bloodborne Pathogens	Environmental Health and Safety
Clery Act	University Police Department
Compliance with Regulations and Policies	General Counsel or Institutional Equity and Compliance/Title IX
Conflicts of Interest	Institutional Equity and Compliance/Title IX
Contracts	General Counsel
Controlled Substances	Environmental Health and Safety
Counseling and Wellness	Counseling and Psychological Services
Donations/Endowment	University Advancement
Environmental Protection	Environmental Health and Safety
Export Controls	Research and Sponsored Programs
Family Educational Rights and Privacy Act (FERPA)	Registrar
Financial Aid	Financial Aid and Scholarships
Research Conflict of Interest	Research and Sponsored Programs
Financial Disclosure	Institutional Equity and Compliance/Title IX
Fraud, Waste, and Abuse	Internal Audit
Harassment, Intimidation, Retaliation, Discrimination	Institutional Equity and Compliance/Title IX
Hiring and Background Checks	Human Resources
Information Security	Information Technology Services
Institutional Animal Care and Use Committee	Research and Sponsored Programs
Institutional Review Board	Research and Sponsored Programs
Insurance (Risk Management)	Environmental Health and Safety
Intellectual Property	Research and Sponsored Programs or General Counsel
Misconduct in Research	Research and Sponsored Programs
Outside Activities	Institutional Equity and Compliance/Title IX
Procurement Processes	Procurement
Records	Records Management
Sponsored Programs	Research and Sponsored Programs
Taxation	Controller
Whistleblower Protection	Internal Audit

The Compliance Liaisons provide the Chief Compliance Officer with immediate notification of suspected or detected non-compliant behavior, unethical behavior, or criminal conduct; and on an annual basis, a summary of compliance initiatives. In addition, University personnel with compliance responsibilities meet on a quarterly basis to discuss program activities and new and supplemental changes to laws, regulations, rules, policies, and procedures in order to stay abreast of best practices in the compliance sector. The Chief Compliance Officer chairs these meetings.

FGCU also has Compliance Liaisons that sit on the following University committees:

- Academic Progress Committee
- ADA Committee
- Athletics Gender Equity Committee
- Health and Wellness Committee Athletics
- Behavioral Consultation and Assessment Team
- Celebration of ExcellenceEagle X Committee
- Commencement Committee
- Cyber Security Steering Council
- Data Standards Committee
- Dive Safety Committee
- Faculty Senate Awards (ex-officio)
- Faculty Senate Grants and Research Team (ex-officio)
- Family Business Conference Committee
- Foreign Influence Committee
- Hazing Prevention Team
- Institutional Animal Care and Use Committee
- Institutional and Effectiveness Accountability Council
- Institutional Review Board
- National Counsel of University Researcher Administrators Peer
- President's Inauguration Committee
- Review Research Integrity and Conflict of Interest Committee
- Space Committee
- Threat Assessment Team
- Title IX Committee
- Workday Steering Committee
- Workplace Safety Committee

EDUCATION AND TRAINING

Educating faculty and staff on FGCU procedures, standards of conduct, and policies and regulations are a key component to the FGCU compliance and ethics program. The chart below details the employee trainings that are offered throughout the year.

