

FLORIDA STATE UNIVERSITY

2003-2004

Annual Report



TABLE OF CONTENTS

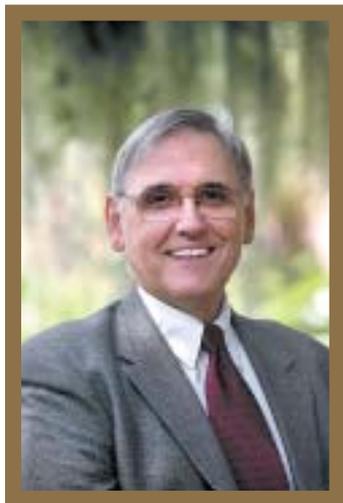
- 2** Introduction from the Senior Vice President for Finance and Administration ■■■
- 3** Message from the President ■■■
- 6** Florida State University Overview and Statistics ■■■
- 10** Independent Auditor's Report ■■■
- 12** Management's Discussion and Analysis ■■■
- 13** Statement of Net Assets ■■■
- 15** Statement of Revenues, Expenses and Changes in Net Assets ■■■
- 16** Statement of Cash Flows ■■■
- 21** Notes to the Financial Statements ■■■



Established by the Legislature in 1851 as the Seminary West of the Suwannee, Florida State University is one of the oldest of the 11 public institutions of higher learning in the state. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state.

This publication is available in alternative format upon request.

INTRODUCTION



John R. Carnaghi

During the 2003-04 Fiscal Year, Florida State University significantly changed the way that each unit, department and division conducts its business. As a direct result of the Southern Association of Colleges and Schools (SACS) ten-year accreditation visit, our emphasis for determining success and effectiveness will now be measured by **what we have done**, rather than by just what we are doing. In this era of accountability, such is expected. As a public institution, we are accountable to our students, their parents, our donors and research underwriters, and the Florida Legislature, among others.

Legislative support totaling more than \$382 million from general funds, up 9.65 percent from last year, enabled the University to maintain (and in some instances, enhance) both the availability and excellence of its services to our 37,328

from the Senior Vice President for Finance and Administration

students. Many new academic programs were begun during the past fiscal year, among them a baccalaureate in Middle Eastern studies, a master's in epidemiology, and a doctorate in biomedical sciences.

We are making strides in our stated goal of becoming a premier national graduate research institution. The \$182.7 million in sponsored research dollars was up nearly 13 percent from the previous fiscal year's figures. Similarly, the FSU Foundation's *FSU CONNECT* Campaign has raised \$450 million, or 75 percent of its \$600 million goal, while the size of our endowment rose by more than 14 percent – from \$323 million to \$369 million.

Achieving measurable growth goals for students, faculty, and programs would be difficult without the finest physical facilities for teaching, research, public service, and student life. FSU currently has \$500 million committed to large-scale construction projects, including the completion of the following during the 2003-2004 fiscal year: Phase I of the College of Medicine Complex, the Alumni Center, the expansion of Dick Howser Baseball Stadium, and the renovation of Montgomery Gymnasium.

The Division of Finance and Administration accomplished one

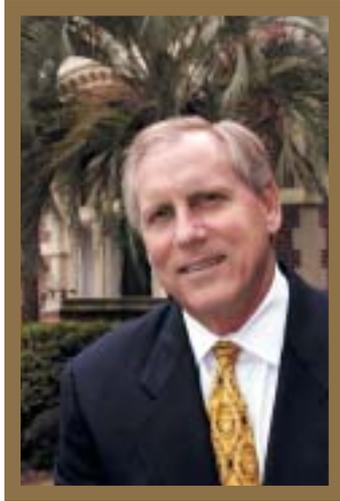
of its major goals during the past fiscal year – the completion of the financial aspects phase of our Project OMNI (Online Management of Networked Information). The financial aspects of OMNI were a “go” well before the actual July 1, 2004, launch date, and we fully expect the human resource aspects of OMNI to be online and functional by the Jan. 1, 2005, launch date. The measurable results of OMNI will include dollar savings, reduced error rates, and fewer employee hours spent on extraordinarily time-intensive projects under the previous systems.

President T. K. Wetherell, with the support of our Board of Trustees, embraced this result-oriented approach well before the May 2004 SACS visit. In his Fall 2003 *State of the University Address*, our President spoke of “having the courage to succeed...to engage the people and resources to effect the change that is needed to produce the desired results.”

Our people and resources have been, are, and will continuously be engaged in producing measurable, desired results. By documenting our accomplishments in such concrete terms, we prove our worth and progress to the myriad of constituencies and citizens served by Florida State University.

MESSAGE

from the President
of Florida State University



Thomas Kent "T.K." Wetherell

Dear Friends,

Florida State University is an institution on the move. This university is an engine that greatly increases the value of public funds to meet a public purpose. As such, we have a responsibility to give back to a community and state from which we have asked much.

Often it is easy to overlook the contribution an institution of higher education brings to the community. It is so large; it has been here so long; it is taken for granted; it doesn't "blow its own horn."

But for Florida State, what would Tallahassee be like as a community? Or, for that matter, Florida itself?

FSU's total annual budget is approximately \$1.3 billion. We are in the middle of a \$500 million construction program. We bring

38,000 students from every county in this state, every state in the nation and from over 50 countries worldwide to this community. FSU has 11,000 employees. In the past year alone, these students, faculty and staff participated in 182,000 volunteer hours, resulting in a \$2.7 million savings to local businesses, government agencies and others.

With most of us making our homes here and raising children here, that's a very significant economic impact on this area. Then, add the fact that over 9,000 FSU alumni live here and own more than 200 businesses. In fact, of the faculty and staff at FSU, 1500 are alumni.

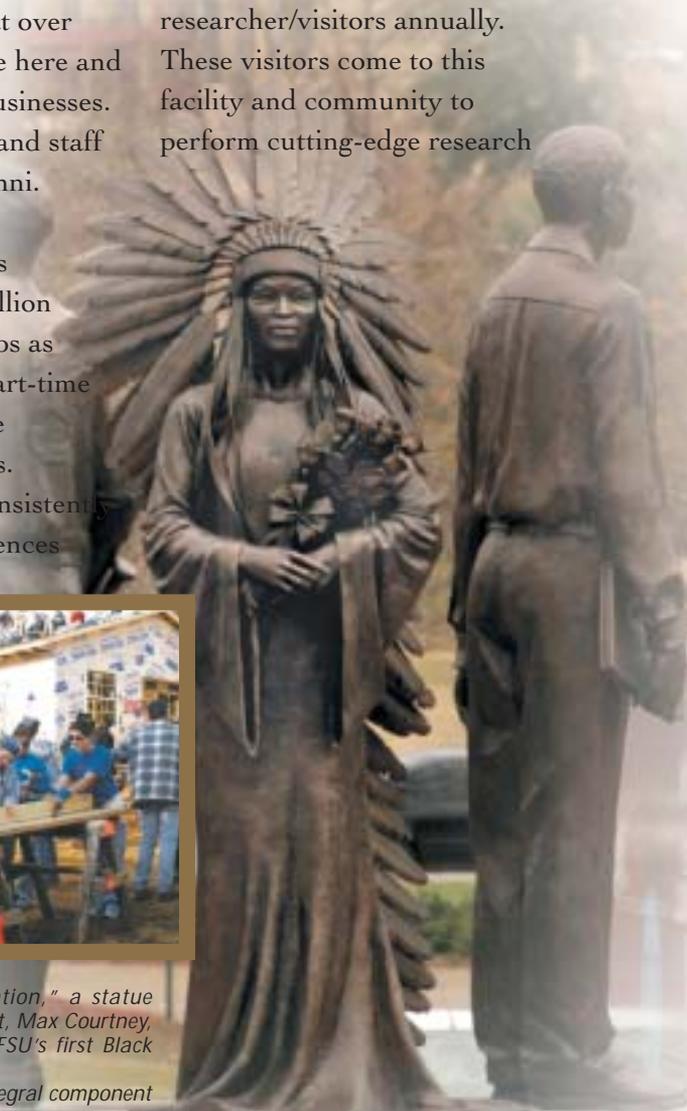
The FSU athletic department's budget is approximately \$38 million and provides 1,360 jobs as well as hundreds of part-time opportunities on game days and on weekends. Our arts programs consistently bring artists and audiences

to campus and have become an element that draws thousands of people to town for a night, a weekend, seven days or more. We've even seen a survey that says that the arts bring more income to this community overall than intercollegiate football.

Further, by having Florida State in this community, citizens enjoy the National High Magnetic Field Laboratory, which houses the world's most powerful magnets. The Magnet Lab attracts around 600 researcher/visitors annually. These visitors come to this facility and community to perform cutting-edge research



Near Oglesby Union stands "Integration," a statue commemorating FSU's first Black student, Max Courtney, first Black Athlete, Fred Flowers and FSU's first Black Homecoming Queen, Doby Flowers.
Inset: Public service is stressed as an integral component of the FSU experience.



4 Florida State University

that will be analyzed and implemented in venues worldwide.

Florida State University faculty and researchers have forged a partnership with the U.S. Navy to launch a research project that will lead to the first

all-electric fleet. This, too, will have a significant and long lasting impact on the local economy.

Faculty members have so far obtained more than 500 patents worldwide and created 15 start-up businesses locally.

I am sure we all agree that the FSU family recognizes our responsibility to this community and understands the economic difference we make every day.

Here's another element of our economic impact: Our researchers' increasingly complex grants and projects this past year exceeded \$180 million in value. This funding level represents a 13 percent increase from previous fiscal years.

According to statistics recently released by the U.S. government, FSU is outpacing the nation in research funding by federal resources. The U.S. government spent \$60 billion in 2004 on research in science and technology nationwide – a 5 percent increase over 2003. FSU's 13 percent increase almost triples the national rate.

Nearly 80 percent of the funds come from the

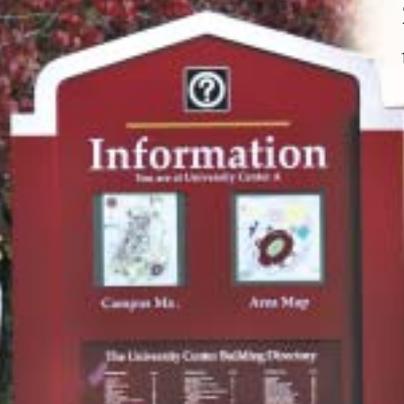
federal government, with a majority coming from the National Science Foundation. As a matter of fact, FSU is in NSF's top 25 funded universities. Grants from state government/agencies make up 12 percent of the 2004 total, while the remainder comes from private sources.

The national reputation of Florida State and its research faculty continues to rise. We compete regularly with the nation's top colleges and universities (Harvard, Yale, MIT, UCLA, Princeton) for research projects.

Next year, the FSU Capital Campaign and our upcoming Endowed Scholarship Campaign will be at issue. To date we have raised over \$450 million for the Capital Campaign and have begun exploring an endowed scholarship campaign with the \$1 million Bobby Bowden Endowed Scholarship fund.

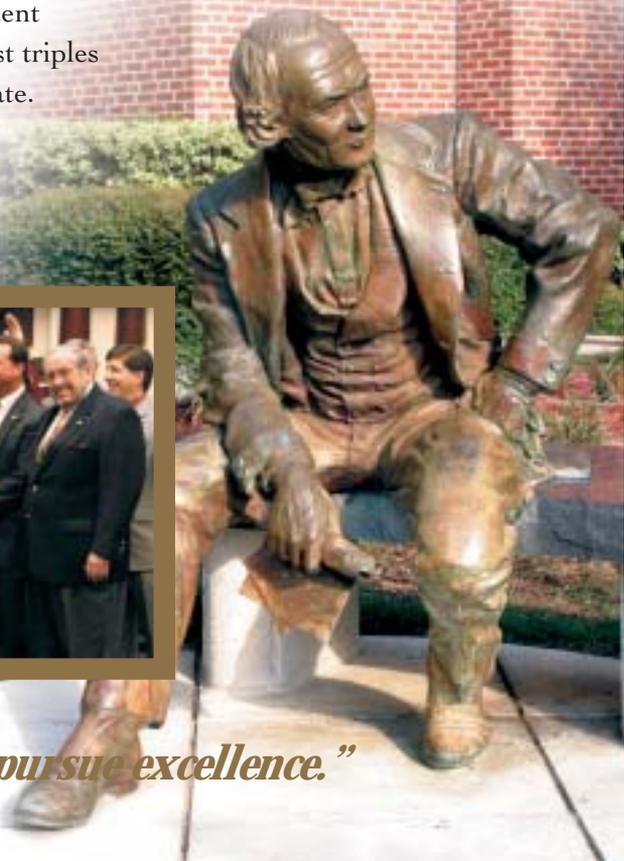


The new Alumni Center's Great Hall opened this Fall.



FSU's Alumni in the House of Representative salute their alma mater during FSU Day at the Capitol.

"We must continue to aggressively pursue excellence."



In 2003, the FSU Foundation raised more than \$63 million. Further, as a result of the work of the Foundation and others, the University received over \$15 million in matching funds from the Major Gifts Trust Fund. These funds will be added to the millions already made by FSU donors. Faculty and staff at FSU have donated over \$32 million to the CONNECT Capital Campaign. More than 90 percent of all employees at FSU contribute to the Foundation, United Way, a local service project and/or local/national/international charities. Donations to FSU provide scholarships for students to attend school at this university and signal to the community the FSU family's commitment to the public.

In order for FSU to continue to achieve its place among nationally recognized universities, we must continue to aggressively pursue excellence. Universities of the future will be judged and ranked not only on traditional methods but also on nontraditional options.

Measurements of accountability and success are not concepts this institution should fear. We do well with today's standards; I am confident we will do well by

any reasonable criteria. This is an issue we will be forced to confront, and we need to embrace, not reject it. Quality shows.

We should not be timid in aiming for excellence. We must continue to pursue the best and brightest students, faculty and staff. We must work to provide the resources—physical, fiscal and intellectual—to support their efforts.

We have a Board of Trustees that challenges us to be the best we can be. We have the opportunity to move the legislative process to more individualized administrative alternatives. We have the momentum. We are on the verge of building a world-class flagship university. We have the human resources to pursue excellence by both old and new yardsticks by which we, and the rest of the state's universities, will be measured in the years to come.

University Relations Vice President Lee Hinkle and former Gov. Reubin O'D. Askew.



In plain language FSU can, should and will lead this state into a new era in higher education. This task will require hard work, creativity, political courage and professional flexibility that have not been seen for sometime in our state. Our efforts will require discipline and courage.

Traditionally, FSU faculty and staff have met tough challenges with a strong will, and every indication is that we are equal to the task. As we meet these challenges, our rewards will be great and will allow us to watch FSU students' dreams come true while at this University and for a lifetime.

Dr. Debra Ann Fadoo, Assistant Professor of Biology and Neuroscience.



Chairman of the Board of Trustees John Thrasher, center and Trustee Dr. Jesse Furlow share a laugh with Pres. Wetherell.

OVERVIEW AND STATISTICS

MISSION

Florida State University is a comprehensive, graduate-research university with a liberal-arts base. It offers undergraduate, graduate, advanced graduate and professional programs of study; conducts extensive research; and provides service to the public. The University's primary role is to serve as a center for advanced graduate and professional studies while emphasizing research and providing excellence in undergraduate programs.

In accordance with the University's mission, faculty members have been selected for their commitment to excellence in teaching, their ability in research and creative activity and their interest in public service.

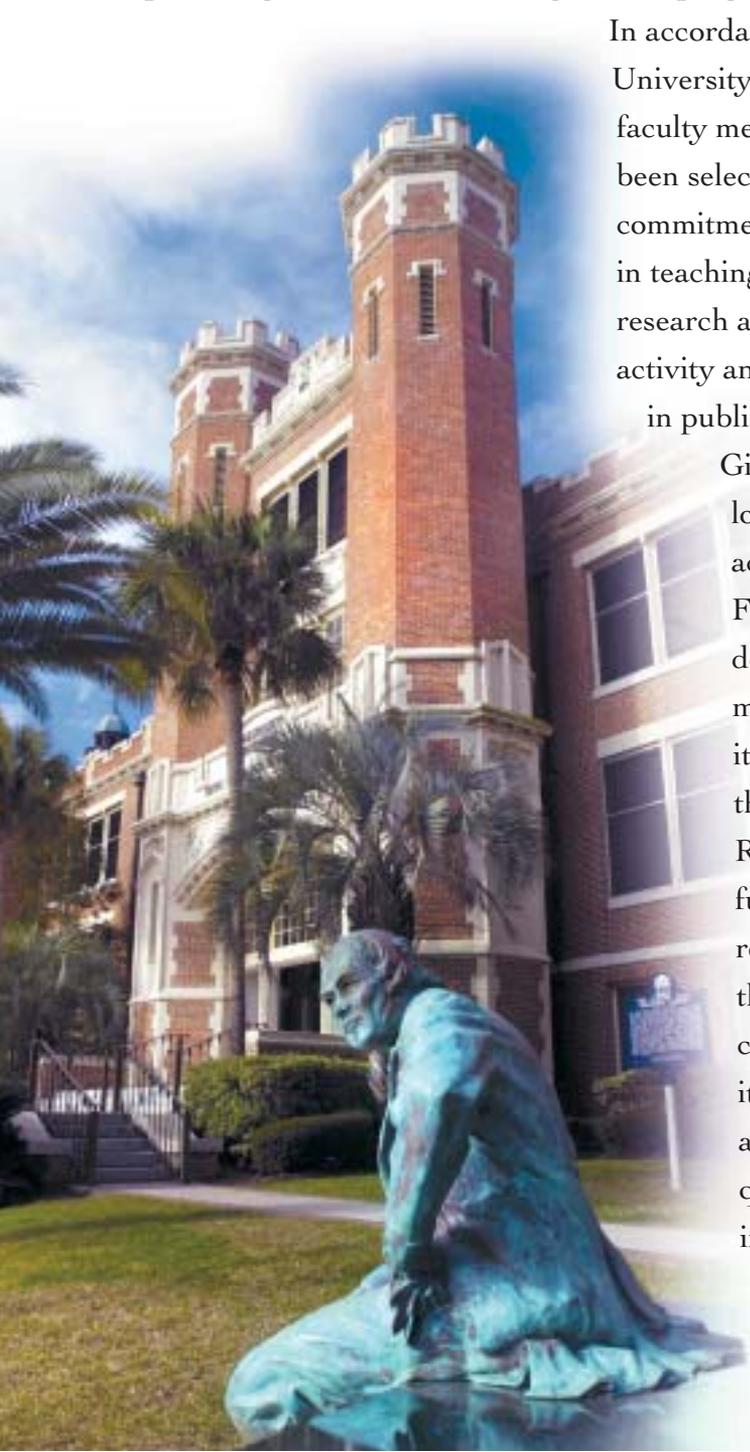
Given its history, location and accomplishments, Florida State does not expect major changes in its mission during the next decade. Rather, it sees further refinement of that mission with concentration on its strong liberal-arts base and on quality improvement.

HISTORY

Florida State University is one of the largest and oldest of the 11 public institutions of higher learning in the state of Florida. It was established as the Seminary West of the Suwannee by act of the Florida Legislature in 1851 and first offered instruction at the post-secondary level in 1857. Its Tallahassee campus has been the site of an institution of higher education longer than any other site in the state. In 1905, the Buckman Act reorganized higher education in the state and designated the Tallahassee school as the Florida Female College. In 1909, it was renamed Florida State College for Women. In 1947, the school returned to coeducational status, and the name was changed to Florida State University. It has grown from an enrollment of 4,056 in 1947 to an enrollment of 37,328 in the fall semester of 2003.

CAMPUSES/ CENTERS / PROGRAMS

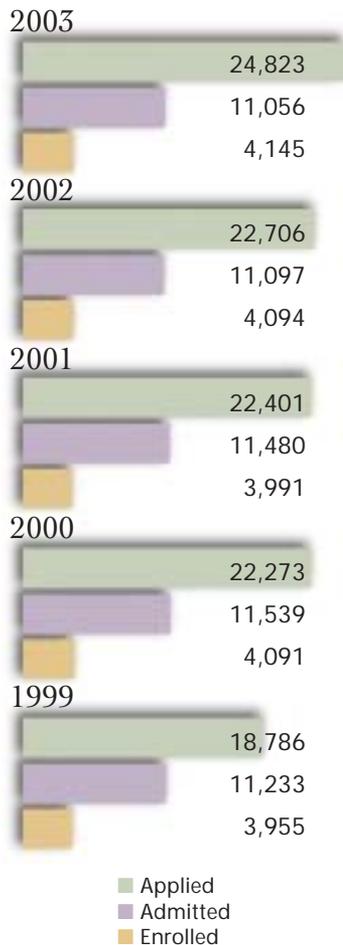
In each succeeding decade, the University has added to its academic organization and now comprises 17 colleges and schools. It has expanded to over 511 buildings on nearly 1,445 acres, including the downtown Tallahassee main campus of 448 acres and Panama City branch campus of 26 acres. The University also offers degree



programs in Sarasota, and the Republic of Panama; instructional programs in London, Florence, and Valencia; and research, development, and/or service programs in Costa Rica, Croatia, and Italy.

Through the Center for Professional Development, the University conducts off-campus credit courses and degree programs as well as non-credit programs, workshops, seminars and conferences. The University also operates the John and Mable Ringling Museum of Art located in Sarasota, Fla., which is the largest museum/university complex in the nation.