Trainings Offered to Employees by FGCU

Title	Responsible Department	Requirement
Accommodating Disabilities (ADA)	OIEC/Adaptive Services	Required for faculty and staff annually
Active Shooter and Emergency Procedures	UPD	Required for new employees
Banner Student Financial Account Data Access	Finance & Accounting	Required for users who access Student Financial Account Data
Collaborative Institutional Training Initiative (CITI) – Social & Behavioral Research	Research and Sponsored Programs	Required for IRB Approval
CITI – Export Control	Research and Sponsored Programs	Required for faculty and staff – Specific course dependent on job description
CITI – IACUC	Research and Sponsored Programs	Required for IACUC Approval – Course dependent on study protocol
CSA/Clery Training	Emergency Management	CSAs
Cybersecurity Training	ITS	Required for faculty and staff annually
Ethics Training	OIEC	Required for faculty and staff annually
Family Education Rights and Privacy Act (FERPA) and Sunshine Laws	Registrar/General Counsel	As needed
Harassment and Discrimination Prevention	OIEC	Required for faculty and staff annually
Marketplace Reconciliation	Finance & Accounting	Required for users reconciling Marketplace stores.
New Employee Orientation	Human Resources	Required for new employees
Payroll Liaison Training	Finance & Accounting	Required for new payroll liaisons
PCI Compliance Training	Finance & Accounting	Required for users handling payments and credit card information within Touchnet
Procurement/Purchasing Training	Procurement	Required for new employees
Property Manager Training	Finance & Accounting	Required for all Property Managers
Property Orientation	Finance & Accounting	Required for new employees
Recruiting and Search Training	HR/OIEC/General Counsel	Required for search committees
Sexual Harassment Prevention/Title IX	OIEC	Required for new employees
Travel Training	Procurement	Required for anyone traveling
Workday Budget Training	Finance & Accounting	Required for all users who want budget access and those that complete budget amendments
Workday PCARD Training	Procurement	Required for PCARD holders
Workday Requisition Training	Procurement	Required for users creating online purchasing
Workday Travel Card Training	Procurement	Required for anyone traveling

Environmental Health & Safety (EH&S) Specific Trainings Offered to Employees by FGCU

EH&S Courses – Personnel must complete one of the courses below in its entirety to earn a training certificate	Responsible Department	Requirement
Analytical (X-ray) Safety Training	EH&S	Mandatory for everyone using radiation machines, and annual refresher.
Arts Special Topics	EH&S	Mandatory for everyone except Administrative Personnel in the Art, Art Galleries, and Theatre Programs
Bloodborne Pathogens/BioWaste	EH&S	Mandatory for everyone handling regulated sharps, potentially infectious materials, and/or biohazardous/ biomedical materials and wastes, and annual refresher
Department of Transportation Hazardous Materials	EH&S	Mandatory for everyone involved in the transport, shipping, and/or receiving of hazardous materials.
Driving Course for Operating FGCU-Owned Vehicles	FL Dept. of Transportation via EH&S	Anyone driving a State-owned, rented, or leased automobile
Ecological Hazards of SWFL	EH&S	Mandatory for everyone except Administrative Personnel in University Colloquium, and Campus Naturalists
Engineering Special Topics	EH&S	Mandatory for everyone except Administrative Personnel in UA Whitaker College of Engineering, and annual refresher
FGCU Canvas Workplace Safety Training	EH&S / HR	Mandatory for everyone, and annual refresher
FGCU Laboratory Safety	EH&S	Mandatory for Teaching and/or Research Personnel and Students, and annual refresher
Fire Life Safety	EH&S	Mandatory for everyone, and annual refresher
First Aid Basics	EH&S	Mandatory for everyone
Hazard Communications	EH&S	Mandatory for everyone, and annual refresher
Industrial Special Topics	EH&S	Mandatory for everyone except Administrative Personnel in the University Police Department, Buckingham, Physical Plant Maintenance, Housing Maintenance, and Grounds
Managing Lab Safety	EH&S	Mandatory for Teaching and Lab Managing Personnel
Outdoors Industry Safety	EH&S	Mandatory for everyone except Administrative Personnel in the University Police Department, Buckingham, Physical Plant Maintenance, Housing Maintenance, and Grounds
Outdoors Work Safety	EH&S	Mandatory for everyone except Administrative Personnel in University Colloquium, and Campus Naturalists
Radiation Safety & Control	EH&S	Mandatory for everyone using sealed or unsealed radiation sources, and annual refresher
Radioactive Materials Awareness for Non-Radiation Personnel	EH&S	Mandatory for everyone working in a shared lab space with radiation sources and/or machines, but not work with them
Respiratory Protection Training	EH&S	Mandatory for everyone wearing an N95 (including KN95) or another respirator, and annual refresher
Sharp Hazards	EH&S	Mandatory for everyone handling regulated sharps only (no potentially infectious materials, biohazardous materials or wastes)
Storm Water Training	EH&S	Mandatory for everyone, and annual refresher
University Wastes	EH&S	Mandatory for everyone, and annual refresher

POLICY REVIEW & DEVELOPMENT

To promote effective governance practices, Florida Gulf Coast University formally approves and promulgates University policies. Policies are approved by the President in accordance with FGCU Policy 1.001, Guidance and Procedures for Approval and Issuance of University Policies.

Once a policy has gone through the development process, it is then disseminated by the Office of the General Counsel to the University community via email and online postings. The University community has 10 days, from the date of the posting, to provide feedback to the Office of the General Counsel. Feedback is presented to the President's Cabinet for further review and possible revisions. The draft policy is then forwarded to the President for final review and approval. The below policies were reviewed and approved in 2023:

Policy Number	Policy Title	Responsible Unit	Date Approved
1.006	Non-Discrimination, Anti-Harassment, and Sexual Misconduct	Office of Institutional Equity and Compliance	06/30/23
1.009	Equal Opportunity and Access Waiver of Advertising	Office of Institutional Equity and Compliance	10/10/23
2.003	Suspension and Termination of Academic Programs	Planning and Institutional Performance	03/13/23
2.006	Academic Program Authorization	Academic Curriculum Support	02/17/23
2.007	Program Offered Outside of FGCU's Five-County Service Area	Academic Curriculum Support	02/17/23
2.008	Professional Certificate Program	Academic Curriculum Support	02/17/23
2.020	International Travel	Office of the Provost	06/19/23
2.021	Credit for Prior Learning (CPL)	Office of the Provost	07/13/23
2.022	Approval and Revision of Academic Policies and Practices	Office of the Provost	05/01/23
2.023	Approval of Course Substitutions and Other Exceptions to Degree Requirements	Office of the Provost	10/05/23
2.024	Animal Welfare and Research Integrity	Office of Research and Sponsored Programs	12/13/23
2.025	Development and Issuance of Micro-credentials and Digital Badges	Office of the Provost	12/18/23
3.021	University Email System	Information Technology Services	03/28/23
3.023	Loyalty Oath	Human Resources	08/02/23
3.026	Use of University Facilities	Campus Reservations	06/22/23
3.063	Emergency Alert and Notification	Emergency Management	02/21/23
3.064	Clery Act	University Police Department	02/21/23
4.002	Possession, Service, or Consumption of Alcoholic Beverages at University Functions	Student Success and Enrollment Management; Administrative Services and Finance	06/06/23
4.010	HIV and AIDS	Student Success and Enrollment Management; Administrative Services and Finance	12/19/23
5.001	Social Media	University Marketing and Communications	07/31/23

Government Reporting and Regulatory Activities

The FGCU compliance campus partners conducted the following government and regulatory activities:

Office of Institutional Equity & Compliance

- The Office of Institutional Equity & Compliance (OIEC) compiles the Annual Compliance Report (ACR), the Affirmative Action Plan (AAP), and the Equity Report for the University[1]. The ACR and Equity Report are approved by the Board of Trustees and sent to the Board of Governors. The AAP is a required report by the Office of Federal Contract Compliance Programs.

Counseling & Wellness Services

- Counseling and Psychological Services (CAPS) is an American Psychological Association approved internship site. The recruitment, supervision and training of interns follows all guidelines and requires annual reports for the maintenance of this program's approval. CAPS also has International Association for the Accreditation of Counseling Services approval and makes annual reports of all facets of compliance for this approval.

Student Success & Enrollment Management

- In compliance with the Drug-Free Schools and Communities Amendments of 1989 and the Drug-Free Workplace Act of 1988, the annual Drug-Free Campus/Workplace Drug and Alcohol Prevention annual notification was sent to all faculty and staff.

Emergency Management

- Emergency Management annually submits the Continuity of Operations Plan to the Florida Division of Emergency Management.

Environmental Health & Safety

- The Chemical Facility Anti-Terrorism Standards Act from Title 6 of the Code of Federal Regulations, requires reporting of certain chemicals to the Department of Homeland Security if they are stored in large quantities, per the Chemicals of Interest list. To date, FGCU remains below the regulatory levels, however, Environmental Health & Safety (EH&S) has registered the facility with the Department of Homeland Security.

[1] The Equity Report regulation was updated in 2023 by the Board of Governors and the title was changed to Equal Access and Opportunity.