**Freshman:
Applied, Admitted,
and Enrolled (Fall Term)**



Headcount Enrollment by Colleges & Schools (Fall Term)

School / College	2003	2002	2001	2000	1999
Arts & Sciences	7,603	7,410	7,016	6,702	6,508
Business	6,150	6,065	5,667	5,738	5,651
Communication	1,850	1,780	1,932	2,145	2,041
Criminology & Criminal Justice	1,478	1,374	1,326	1,350	1,379
Education	2,870	3,005	3,048	3,084	2,966
Engineering	1,622	1,481	1,314	1,190	1,138
Human Sciences	2,460	2,167	1,799	1,559	1,417
Information Studies	1,153	1,275	1,285	1,103	819
Law	735	750	696	721	685
Medicine	115	69	30	-	-
Motion Pictures, TV & Recording Arts	205	239	207	219	218
Music	1,108	1,059	1,022	1,042	1,015
Nursing	946	802	666	690	644
Social Sciences	3,420	3,225	2,865	2,343	2,131
Social Work	673	630	554	614	700
Theatre	468	460	450	480	482
Visual Arts & Dance	1,147	1,104	1,057	1,029	964
Undecided / Special	3,325	3,788	4,528	4,468	4,569
Total	37,328	36,683	35,462	34,477	33,327

Degrees Awarded

Degree	2003-04	2002-03	2001-02	2000-01	1999-00
Bachelor's	6,578	6,335	5,912	5,467	5,342
Master's	1,536	1,593	1,553	1,463	1,460
Specialist	57	51	94	47	60
Juris Doctor's	208	242	227	220	220
Doctor's	271	290	248	251	263
Total	8,650	8,511	8,034	7,448	7,345

STUDENTS

As a major comprehensive residential state university, Florida State attracts students from every county in Florida, every state in the nation and more than 130 foreign countries. The University is committed to high admission standards that ensure quality in its student body, which includes some 369 National Merit, National Achievement and Hispanic scholars, as well as students with superior creative talents. It also

provides alternative admissions and highly successful retention programs for special student populations. Most students pursue a full-time course of study in normal progression from high school or undergraduate institutions.

Graduate students comprise more than 18 percent of the student body and are enrolled in 204 graduate degree programs of which 72 are doctoral.

8 Florida State University

Financial Aid Administered for the Year Ended June 30, 2004 (Unaudited)

Description	Number of Awards	Aid Disbursed
Federal Programs		
Pell Grants	9,123	\$ 18,758,334
SEOG	1,344	1,185,004
Federal College Work Study	1,948	1,200,146
Perkins Student Loans	1,850	3,861,592
Scholarship for Disadvantaged Students		22,531
Stafford Loans		
Subsidized	39,478	68,111,460
Unsubsidized	29,414	52,088,563
Plus	2,538	9,341,290
NFSL/Private Loans	1,581	5,402,356
Total Federal Financial Aid Administered	87,276	159,971,276
State Programs		
Florida Student Assistance Grants(FSAG)	4,619	4,168,908
Bright Futures Scholarships	15,903	31,085,463
Other States' Scholarships	183	225,873
Total State Scholarships & Grants Administered	20,705	35,480,244
Institutional Programs		
FSU Delayed Delivery Loans & Emergency Loans	3,423	2,742,365
Merit Scholarships	6,720	9,750,706
Florida State University Grants	10,196	10,530,158
Other Institutional Grants	14	63,857
Total Institutional Loans, Scholarships & Grants Administered	20,353	23,087,086
Private Scholarships		
Foundation Scholarships	1,768	2,607,013
Private Scholarships	2,901	4,233,640
Total Private Scholarships	4,669	6,840,653
Tuition Waivers		
	9,810	29,012,166
Total Financial Aid Administered		\$254,391,425

Note: Individuals may receive multiple awards within a year

FACULTY

It is the official policy of Florida State University to recruit the most talented faculty from leading centers of learning throughout the world. The Florida State faculty has included six Nobel Laureates and 10 members of the National Academy of Sciences. Many of its faculty have received national and international recognition, and the University is nationally ranked in a number of disciplines.



Dr. Shridhar Sathe, the D.K. Salukhe Professor of Food Science.



Faculty Data

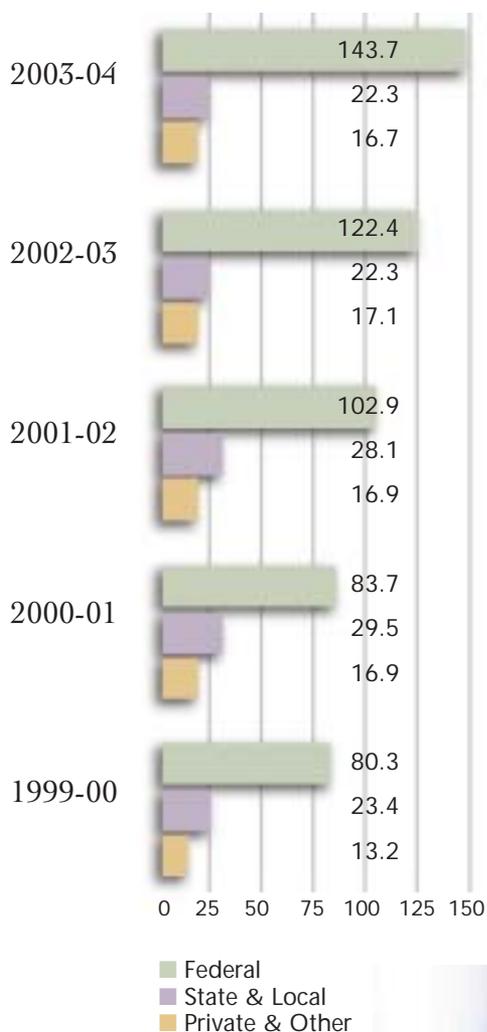
Academic Year	Full-Time Faculty	Part-Time Faculty	Tenured Faculty	Faculty with Terminal Degrees	Students/Faculty Ratio
1999-00	1,516	268	811	1,349	22:1
2000-01	1,520	377	805	1,368	22:1
2001-02	1,596	360	815	1,436	22:1
2002-03	1,695	348	830	1,559	23:1
2003-04	1,736	383	768	1,616	22:1

FSU RESEARCH

Since its designation as a university in 1947, Florida State University has built a reputation as a strong center for research in the sciences, the humanities and the arts. In

fiscal year 2003-2004 Florida State University faculty and administrators generated more than \$182 million in external funding to supplement state funds used for research. These external funds, derived through contracts and grants from various private foundations, industries and government agencies, are used to provide stipends for graduate students, to improve research facilities and to support the research itself.

Contracts and Grants Received (in millions)



FSU libraries added the equivalent of over 100,000 volumes last year in print and electronic editions.

LIBRARIES

Florida State University's library system, which ranks among the nation's top research libraries, is made up of eight libraries and 15 subject-specific reading rooms. The libraries' total collections include more than 2,600,000 volumes of books and periodicals, 800,000 government documents, 9,000 films, videos, and DVDs, and 800,000 microforms. Also, access to more than 270 subscription databases, 74,000 e-books, and 18,000 electronic journals allows students, faculty and staff to do research from their offices or homes.





William O. Monroe, CPA
Auditor General

AUDITOR GENERAL

STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Florida State University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2004, as shown on pages 18 through 36. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

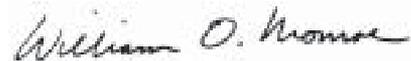
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Florida State University and of its aggregate discretely presented component units as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2005, on our consideration of the Florida State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is included as part of our separately issued audit report on the University.

The MANAGEMENT'S DISCUSSION AND ANALYSIS on pages 12 through 17 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



William O. Monroe, CPA

March 16, 2005

MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW

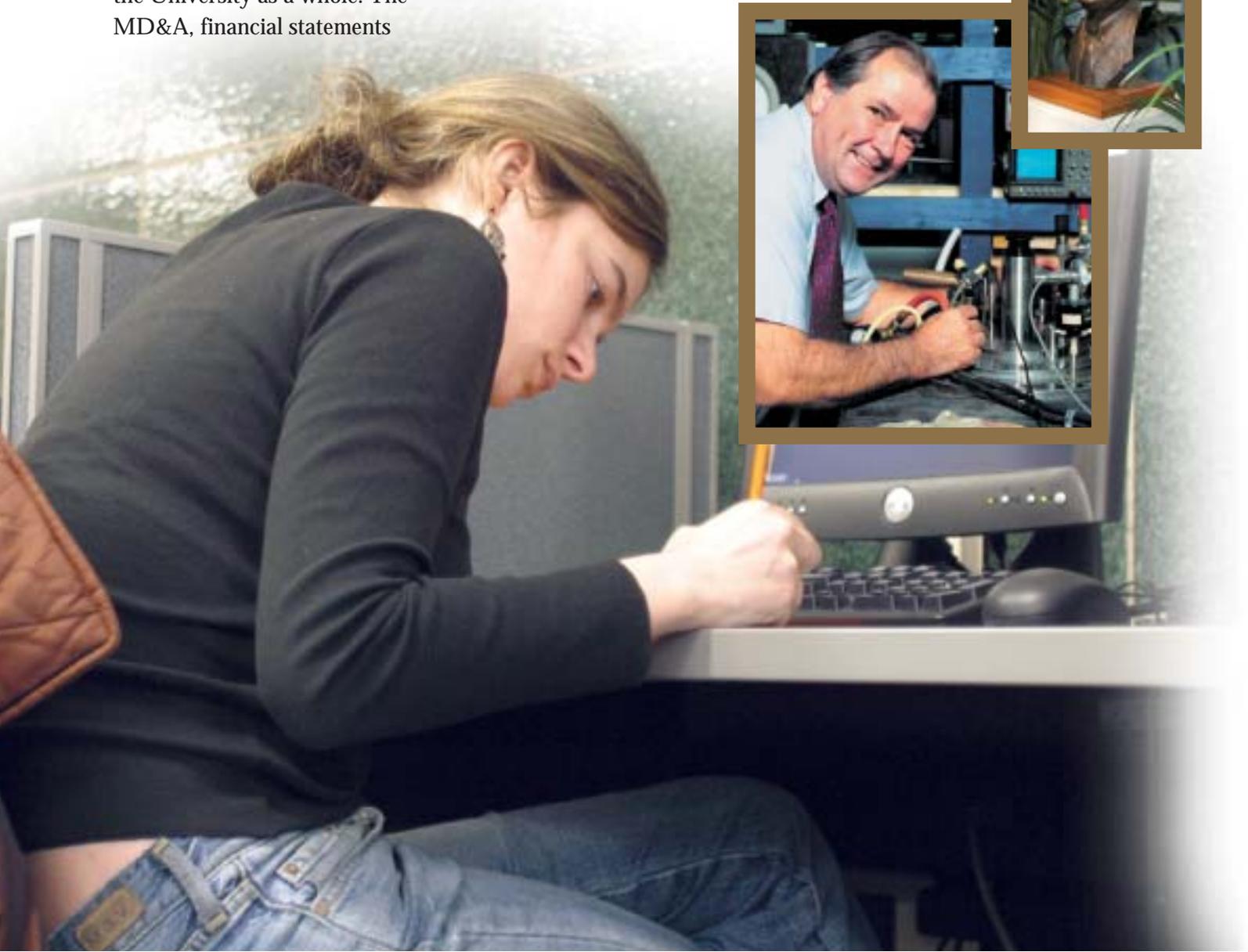
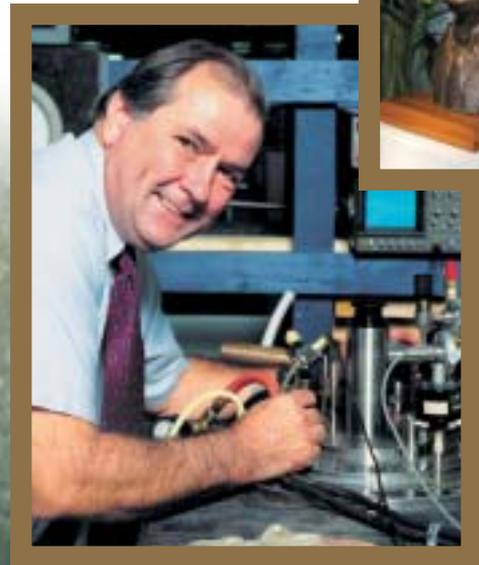
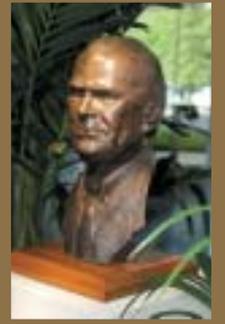
The following Management's Discussion and Analysis (MD&A) provides an overview of the University's financial performance based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles and focus on the University as a whole. The MD&A, financial statements

and notes are the responsibility of University management.

The financial statements encompass the University and its discretely presented component units; however, the MD&A focuses only on the University. Information relating to the component units can be found in their separately issued financial statements. The three basic financial statements are the statement of net assets, the

statement of revenues, expenses and changes in net assets and the statement of cash flows. While audited financial statements for the prior fiscal year are not presented with this report, condensed data will be presented in the MD&A in order to illustrate certain increases and decreases.

Jack Crow, 1939-2004, led the effort to bring the National High Magnetic Field Laboratory to FSU and Tallahassee.



STATEMENT OF NET ASSETS

The statement of net assets presents the financial position of the University at the end of the fiscal year. From the data presented, readers of the statement are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors, and lending institutions. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditures by the University. The change in net assets is one

indicator of whether the overall financial condition has improved or worsened during the year when considered with non-financial facts such as enrollment levels and the condition of the facilities.

Assets are what the University owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Assets are categorized as either current or noncurrent. Current assets are generally considered to be convertible to cash within one year.

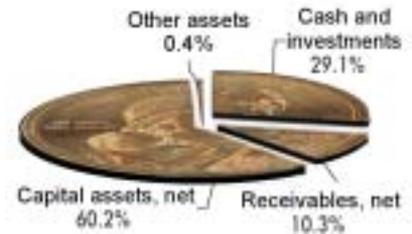
figure 1

Condensed Summary of Net Assets (In Thousands)

	2004	2003
Assets:		
Current assets	\$ 514,602	\$ 447,899
Capital assets, net	944,248	844,455
Other noncurrent assets	110,122	119,734
Total Assets	1,568,972	1,412,088
Liabilities:		
Current liabilities	203,626	173,480
Noncurrent liabilities	173,394	143,209
Total Liabilities	377,020	316,689
Net Assets:		
Invested in capital assets, net of related debt	831,753	737,179
Restricted	218,327	225,379
Unrestricted	141,872	132,841
Total Net Assets	\$ 1,191,952	\$ 1,095,399

figure 2

Assets as of June 30, 2004



Total assets of the University increased by \$156.9 million. Net capital assets improved during 2004 by \$99.8 million primarily due to increases in buildings. Major projects completed during the year are shown in figure 3:

figure 3

Major Projects Completed (In Millions)

Renovations

Ringling Ca'D'Zan	\$ 18.2
Montgomery Gym	\$ 14.9
Bellamy Building	\$ 10.7
New Construction	
Communication Lab	\$ 30.4
New Residence Hall	\$ 29.6
Student Service Building	\$ 7.2

Also, the University reported \$90 million of securities lending and reverse repurchase agreements, an increase of \$42 million from 2003. This included increasing investments and reporting an offsetting current liability for the full \$90 million.

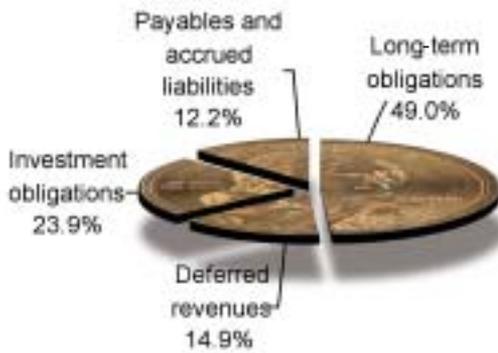
Liabilities are what the University owes to others or

14 Florida State University

what it has collected from others before it has provided the related services. Liabilities are also categorized as either current or noncurrent. Current liabilities are amounts becoming due and payable within the next year.

figure 4

Liabilities
as of June 30, 2004



As of June 30, 2004, total liabilities were \$377 million, compared to \$316.7 million at the end of the prior fiscal year. As reported earlier, a liability for securities lending and reverse repurchase agreements increased by \$42 million. Also, bonds payable increased by \$27.3 million, related to the financing for the Parking

Garage III project and Landis Hall Renovation project.

Net assets are divided into three categories. Invested in capital assets, net of related debt represents the historical cost of capital assets, reduced by the balance of related outstanding debt and depreciation expense charged over the years. Restricted net assets include amounts that have been restricted for use by an external party and are further broken down into nonexpendable and expendable. Restricted nonexpendable net assets represent the historical gift value, which donors have required to be invested in perpetuity. Restricted expendable net assets include amounts committed for such things as debt service, student loans and capital projects. Finally, unrestricted net assets include amounts institutionally designated or committed to support specific academic and research programs, capital

construction projects, and unrestricted funds functioning as endowments. A significant portion of these funds have been designated for contractually committed goods and services that have not yet been received, capital projects in various stages of planning and completion and for normal working capital balances maintained for departmental and auxiliary enterprise activities.

figure 5

Net Assets
as of June 30, 2004



At June 30, 2004, net assets were \$1.2 billion, up 8.1 percent from the previous year. The largest increase was in invested in capital assets, net of related debt, which grew by \$94.6 million.



Of FSU's 37,328 students, 56.3 percent of them were women during the 2003-04 fiscal year.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The statement of revenues, expenses and changes in net assets presents the revenues earned and the expenses incurred during the year, regardless of when cash is received or paid. Activities are reported as either operating or nonoperating.

Generally, operating revenues are earned in exchange for providing goods and services. Operating expenses are incurred in the normal operation of the University, including a provision for estimated depreciation on capital assets. Certain revenue sources that the University relies on for operations, including state appropriations,

gifts and investment income, are required by GASB to be classified as nonoperating revenues. Nonoperating expenses include capital financing costs and costs related to capital assets.

tuition. Also, grants and contracts revenue increased \$25.5 million, which was mainly driven by a 12.2 percent increase in federal grants and contracts.

Operating expenses increased \$53.2 million for the year.

Expenses for compensation and

figure 6

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

	2004	2003
Operating revenues	\$ 408,258	\$ 369,972
Operating expenses	(669,060)	(615,873)
Operating loss	(260,802)	(245,901)
Net nonoperating revenues	275,128	281,068
Income before other revenues expenses, gains, or losses	14,326	35,167
Net other revenues	82,227	76,565
Net increase in net assets	96,553	111,732
Net assets, beginning of year	1,095,399	983,667
Net assets, end of year	\$ 1,191,952	\$ 1,095,399

Operating revenues increased \$38.3 million for the fiscal year ending June 30, 2004. Net student tuition and fee revenues increased \$6.3 million contributed by a board-approved increase to

employee benefits were up \$26.9 million. Also, depreciation expenses increased by \$15 million, which was mainly due to the loss recorded for the disposal of the Moore Athletic Center.

figure 7

Revenues Used to Fund the University's Operating Activities (In Thousands)



figure 8

Major Operating Expenses by Function (In Thousands)

STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the University's financial results, by reporting the major sources and uses of cash. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its 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 shows all uses of cash and cash equivalents to purchase investments, and all increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments.

figure 9

Condensed Summary of Cash Flows (In Thousands)

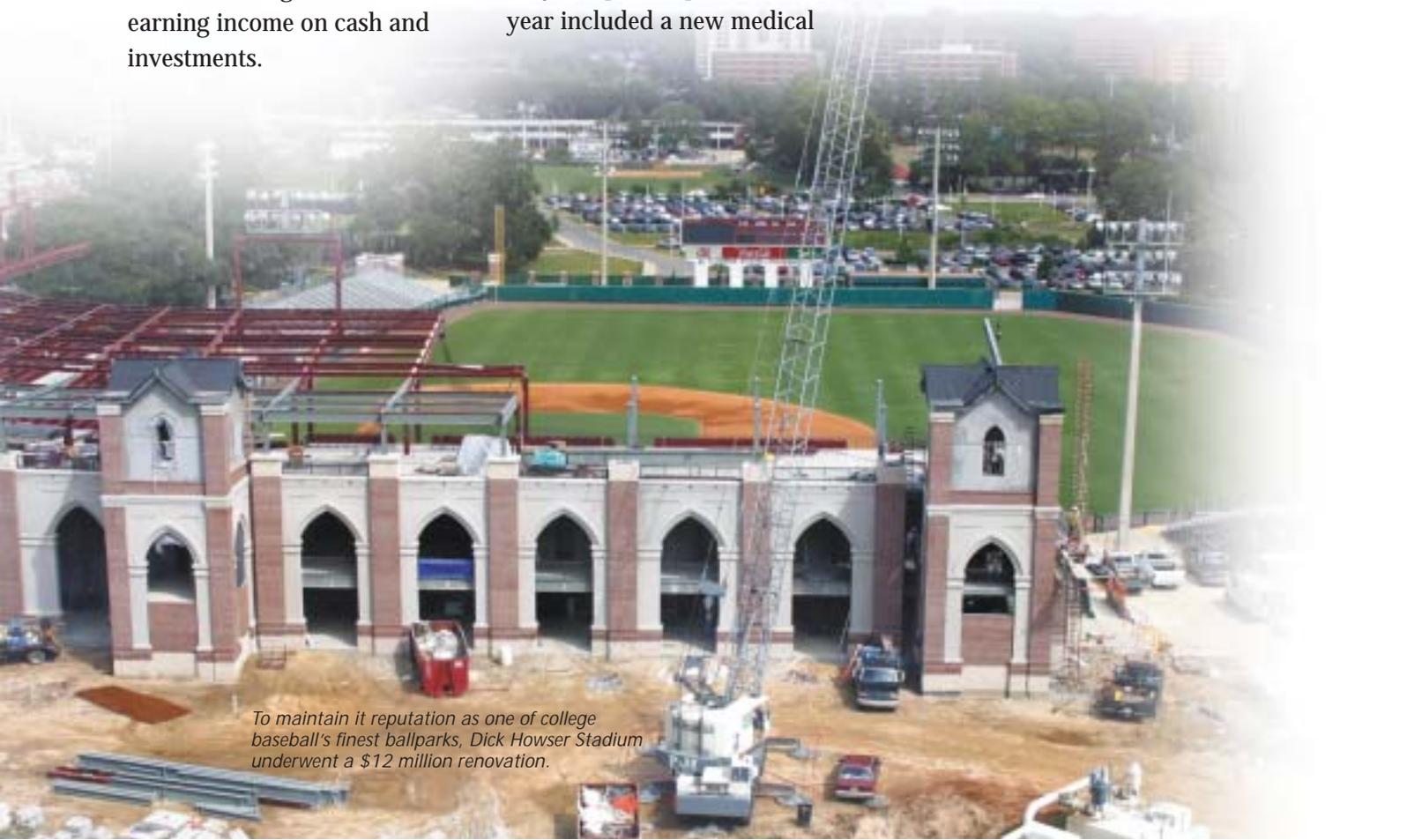
	2004	2003
Cash provided (used) by:		
Operating activities	\$ (206,512)	\$ (194,165)
Noncapital financing activities	274,824	272,504
Capital financing activities	(51,588)	(6,003)
Investing activities	(27,305)	(28,303)
Net increase (decrease) in cash and cash equivalents	(10,581)	44,033
Cash and cash equivalents, beginning of year	95,297	51,264
Cash and cash equivalents, end of year	\$ 84,716	\$ 95,297