- The Resource Conservation and Recovery Act (RCRA) from Title 40 of the Code of Federal Regulations and Florida Administrative Code (FAC) Chapter 62-730, are the public laws that create the framework for the proper management of hazardous and non-hazardous solid waste.

- EH&S oversees the control and documentation of the processes required for compliance with these complicated regulations. Due to the increases in enrollment, the research enterprise, and constant growth of the University, FGCU has recently moved to the designation of Small Quantity Generator of Hazardous Waste. FGCU is subject to compliance inspections by the Environmental Protection Agency (EPA) or Florida Department of Environmental Protection at any time.

- The Tier II Report is mandated by Section 312 of the Emergency Planning and Community Right-To-Know Act of Title 40 of the Code of Federal Regulations. The Tier II report captures information regarding the types, quantities, and locations of hazardous chemicals at a given facility, so that information is available to emergency responders in the event of an emergency incident. EH&S submits the annual report, due by March 1st of each year, to the State of Florida Department of Environmental Protection. This report primarily captures chemicals stored at a facility in large quantities. For FGCU, these include the gasoline and diesel fuel stored on campus, and the chemicals stored and used for water treatment for the Chiller Plants.

- The Spill Prevention, Control and Countermeasure and the Facility Response Plan rules, required by the United States EPA in Title 40 of the Code of Federal Regulations Part 112, are federal regulations to help facilities to prevent a discharge of oil to navigable waters or adjoining shorelines. This plan for FGCU pertains to petroleum products, including the oil, gasoline, and diesel fuel present on campus, in above-ground storage tanks, generators, elevators, fire pumps, and transformers. EH&S oversees the measures implemented to prevent the discharge of potential contaminants onto FGCU property, which is the center of a watershed leading to the Estero Bay and the Gulf of Mexico.

- Florida Department of Health, Bureau of Radiation Control Inspections are required by 64E-5, Florida Administrative Code. Department of Health Bureau of Radiation Control inspectors perform detailed audit/inspections of the Radiation Safety program at FGCU every three years. EH&S provides oversight of the administrative controls and provisions relating to organization and management, procedures, record keeping, material control and accounting, and management review that are necessary to assure safe operations with radioactive materials and machines, and ensure compliance with the Department of Health license and regulations.

- The Municipal Separate Storm Sewer System (MS4) Compliance Report is regulated under the National Pollutant Discharge Elimination System in Title 40 of the Code of Federal Regulations in Part 122. The General Permit was granted to FGCU on October 10, 2016 to protect the water quality of the watershed and receiving waters. EH&S submits the annual report, due by April 9th each year, to the State of Florida Department of Environmental Protection. The report exhibits how FGCU implements Best Management Practices, including educating/training our students, faculty, and staff; involving campus interest groups in Campus clean-up events; and developing and maintaining a map and GIS Coordinates to facilitate the campus storm sewer system inspections.

- Florida Department of Health Inspectors also perform annual inspections of the Biomedical Waste program at FGCU per 64E-16, FAC. EH&S provides oversight of sanitary practices and documentation relating to the management of biomedical waste, including segregation, handling, labeling, storage, transport, and disposal of any biological, biohazardous, or biomedical waste produced, including sharps, from laboratories, clinics, and other areas on campus.

- The Assistant Director of EH&S serves as the Safety Coordinator, who investigates and documents all work-related accidents, reviews and reports claim data, identifies trends, and works with EH&S personnel to provide regular employee safety training and consultations. During the past year, EH&S was assigned the responsibility for the Institutional Safety Committee to ensure research and classroom activities on and off campus involving biologicals, chemicals, environmental samples, radioactive materials and/or equipment, lasers, hazardous waste, drones and scientific diving are conducted in full compliance with FGCU, local, state, and federal regulations and guidelines. Currently, four members of EH&S serve on this committee, while another assists.

- EH&S members assist the Office of Research and Sponsored Programs (ORSP) by serving on the Institutional Animal Use & Care Committee (IACUC), which provides regulatory oversight for any research projects involving vertebrate animals. EH&S also assists with the Occupational Health & Safety program for any personnel involved in research with animals.

- EH&S conducts lab inspections to ensure personnel working in research labs comply with training and regulatory requirements, and research grant requirements.