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2004, the University had \$944.2 million invested in capital assets, net of accumulated depreciation of \$420.2 million. Depreciation expense totaled \$61.6 million for the current fiscal year. Major capital expenses for the year included a new medical

school (\$29.6 million), a new communications lab (\$14.6 million), the Montgomery Gym remodeling (\$5.9 million) and the purchase and implementation of a new enterprise resource planning system (\$8.2 million).

Figure 10 summarizes the University's major construction commitments greater than \$5 million at June 30, 2004:



To maintain its reputation as one of college baseball's finest ballparks, Dick Howser Stadium underwent a \$12 million renovation.

figure 10

Major Construction Commitments Greater than \$5 Million
(In Thousands)

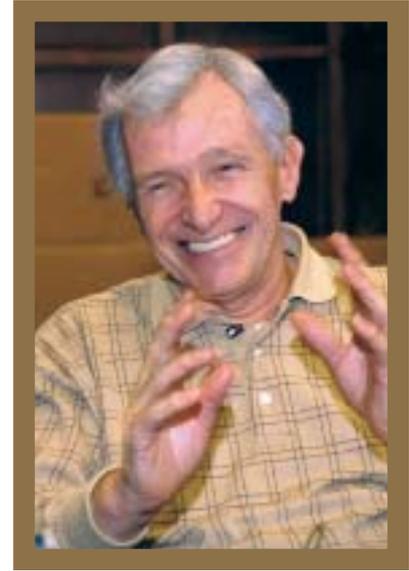
Project Name	Estimated Costs	Amount Expended	Amount Unspent
Basic Science Complex	\$ 60.2	\$ 30.4	\$ 29.8
Chemistry Building	50.4	1.0	49.4
Psychology Center	50.3	2.2	48.1
University Concert Hall	40.0	2.0	38.0
Communications Lab	33.2	28.1	5.1
New Residence Hall	28.0	26.9	1.1
Panama City Academic Building	24.0	0.0	24.0
Landis Hall Remodeling	17.9	0.9	17.0
Parking Garage #2	17.6	17.1	0.5
Parking Garage #3	16.3	1.7	14.6
Montgomery Gym	15.6	14.5	1.1
Land Acquisition	14.5	8.0	6.5
Utilities/Infrastructure/Capital Renewal/Roofs	13.7	7.5	6.2
Ringling Conservation/ Curatorial — Sarasota	13.5	0.3	13.2
Asolo Theatre/Visitor Services Center	12.6	0.7	11.9
Main Galleries Expansion — Sarasota	11.5	0.6	10.9
Tibbals Learning Center	9.7	5.1	4.6
Campuswide Projects — Sarasota	9.2	3.3	5.9
Marine Science Research & Training	8.5	0.0	8.5
Johnston Dining Facility	6.8	0.1	6.7
West Campus Dining Facility	5.9	0.3	5.6
Alumni Center	5.5	4.2	1.3
Total	\$ 464.9	\$ 154.9	\$ 310.0

At June 30, 2004, the University had \$139.8 million of outstanding bonds compared to \$112.6 million at June 30, 2003. During the year the University issued \$15.5 million of Parking Facility revenue bonds to construct a new parking garage and \$22.6 million of Housing Facility revenue bonds to renovate Landis Hall and to refund the 1994 series revenue bonds. In the upcoming year the University plans to issue \$35 million in Housing Facility revenue bonds to build a new dorm consisting of approximately 600 beds.

**ECONOMIC
OUTLOOK**

The Florida State University has a strong reputation for operational efficiency, as well as academic excellence. While the State continues to demonstrate strong financial support for higher education in Florida, it has not been enough to keep pace with the growth of the University. Therefore, the University must rely more heavily on other revenue

Emmy Award-winning
Schoolhouse Rock co-creator and
FSU Alumnus George Newall.



streams to maintain its quality programs.

Tuition rates for the 2004-2005 fiscal year have increased for undergraduate and graduate students 7.5 percent and 12.5 percent, respectively. However, the University's low tuition levels continue to attract top students. In 2004 the University attracted \$182.7 million in research funding, which increased 13 percent from the previous year. The FSU CONNECT fundraising campaign achieved 75 percent of its \$600 million goal, or \$450 million, by the end of the 2003-2004 fiscal year.

Once again the University finished the fiscal year better off than the previous year and is well-positioned to continue providing excellence in educational programs. The University's solid support from the state, relatively low tuition levels, ability to attract new research funding, and outstanding fund-raising capabilities are among the factors indicating a bright future for the University.

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004 (In Thousands)

	University	Component Units
ASSETS		
Current Assets		
Cash and cash equivalents (Note 1)	\$ 77,760	\$ 31,027
Investments (Note 2)	279,691	43,853
Receivable, net (Note 3)	26,994	32,892
Due from other state universities	500	-
Due from state	115,523	-
Due from component units / university (Note 4)	3,168	128,801
Inventories (Note 5)	2,232	273
Loans and notes receivable, net (Note 3)	6,468	-
Other assets	2,266	2,329
Total current assets	514,602	239,175
Noncurrent Assets		
Restricted cash and cash equivalents (Note 1)	6,956	1,240
Restricted investments (Note 2)	92,378	452,257
Loans and notes receivable, net (Note 3)	9,303	414
Capital assets, net (Note 6)	944,248	165,087
Other assets	1,485	77,469
Total noncurrent assets	1,054,370	696,467
Total assets	\$ 1,568,972	\$ 935,642
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 44,692	\$ 44,911
Due to other state universities	212	-
Due to state	601	-
Due to component units / university (Note 4)	93	129,470
Deferred revenues (Note 7)	56,359	10,353
Obligations under securities lending and reverse repurchase agreements (Note 2)	90,043	-
Long-term liabilities, current (Note 8)	11,348	4,280
Other liabilities	278	4,145
Total current liabilities	203,626	193,159
Noncurrent Liabilities (Note 8)		
Bonds payable	134,635	101,849
Loans and notes payable	-	9,776
Installment purchase notes payable	2,492	-
Capital leases payable	-	24,298
Compensated absences liability	36,247	655
Other noncurrent liabilities	20	21,188
Total noncurrent liabilities	173,394	157,766
Total liabilities	\$ 377,020	\$ 350,925
NET ASSETS		
Invested in capital assets, net of related debt	\$ 831,753	\$ 32,250
Restricted for nonexpendable:		
Endowment	-	300,112
Restricted for expendable:		
Debt service	451	875
Loans	18,617	-
Capital projects	147,635	-
Other restricted net assets	51,624	130,947
Unrestricted	141,872	120,533
Total net assets	\$ 1,191,952	\$ 584,717

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

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS (In Thousands)
FOR FISCAL YEAR ENDED JUNE 30, 2004

	University	Component Units
OPERATING REVENUES		
Student tuition and fees	\$ 171,080	\$ -
<i>(\$ 4,757 pledged for the Parking Facility Revenue Bonds)</i>		
Less: tuition scholarship allowances	(54,060)	-
Net student tuition and fees	117,020	-
Federal grants and contracts	135,097	-
State and local grants and contracts	28,972	-
Nongovernmental grants and contracts	20,521	-
Sales and services of educational department	1,778	-
Sales and services of auxiliary enterprises	94,239	-
<i>(\$2,025 pledged for the Parking Facility Revenue Bonds; \$19,702 pledged for the Housing Facility Revenue Bonds)</i>		
Sales and services of component units	-	15,451
Royalties and licensing fees	-	21,000
Gifts and donations	-	43,180
Interest on loans receivable	267	-
Other operating revenue	10,364	3,732
Total operating revenues	408,258	83,363
OPERATING EXPENSES		
Compensation and employee benefits	406,859	24,200
Services and supplies	134,845	72,827
Utilities	30,011	658
Scholarships and fellowships	35,699	-
Depreciation	61,646	5,475
Total operating expenses	669,060	103,160
Operating loss	(260,802)	(19,797)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	278,213	-
Net investment income	10,687	52,692
Unrealized gains and losses on investments	(9,778)	1,502
Other nonoperating revenue	52	93
Interest on asset-related debt	(3,787)	(4,935)
Other nonoperating expenses	(259)	(389)
Net nonoperating revenues	275,128	48,963
Income before other revenues, expenses, gains or losses	14,326	29,166
Additions to permanent endowments	-	50,023
Capital appropriations	44,103	-
Capital grants, contracts and donations	38,124	4,872
Increase in net assets	96,553	84,061
Restated net assets, beginning of year	1,095,399	500,656
Net assets, end of year	\$ 1,191,952	\$ 584,717

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

**STATEMENT OF CASH FLOWS (In Thousands)
FOR FISCAL YEAR ENDED JUNE 30, 2004**

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 116,940
Grants and contracts	177,942
Sale and services of educational departments	1,786
Sales and services of auxiliary enterprises	94,638
Interest on loans receivable	267
Other operating receipts	8,592
Payments to employees	(401,512)
Payments to suppliers for goods and services	(168,570)
Payments to students for scholarships and fellowships	(35,699)
Loans issued to students	(896)
Net cash used by operating activities	(206,512)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	278,213
Operating subsidies and transfers	(783)
Funds held for others	(2,463)
Other receipts	52
Other expenses	(195)
Net cash provided by noncapital financing activities	274,824
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	31,257
Capital appropriations	37,864
Capital grants and contracts	28,338
Capital subsidies and transfers	12,333
Purchases of capital assets	(151,148)
Principal paid on capital debt	(4,410)
Interest paid on capital debt	(5,822)
Net cash used by capital and related financing activities	(51,588)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net change in investments	(38,474)
Investment income	11,169
Net cash used by investing activities	(27,305)
Net change in cash and cash equivalents	(10,581)
Cash and cash equivalents — beginning of year	95,297
Cash and cash equivalents — end of year	\$ 84,716
RECONCILIATION OF OPERATING CASH FLOWS TO OPERATING INCOME	
Operating expense over revenue	\$ (260,802)
Depreciation expense	61,646
Change in assets and liabilities:	
Receivable	(612)
Contracts and grants receivable	(6,648)
Inventories	(556)
Loans and notes receivable	(896)
Deferred charges and other assets	(169)
Accounts payable	(2,989)
Salaries and wages payable	1,724
Deposits held for others	40
Compensated absences liability	3,623
Deferred Revenues	(873)
Net cash used by operations	\$ (206,512)

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

NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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. Application of these criteria determines potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the state of Florida, and an integral part of the state's Comprehensive Annual Financial Report.

The University is a separate public instrumentality that is part of a state university system

of public universities. A constitutional amendment effective January 7, 2003, created a Board of Governors to be responsible for the management of the state university system. A separate Board of Trustees shall administer each public university.

The University Board of Trustees (Trustees) consist of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The State Board of Education is responsible for overseeing kindergarten through graduate school education in the state. 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 Florida law, state Board of Education rules, and the Board of Governors. The University president serves as the executive officer and the corporate secretary of the Trustees and is responsible for the University.

Discretely Presented Component Units

Based on the application of the criteria for determining

component units, the following organizations are included within the University Board of Trustee's reporting entity as discretely presented component units:

FSU Foundation, Inc.

The University's fund-raising and private support programs are accounted for and reported separately by the Foundation. Foundation revenues include unrestricted and restricted gifts and grants, rental income, and investment income. Foundation expenditures include scholarship distributions to students, departmental faculty and staff development support, various memorials and class projects, departmental research, and administrative costs of the Foundation's development program.

FSU Seminole Boosters, Inc.

The primary purpose of the Boosters is to stimulate and promote the education, health, and physical welfare of University students by providing financial support from the private sector for the Intercollegiate Athletic Program. Funds raised by the Boosters are used for scholarships, recruiting expenses, and authorized travel and entertainment in accordance with the rules and regulations of the National Collegiate Athletic Association.

FSU International Programs Association, Inc.

The purpose of the International Programs Association is to promote intercultural activities among students, educators, and others. It provides teaching, studying, research, and conference opportunities to U.S. students, scholars, and other professionals and community groups through Florida State University Study-Abroad Programs in London, Florence, Costa Rica, and other sites.

FSU Alumni Association, Inc.

The Alumni Association serves as a connecting link between alumni and the University. The nature and purpose of the Association is to aid, strengthen, and expand Florida State University and its alumni. The Association utilizes private gifts, devices, other contributions, and advertising income to publish and exchange information with University alumni, to assist the University's development programs, and to provide public and community service.

FSU Financial Assistance, Inc.

Financial Assistance was created for the purpose of securing bond financing in accordance with Section 1004.28, Florida Statutes. Seminole Boosters maintains direct control of Financial Assistance and each year makes significant transfers to them to help service the bond debt.

FSU Research Foundation, Inc.

The Research Foundation was established on September 14, 1993. The purpose of the Research Foundation is to promote and assist the research and training activities of the University through income from contracts, grants and other sources, including income derived from the development and commercialization of the University's work products.

FSU John and Mable Ringling Museum of Art Foundation, Inc.

The Foundation was established in 1978. Its purpose is to provide charitable and educational aid to the University's John and Mable Ringling Museum of Art. An annual agreement is executed between the Museum and the Foundation to allow the Foundation to act as the direct support organization for the Museum.

FSU School, Inc.

The Developmental Research School became a charter school in 2000 in compliance with Section 1002.33, Florida Statutes. The School provides a setting where University faculty, School faculty, and graduate students can design, demonstrate, and analyze the effectiveness of new instructional materials, technological advances, and strategies under controlled conditions. It also offers an environment for the systematic research, evaluation, and

development of commercial or prototype materials and techniques adaptable to other Florida public schools and supported by School and University researchers and/or private sector partners.

An annual audit of each organization's financial statements is conducted by independent certified public accountants.

Information on the University's component units, including copies of audit reports, is available by contacting the University Controller's Office. Additional condensed financial statements for the University's component units are included in a subsequent note.

Except for the FSU School, Inc., these component units are also direct support organizations, as provided in Section 1004.28 Florida Statutes. These are separate, not-for-profit corporations organized and operated exclusively to help the University achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The statute authorizes these organizations to receive, hold, invest and administer property and to make expenditures to or for the benefit of the University. An independent certified public accountant conducts an annual audit of each organization's financial statements. The audited financial statements are submitted to the Auditor General and the Board of Trustees for review.

Basis of Presentation

The University's accounting policies conform with generally accepted accounting principles applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This statement includes public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 35 allows public colleges and universities the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental and business-type activities. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide

reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

The University is a component unit of the state of Florida for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the state's Comprehensive Annual Financial Report.

Basis of Accounting

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets,

and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

Interdepartmental transactions of auxiliary service departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities plus administration, operation and maintenance of plant assets, and depreciation on capital assets. Nonoperating revenues include state appropriations, investment income and capital funding. Interest on asset-related debts is a nonoperating expense.

The University follows FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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

24 Florida State University

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship discounts and allowances. Tuition scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by 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 discounts and allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

The statement of cash flows is presented using the direct method and is in compliance with GASB Statement No. 9, *Reporting Cash Flow for Proprietary and Non expendable Trust Funds*.

Cash and Cash Equivalents

The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash held in the state treasury. Banks qualified as public depositories under Florida law hold cash deposits of the University. All such deposits are insured by Federal depository insurance 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, and to purchase or construct capital or other restricted assets are classified as restricted.

Capital Assets

University capital assets mainly consist of land, buildings, infrastructure and other improvements, furniture and equipment, library resources, works of art and historical treasures, and construction in progress. These assets are capitalized and recorded at cost at the date of acquisition or at appraised value at the date received in the case of gifts. Additions, improvements and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for all movable equipment items and a \$100,000 threshold for building renovations and improvements. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets.

The following estimated useful lives are used to determine depreciation expense:

- Buildings and Improvements – 10 to 50 Years, Depending on Construction
- Infrastructure and Other Improvements – 12 to 50 Years



Prof. Mark Winegardner was selected to write the sequel to Mario Puzo's "The Godfather."

- Furniture and Equipment
 - Equipment (Non-office) – 10 to 20 Years
 - Computer Equipment – 3 to 7 Years
 - Moveable Equipment – 3 to 20 Years
- Software – 5 Years
- Library Resources – 10 Years

Noncurrent Long-Term Liabilities

Noncurrent long-term liabilities include principal amounts of bonds payable, notes payable and compensated absences that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums/discounts over the life of the bonds using the straight-line method. The deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance cost paid from the debt proceeds are reported as deferred charges and are amortized over the life of the bonds using the straight-line method.

2 INVESTMENTS

The University participates in investment pools through the state treasury and the state board of administration in accordance with the provisions of Section 17.61 and 215.49, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes. The University's investments in these pools are reported at market value.

Generally accepted accounting principles require the classification of credit risk of investments into the following three categories:

- Risk Category 1 — Insured or registered, or securities held by the entity or its agent in the entity's name.
- Risk Category 2 — Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Risk Category 3 — Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Certain University investments, such as investment pools managed by other

governments, cannot be categorized because the University's investments are not evidenced by specific, identifiable investment securities. All

University investments were in investment pools managed by the state treasury and the state Board of Administration with a fair market value of \$372,069,104.

Under the state treasury's authority to purchase and sell securities, it has entered into reverse repurchase and securities lending agreements. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. A securities lending agreement is a loan of securities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. As required by Generally Accepted Accounting Principles, the University has reported investments and an offsetting current liability of \$90,043,304 in order to account for these transactions.

The investments shown in figure 1, held by the University's component units at June 30, 2004, are reported at market value based on quoted market prices.

figure 1

	Risk Category			Market Value
	1	2	3	
U.S. Government and Federally Guaranteed Obligations	\$ 109,788,690	\$ -	\$ -	\$ 109,788,690
Bonds and Notes	33,465,950	-	-	33,465,950
Stocks	278,949,783	7,500,600	-	286,450,383
Total Classified Investments	\$ 422,204,423	\$ 7,500,600	\$ -	\$ 429,705,023
Investment Agreements				\$ 39,210,437
Real Estate Agreements				3,434,543
Money Market and Mutual Funds				23,759,858
Total Nonclassified Investments				66,404,838
Total Component Units Investments				\$ 496,109,861

3 RECEIVABLES

Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the University, various auxiliary services provided to students and third parties, grant reimbursements due from third parties and interest from investments, as shown in figure 2.

figure 2

Student tuition and fees	\$ 6,636,900
Contract and grant	14,143,775
Sales & services of educational departments	21,328
Sales & services of auxiliary enterprises	3,663,451
Interest	596,031
Other	1,932,758
Total accounts receivable, net	\$ 26,994,243

Loans and Notes Receivable

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

Allowance for Uncollectible Receivables

Allowances for uncollectible accounts and loans and notes receivable are reported based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and any other appropriate factors. Accounts receivable and loans and notes receivable are reported net of allowances of \$2,697,019 and \$2,484,136, respectively at June 30, 2004.

4 DUE FROM/TO COMPONENT UNITS/ UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2004. The University's component units' financial statements are reported for their most recent fiscal year where an audit report is available. Accordingly, amounts reported by the University as Due From/To Component Units on the statement of net assets do not have corresponding amounts reported by the component units as Due From/To University.

5 INVENTORIES

Inventories have been categorized into the following two types:

figure 3

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

6 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, is shown in figure 3.

Depreciation expense reported on the Statement of Revenues, Expenses and Change in Net Assets includes net losses on disposition of capital assets and other minor adjustments totaling \$13,221,676.