- EH&S members assist ORSP and Shipping and Receiving with the requirements for Export Control for shipping packages to international and domestic destinations. EH&S members serve as an integral step in the approval process to ensure packaging and documentation required for shipping hazardous materials (dangerous goods) are in compliance with federal regulations and international standards.

Finance & Accounting

- Finance & Accounting submitted the following government forms:
    - Form 941 to the Internal Revenue Service (IRS) for quarterly payroll reporting.
    - Form W-2s to the Social Security Administration for annual wage reporting.
    - Form 990T to the IRS for annual unrelated business income reporting.
    - Form 1099-MISC to the IRS for vendor payments.
    - Form 1099-NEC to the IRS for non-employee compensation payments.
    - Form 1042 to the IRS for non-resident alien payments.
    - Monthly sales tax report to the Florida Department of Revenue.
    - Form 1098-T to the IRS for student qualified tuition and scholarship payments.
    - Annual tourist tax report to Lee County Tax Collector.
    - Annual Operating Data for posting to Electronic Municipal Market Access for compliance with debt covenants.

Office of Financial Aid & Scholarships

- The Office of Financial Aid & Scholarships complies with all reporting requirements from the Federal Department of Education and the Florida Department of Education. The office works with the Office of Planning & Institutional Performance to provide these reports, and any requested data to these agencies.

- The Office of Financial Aid & Scholarships is currently implementing and complying with the FAFSA Simplification Act for the 2024-2025 academic year. The FAFSA Simplification Act represents a significant overhaul of the processes and systems used to award federal student aid starting with the 2024-2025 award year. This includes the Free Application for Federal Student Aid (FAFSA) form, need analysis, and many policies and procedures for schools that participate in federal student aid programs.

Foundation

- Foundation completed the 2023 audit report with no management letter. This was approved by the Foundation Audit Committee and then approved by the Foundation Board of Directors and accepted by the University Board of Trustees.

- Foundation submitted the following government forms:
    - Submission of Form 1099-MISC to the IRS for vendor payments.
    - 990 and 990-T Federal tax return.
    - 9.012 Disclosure of Gifts from Foreign Governments and Persons. There were no disclosures for this year.
    - Florida Office of Insurance Regulation - Donor Annuity Sworn Statement.

Information Technology Services

- Information Technology Services (ITS) submitted the Auditor General Information Technology Survey, Operational Audit, and Performance Metric Audit to the Florida Auditor General.

Internal Audit

- Internal Audit submits an annual report, summarizing the activities of the office for the preceding fiscal year. The report goes to the University Board of Trustees and the Board of Governors.

Global Engagement Office

- All international students and scholars comply with health insurance coverage as mandated by the U.S. Department of State and the State of Florida.

- All immigration processes are performed under authorization from the Department of Homeland Security and U.S. Department of State. Both entities require on-going reporting, monitoring, and tracking of international students and scholars as well as annual reports, program recertification, program redesignation, designated school official verification, field representative visits and reviews, submitting and processing immigration benefit petitions for students and scholars, and response to government requests for information. Annual reports are submitted to the Exchange Visitor Program.

- All incoming J-1 scholars and J-1 interns are screened for export control by the Office of Research and Sponsored Programs. A J-1 Scholar is a visiting researcher, professor, or specialist from a country outside of the United States who has been approved to enter the United States for a specific purpose and for a limited amount of time. Faculty Led Study Abroad faculty leaders complete an Export Control form with the travel authorization request.

Procurement Services

- Procurement Services reports spend and savings to the Board of Governors on a biannual basis.

- Staff members within Procurement Services, who have purchasing authority, complete a Financial Disclosure on an annual basis and send it to the State Board of Ethics.

Office of Research & Sponsored Programs

- Office of Research & Sponsored Programs (ORSP) completed the National Science Foundation Higher Education Research and Development Survey due each year in January on behalf of FGCU.

- ORSP submitted Federal Financial Reports for all Federally Sponsored Projects as required on a quarterly or annual basis. ORSP also submitted an annual report to the Office of Laboratory Animal Welfare.

- ORSP submitted the Office of Research Integrity annual report to continue the research misconduct assurance.

- ORSP conducts export control screening for all J1 Visiting scholars and interns and sends approval to GEO for documentation. All other VISA holder reviews are sent to the General Counsel's office.