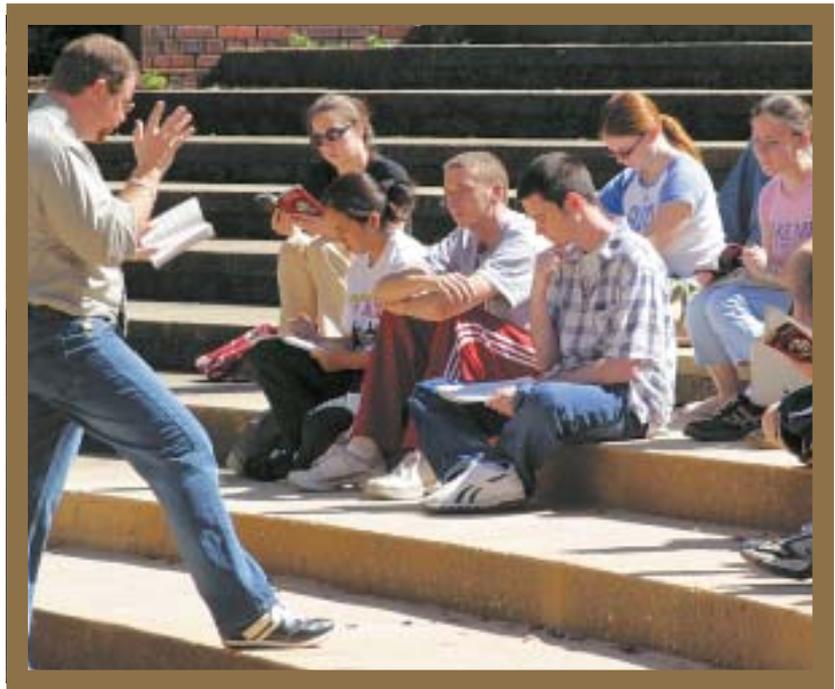
DEFERRED REVENUES

Deferred revenues include amounts received prior to the end of the fiscal year but related to subsequent accounting periods. As of June 30, 2004, the University had the amounts shown in *figure 4* reported as deferred revenues:

Description	July 1, 2003	Adjustments	Additions	Reductions	June 30, 2004
Capital Assets, Nondepreciable:					
Land	\$ 33,031,705	\$ -	\$ 8,464,279	\$ -	\$ 41,495,984
Construction in Progress	117,075,339	-	99,342,955	(145,357,516)	71,060,778
Historical Treasures	71,549,289	-	-	(10,000)	71,539,289
Total Nondepreciable Capital Assets	221,656,333	-	107,807,234	(145,367,516)	184,096,051
Capital Assets, Depreciable:					
Buildings	619,215,841	-	133,569,633	(17,583,180)	735,202,294
Infrastructure & Other Improvements	75,226,303	-	13,086,300	-	88,312,603
Furniture and Equipment	245,326,483	(6,975,041)	38,410,790	(14,669,384)	262,092,848
Library Resources	71,982,211	-	5,556,643	(887,010)	76,651,844
Software and Other Capital Assets	2,823,276	6,975,041	8,206,010	(52,184)	17,952,143
Total Depreciable Capital Assets	1,014,574,114	-	198,829,376	(33,191,758)	1,180,211,732
Less Accumulated Depreciation:					
Buildings	(175,007,986)	-	(14,270,022)	5,595,468	(183,682,540)
Infrastructure & Other Improvements	(17,830,232)	-	(3,005,797)	-	(20,836,029)
Furniture and Equipment	(155,530,313)	1,395,008	(24,830,201)	13,615,711	(165,349,795)
Library Resources	(41,295,758)	-	(6,033,785)	887,010	(46,442,533)
Software and Other Capital Assets	(2,111,351)	(1,395,008)	(284,953)	42,396	(3,748,916)
Total Accumulated Depreciation	(391,775,640)	-	(48,424,758)	20,140,585	(420,059,813)
Total Depreciable Capital Assets, Net	622,798,474	-	150,404,618	(13,051,173)	760,151,919
Total Capital Assets, Net	\$ 844,454,807	\$ -	\$ 258,211,852	\$ (158,418,689)	\$ 944,247,970

figure 4

2004	
Capital appropriations	\$ 44,460,825
Housing fees	2,458,403
Athletic revenues	9,440,036
Total Deferred Revenues	\$ 56,359,264



LONG-TERM LIABILITIES

Long-term liabilities of the University include bonds, installment purchase notes, and compensated absences. Figure 5 presents the long-term liability activity for the fiscal year ended June 30, 2004:

figure 5

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and Notes:					
Bonds	\$ 112,553,540	\$ 38,027,221	\$ 10,746,010	\$ 139,834,751	\$ 5,199,977
Installment purchase notes	1,112,912	7,591,016	3,637,854	5,066,074	2,574,484
Total Bonds and Notes	113,666,452	45,618,237	14,383,864	144,900,825	7,774,461
Other Liabilities:					
Compensated absences	36,197,588	18,876,976	15,254,240	39,820,324	3,573,204
Other	48,033	277,477	27,933	297,577	277,477
Total Other Liabilities	36,245,621	19,154,453	15,282,173	40,117,901	3,850,681
Total Long-Term Liabilities	\$ 149,912,073	\$ 64,772,690	\$ 29,666,037	\$ 185,018,726	\$ 11,625,142

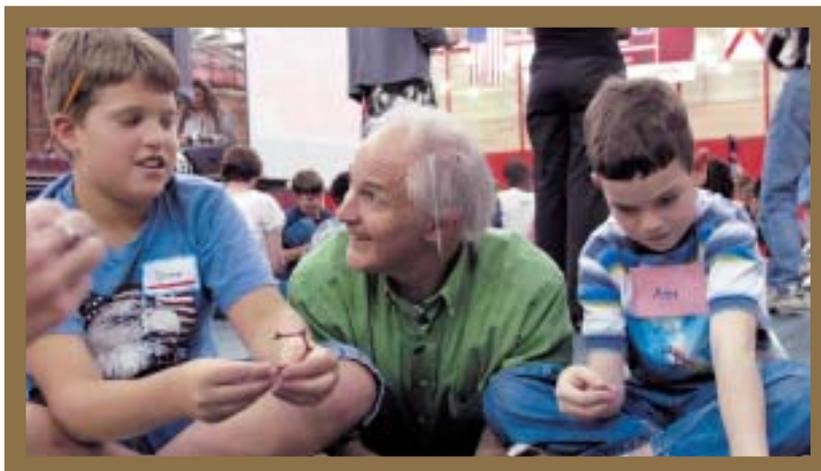
Bonds Payable

The University issued bonds and revenue certificates to construct University facilities, including parking garages and student housing facilities. Outstanding bonds and revenue certificates, 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. The Florida Board of Education issued both term and serial revenue bonds on

behalf of the State University System, the proceeds of which were used to acquire and construct various academic and student service facilities. The bonds are secured and payable from the State University System Capital Improvement and Building Fees. The state Board of Administration administers the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

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



FSU's 6th Nobel Prize-winning faculty member Sir Harold Kroto flanked by future chemists.

Figure 6 presents bonds payable at June 30, 2004:

figure 6

Bond Type and Series	Amount Outstanding	Interest Rate (Percent)	Maturity Date
Auxiliary Revenue Bonds:			
1969 Apartments	\$ 355,000	3.0	2009
1993 Housing	2,550,000	3.0	2022
1996 Housing	11,820,199	4.8 - 6.8	2026
2001 Housing	8,536,654	4.0 - 5.0	2030
2001 Parking	9,509,371	3.5 - 5.125	2022
2001A Housing	24,701,195	4.0 - 5.0	2031
2003A Parking	4,989,465	2.0 - 3.75	2014
2003B Parking	15,162,022	2.0 - 4.5	2023
2004A Housing	22,553,777	2.0 - 4.5	2034
Total Auxiliary Revenue Bonds	\$ 100,177,683		
State University System Revenue Bonds:			
1997 Trust Fund	4,116,712	5.0 - 7.0	2022
1997A Trust Fund	12,068,259	4.2 - 5.0	2016
1998 Trust Fund	6,283,687	4.0 - 5.0	2023
2001 Trust Fund	7,540,922	4.0 - 5.0	2026
2003A Trust Fund	9,647,488	4.0 - 5.0	2013
Total State University System Revenue Bonds	39,657,068		
Total	\$ 139,834,751		

On April 13, 2004, the University issued \$6,660,000 of Housing Facility Revenue Refunding Bonds, Series 2004A. The refunding was used

to defease \$6,410,000 of outstanding Housing Facility Revenue Bonds, Series 1994. Securities were placed in an irrevocable trust with an escrow

agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net assets. As a result of the refunding, the University reduced its debt service requirement by \$1,474,550 over the next 19 years and obtained an economic gain of \$1,045,375. At June 30, 2004, the outstanding balance of the defeased bonds was \$6,410,000.

On May 6, 2003, the University defeased \$5,450,000 of outstanding Parking Facility Revenue Bonds, Series 1992. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net assets. At June 30, 2004, the outstanding balance of the defeased bonds was \$5,075,000.

On April 10, 2003, the Florida Board of Education defeased \$11,084,192 of outstanding University System Improvement Revenue Bonds, Series 1993. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net assets. At June 30, 2004, the outstanding balance of the defeased bonds was \$9,953,831.



Annual requirements to amortize all bonded debt outstanding as of June 30, 2004, are shown in figure 7:

Compensated Absences

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave

figure 7

Fiscal Year Ending June 30,	Principal	Interest	Total
2005	\$ 5,199,977	\$ 6,416,703	\$ 11,616,680
2006	5,459,824	6,075,221	11,535,045
2007	5,682,947	5,870,160	11,553,107
2008	6,009,728	5,658,344	11,668,072
2009	6,140,348	5,431,670	11,572,018
2010-2014	33,693,183	23,114,926	56,808,109
2015-2019	28,691,759	15,931,595	44,623,354
2020-2024	27,207,684	9,224,173	36,431,857
2025-2029	15,263,698	3,981,413	19,245,111
2030-2034	7,995,000	862,825	8,857,825
Subtotal	141,344,148	82,567,030	223,911,178
Less: Unamortized loss on refunding	(783,033)		(783,033)
Less: Unamortized discount	(1,560,937)		(1,560,937)
Plus: Unamortized premium	834,573		834,573
Total	\$ 139,834,751	\$ 82,567,030	\$ 222,401,781

Installment Purchase Notes

The University is acquiring machinery and equipment with an asset value of \$8,561,067 under installment purchases. Future minimum payments remaining under installment purchase notes and the present value of the minimum payments as of June 30, 2004, are shown in figure 8:

pursuant to Section 6C-5.920, Florida Administrative Code; and pursuant to bargaining agreements between the Florida Board of Education and the United Faculty of Florida. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused)

figure 8

Fiscal Year Ending June 30	Installment Purchases
2005	\$ 2,645,658
2006	2,198,848
2007	324,530
Total minimum payments	5,169,036
Less	
Amount representing interest (0.00% - 2.60%)	(102,962)
Present Value of Minimum Payments	\$ 5,066,074

leave balance. GASB Statement No. 16 requires that the University accrue a liability in the statement of net assets for employees' right to receive compensation for future absences when certain conditions are met, whereas state appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. Consequently, the recording of the liability for compensated absences without the corresponding recognition of such future resources results in the appearance of a reduced ability to meet current obligations. At June 30, 2004, the estimated liability for annual and sick leave, which includes the University's share of the Florida Retirement System and FICA contributions, is \$19,934,973 and \$19,885,351, respectively. Net assets reported at June 30, 2004, of \$1,191,952,494 would have been \$1,231,772,818 had such liability for compensated absences not been applied against it. The current compensated absences liability is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

OPERATING LEASE COMMITMENTS

The University has long-term commitments for assets leased under operating leases. These assets are not recorded on the statement of net assets; however, the operating lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net assets when paid or incurred. Outstanding commitments resulting from these lease agreements are not considered material and are contingent upon future appropriations.