- ORSP conducts Foreign Influence reviews for all foreign nationals prior to being hired per Florida Statute 1010.35 and sends approved clearance to HR for hiring purposes.

- ORSP conducts an export control review for all international travel requests. Clearance is sent to GEO via the Veoci app.

- ORSP submitted one non-compliance case to the Office of Human Research Protections (OHRP)

Office of Records & Registration

- Through a partnership with the National Student Clearinghouse, student enrollment data is shared with federal agencies, such as the National Student Loan Data System.

Records Management

- An annual Records Management Compliance Statement was submitted to the Department of State. The Compliance Statement requires acknowledgement and compliance with Florida Statutes, a record for the volume of paper shredded, and a statement of participation in electronic disposal of records.

University Police Department

- The University Police Department (UPD) submitted the following reports to the State of Florida: Hate Crimes, Continuity of Operations Plan, Cargo Theft, Use of Force, and Seatbelt Statistics. UPD also submitted the federally mandated Campus Safety and Security Survey to the U.S. Department of Education. Annual Florida Contraband Forfeiture Act Report was filed in 2023 and is required to be completed by December 1st of each year.

Effective Lines of Communication

FGCU displays a proactive commitment to compliance by encouraging open communication of compliance and ethics issues, and the reporting of good-faith concerns of alleged wrongdoing, without fear of retaliation.

FGCU maintains an open line of communication in several ways:

- The Office of Institutional Equity & Compliance (OIEC) completed volume three of the FGCU Compliance and Ethics quarterly newsletter. Each newsletter spotlights two to three compliance topics for educational purposes and is emailed out to all faculty and staff. In 2023, the quarterly newsletters included the following articles:
    - Ask the Chief Compliance Officer
    - Misuse of Public Position
    - Conflict of Interest Training Series
    - What is the Office of Institutional Equity & Compliance?
    - The Importance of Reporting
    - Who can Submit a Report?
    - Compliance Week
    - Conflict of Interest at FGCU

- Faculty, staff, and students are sent reminder emails annually in February and September with information regarding FGCU's commitment to ethical conduct and how to make reports through the EthicsPoint Hotline. Faculty and staff are also sent separate reminder emails on this same schedule detailing their responsible reporting duties with regards to harassment and discrimination issues that occur on campus.

- In November 2023, the OIEC hosted Compliance and Ethics Week for University faculty and staff. In this week OIEC collaborated with campus partners to provide training and resources through the following events:
    - Compliance Week Tabling
    - FBI Cybersecurity Training
    - Conflict of Interest Navex Training
    - What is NCAA Compliance?
    - Managing Conflicts of Interest and Commitment
    - Research Compliance Training

- The OIEC also tables on campus throughout the semester to inform students, faculty, and staff of reporting options and educate individuals on University policies.

FGCU EthicsPoint & Investigations

The FGCU EthicsPoint Hotline is a reporting mechanism that facilitates reporting of alleged illegal, unethical, or improper conduct when the normal channels of communication have proven ineffective or are impractical under the circumstances. The EthicsPoint Hotline is available to employees and students, as well as contractors, vendors, and members of the Southwest Florida community.

While the University encourages reporters to contact FGCU's Chief Compliance Officer for assistance, if a reporter is uncomfortable reporting through normal channels of communication, or wishes to raise an issue anonymously, they can access the Hotline. The Hotline is available 24 hours a day, 365 days a year, and is run by an independent, third-party provider called EthicsPoint. It is an anonymous Internet and telephone-based reporting system that allows University stakeholders to work together to address misconduct at the University and help cultivate a positive work environment.

The EthicsPoint Hotline is accessible at the bottom of every University webpage and is mentioned during all Office of Institutional Equity & Compliance (OIEC) trainings, including harassment and discrimination prevention training. The OIEC is tasked with assigning all complaints that come through the EthicsPoint Hotline. The OIEC maintains responsibility for any complaints that are potentially related to harassment or discrimination and other, nonspecific compliance and ethics related complaints and concerns.

When the OIEC is tasked with investigating a complaint, the investigator serves as a neutral fact finder, who determines under the preponderance of the evidence standard, whether a policy violation exists. The process for investigations is laid out in FGCU Policy 1.015 and FGCU Policy 1.006.

Office of Institutional Equity & Compliance: 2022-2023 Case Data

The OIEC tracks case data by academic year. The most recent data is from the 2022-2023 academic year.

Type of Case	Number of Inquiries
Title II – Disability Discrimination	25
Title VI – Race, Color, and National Origin Discrimination (Students and Non-Employees)	42
Title VII - Race, Color, National Origin, Sex, and Religion Discrimination (Employees)	21
Title VII/IX – Sex Discrimination (Involving at Least 1 Employee)	38
Title IX – Sex Discrimination (Students)	233
Retaliation	18
Employment, generally	7
Outside Agency	8
Ethics	26
Other Protected Classes	10
Not Related to Policy Violation	65
Total	493

By Resolution	Number of Cases
Sufficient Evidence, Investigated	4
Insufficient Evidence, Investigated	3
Preliminary Review, No Investigation	60
Informal Resolution	9
Met with OIEC, Did Not Investigate	147
OIEC Communicated, Did Not Meet	151
External Agency Responses	8
OIEC Referred Out	39
Otherwise Resolved with OIEC	69
Outside Investigations	1
Athletics	2
Total	493

2023 FGCU Compliance Highlights

FGCU's Continued Response to Foreign Influence

FGCU continues to adhere to all Florida statutes, including Reporting Foreign Gifts and Contracts (286.101 and 1010.25), International Cultural Agreements (288.860), Requirements Regarding Screening Applicants (1010.35), International Travel Pre-Approval, Monitoring & Reporting (1010.36); and House Bill 7017 Foreign Influence.

The Compliance Liaison Committee continues to meet regularly to ensure compliance with these statutes. The Research Compliance and Integrity Officer is the named individual to perform these verification duties.

Clery Compliance Committee

The Florida Gulf Coast University Clery Compliance Team (CCT) was established to review and enforce compliance requirements set forth in the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act). The Annual Security Report and Annual Fire Report is published each year on Oct. 1st containing information from several different departments across the University. Therefore, the need to collaborate on the contents of this document institution-wide is imperative. The main focus of the Clery Compliance Team is to review the components of this report and to gather accurate information to provide to the FGCU Campus Community, prospective students, and prospective employees regarding crime statistics and campus safety. The team meets quarterly or as needed for team specific duties.

Student Complaint Process

In compliance with accreditation guidelines from SACSCOC, the University continues to utilize the student complaint website (https://www.fgcu.edu/studentcomplaints/) to streamline how students may file complaints about a myriad of issues related to the University. This also includes an automated electronic form for academic complaints, creating consistency across the Colleges.

Navex Conflict of Interest Disclosure System

In October 2023, the Navex Conflict of Interest Disclosure (COI) system was introduced with the aim of seamlessly incorporating COI disclosures into the campus culture and simplifying the entire process. All employees, excluding Adjunct, OPS, and Student OPS Employees, were requested to submit the completed form by January 19, 2024. The primary purpose of this software is to assist managers and offices throughout the campus in effectively handling and minimizing potential conflicts of interest within our University.

By transitioning from various paper forms previously utilized by different offices, this online form consolidates the disclosure process. The software has been developed with a user-friendly and intuitive interface, ensuring ease of use and understanding for all employees. Through the implementation of this new system, we are committed to upholding ethical and legal standards, maintaining the highest level of transparency and integrity.

Upcoming Compliance Initiatives for 2024…

- Review and Update Existing Charters (Audit and Compliance Committee Charter, Compliance Office Charter and Internal Audit Charter)
- Review and Update Compliance and Ethics Program Plan
- Review and Update Employee Code of Conduct
- Compliance Week
- Additional Conflict of Interest (COI) Training series for faculty and staff
- Fully implement the Navex system to eliminate all other COI disclosure forms
- Additional training and development for the Compliance Liaison Committee
- Research the ability to conduct a risk assessment to evaluate compliance within the University.

THIS REPORT WAS DRAFTED BY:

The Office of Institutional Equity & Compliance

Special thanks to the President, Executive Leadership, and all of the Departments that provided information included in this report.