10 STATE RETIREMENT PROGRAMS

Florida Retirement System

Most employees working in regularly established positions of the University are covered by the Florida Retirement System, a state-administered, cost-sharing, multiple-employer, public employee defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein

Plan eligibility, contributions, and benefits are defined and described in detail.

Participating employers include all state departments, counties, district school boards, community colleges, and universities. Many municipalities and special districts have elected to be participating employers. Essentially, all regular employees of participating employers are eligible and must enroll as members of the Plan.

The Florida Legislature has reduced the vesting period from 10 to 6 years of service. Any member employed in a regularly established position on (as of) July 1, 2001, with a total of 6 or more years of creditable service will be considered vested.

Former members who are not employed with a participating Plan employer on July 1, 2001, must return to covered employment for one year to become eligible for the six-year vesting provision. An exception to this one-year requirement applies to former members who are within one year of vesting under the pre-2001 vesting requirements. These members will only be required to work the lesser of one year or the amount of time it would have taken to vest in their class of membership prior to July 1, 2001. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year

a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (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 payment while continuing employment with a Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after the participation election date. During DROP participation, the deferred monthly benefit accruing on behalf of the participant, plus interest compounded monthly, is held in the Florida Retirement System Trust Fund. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

The Plan's financial statements and other supplemental information are included in the comprehensive annual financial report of the state of Florida, which is available from the state of Florida, Department of Financial Services in Tallahassee, Florida. An annual report on the Plan, which

includes its financial statements, required supplemental information, actuarial report, and other relevant information, is available from the state of Florida, Division of Retirement in Tallahassee, Florida.

The state of Florida established contribution rates for Plan members for the 2003-04 fiscal year are shown in figure 9:

**State University System
Optional Retirement
Program**

Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program (Program) for eligible State University System faculty and administrators. The Program, which became effective July 1, 1984, was expanded in 1988 to include the State University

participate in the Program rather than the Florida Retirement System, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant’s salary. A small amount remains in the Optional Retirement Program Trust Fund for program administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute by salary reduction an amount not to exceed the percentage contributed by the University to the participant’s annuity account.

There were 2,013 University participants during the 2003-04 fiscal year. Required contributions made to the Program totaled \$16,052,477, including \$6,550,168 from employee contributions.

figure 9

Class or Plan	Percent of Gross Salary	
	Employee	Employer ^A
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Special Risk	0.00	18.53
Florida Retirement System, Senior Management Services	0.00	9.37
Teacher’s Retirement System, Plan E	6.25	11.35
State and County Officers and Employees’ Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes:

(A) Employer rates include the post-employment health insurance supplement of 1.11 percent and .10 percent for administrative costs of the Public Employee Optional Retirement Program..

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

The University’s liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University’s contributions to the Plan (including employee contributions) for the fiscal years ended June 30, 2002, June 30, 2003, and June 30, 2004, totaled \$11,632,076, \$9,463,976, and \$11,065,073 respectively, which were equal to the required contributions for each fiscal year.

System Executive Service. The Program is designed to aid the University system in recruiting employees by offering more portability to employees not expected to remain in the Florida Retirement System for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to

**Public Employee
Optional Retirement
Program**

In 2000 the Florida Legislature created a new defined contribution program called the Public Employee Optional Retirement Program (PEORP). This new program is an option to the Florida Retirement System and is self-directed by the employee. A retirement account is established for each individual account and the employee has the responsibility of selecting

32 Florida State University

how their funds are invested, within the approved set of investment choices, and may take their funds when they leave the Florida Retirement System.

There were 229 University participants during the 2003-2004 fiscal year. Required contributions made to the Public Employee Optional Retirement Program totaled \$484,328, including \$0.00 from employee contributions.

11 POST-EMPLOYMENT BENEFITS

With Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all state-administered retirement systems in paying health insurance costs. During 2003-04 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in state-administered retirement systems.

Eligible retirees, spouses, or financial dependents under any state-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2003-04 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary

may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

12 CONSTRUCTION COMMITMENTS

Figure 10 is a summary of the University's construction commitments remaining as of June 30, 2004:

figure 10

	2004
Total estimated cost	\$ 521,418,335
Amount expended	71,060,778
Estimated amount committed	\$ 450,357,557

13 FUNCTIONAL DISTRIBUTION OF EXPENSES

The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classification. Following are those same expenses presented in functional classifications as recommended by NACUBO. The functional classification (instruction, research, public services, 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, the proper classification of all departmental expenses is instruction. A summary of the functional classification of expenses is shown in figure 11:

figure 11

Functional Classification	Amounts
Instruction	\$ 190,884,838
Research	94,407,057
Public Service	43,237,289
Academic Support	40,413,174
Student Services	24,394,672
Institutional Support	38,114,143
Operations of Plant	37,094,594
Scholarships	35,698,661
Auxiliary Enterprises	102,648,264
Depreciation	61,646,435
Loan Operations	521,327
Total Operating Expenses	\$ 669,060,454

14 CONTINGENT LIABILITIES

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

15

RISK MANAGEMENT PROGRAMS

In accordance with a program for central insurance purchases adopted by the Florida Cabinet in 1969, the Department of Management Services has the authority to purchase insurance on behalf of all state agencies. This authority is the result of the enactment of Section 287.022, Florida Statutes. Other actions by the Legislature have resulted in the development of state self-insurance funds providing hazard insurance for property and casualty insurance, for state employees' workers' compensation, general liability, and fleet automotive liability. The University participates in these programs. Property losses in excess of \$20 million are commercially insured up to \$200 million per loss event. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each state agency. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

University employees may obtain health care services

through participation in the state of Florida's group health insurance plan or through membership in a health maintenance organization plan under contract with the state. The state's risk financing activities associated with state group health insurance, such as the risks 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 risks of losses covered by this Fund. Additional information on the state's group health insurance plan, including the actuarial report, is available

from the Division of State Group Insurance in the Department of Management Services.

16

SEGMENT INFORMATION

A segment is defined as an identifiable activity (or group of activities), which has a revenue stream pledged in support of revenue bonds and has related revenues, expense, gains, losses, assets, and liabilities that are required by a third-party to be accounted for separately. Parking Services provides the University with safe and

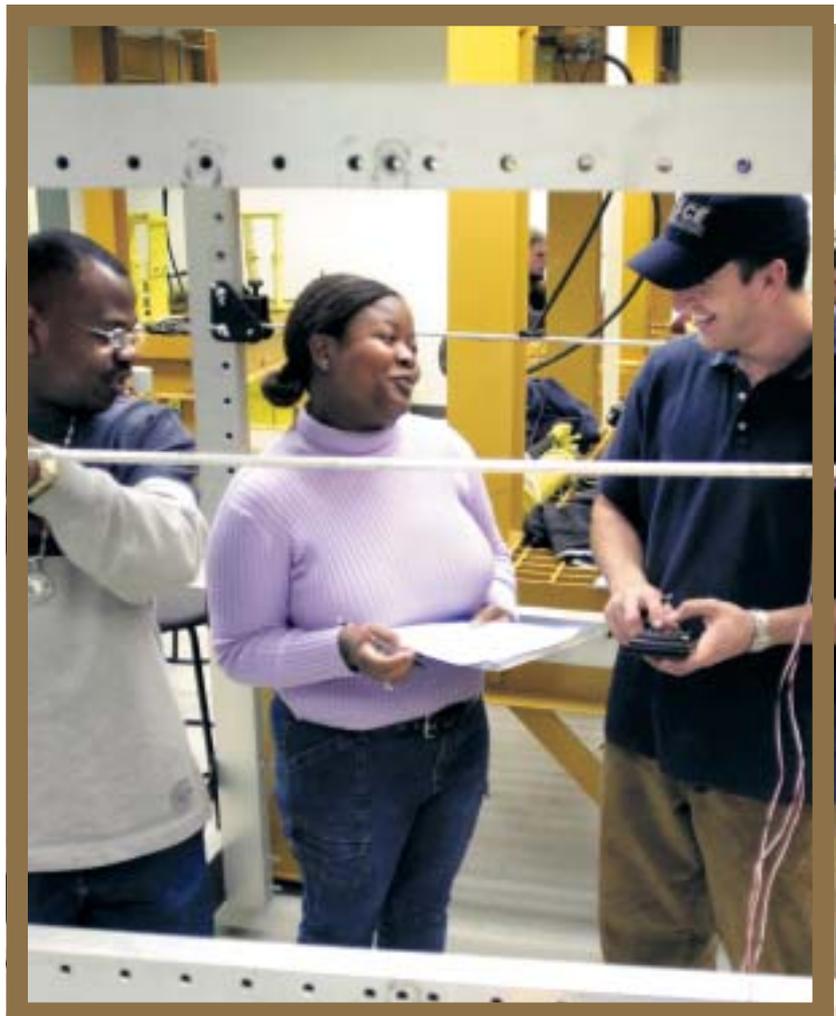


figure 12

adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Division of Housing provides safe, affordable living space for students of the University. Several revenue bonds have been issued over the years to provide funding for the construction of facilities to house students of the University. The financial information shown in figure 12 for the University's Parking and Housing facilities represents identifiable activities, each of which has one or more revenue bonds outstanding.

CONDENSED STATEMENT OF NET ASSETS

	Parking Facility Revenue Bonds	Housing Facility Revenue Bonds
Assets		
Current assets	\$ 7,226,433	\$ 21,804,471
Capital assets, net	20,447,590	82,252,642
Other noncurrent assets	15,764,425	25,332,513
Total assets	43,438,448	129,389,626
Liabilities		
Current liabilities	1,874,317	5,353,545
Noncurrent liabilities	28,444,623	68,826,119
Total liabilities	30,318,940	74,179,664
Net assets		
Invested in capital assets, net of related debt	5,619,503	29,165,059
Restricted - expendable	1,444,032	7,498,499
Unrestricted	6,055,973	18,546,404
Total net assets	\$ 13,119,508	\$ 55,209,962



figure 15

	Alumni Association 6/30/04	International Programs 6/30/03	FSU Foundation 6/30/04
Condensed Statement of Net Assets			
Assets			
Current Assets	\$ 1,319,409	\$ 4,192,357	\$ 31,887,791
Capital Assets, Net	16,400	13,761,990	4,341,365
Other Noncurrent Assets	123,434	778,093	472,111,036
Total Assets	1,459,243	18,732,440	508,340,192
Liabilities			
Current Liabilities	85,866	1,427,556	130,385,927
Noncurrent Liabilities	4,500,000	11,893,299	7,648,891
Total Liabilities	4,585,866	13,320,855	138,034,818
Net Assets			
Invested in Capital Assets, Net of Related Debt	16,400	1,065,351	7,015,905
Restricted	874,472	-	360,338,319
Unrestricted	(4,017,495)	4,346,234	2,951,150
Total Net Assets	\$ (3,126,623)	\$ 5,411,585	\$ 370,305,374
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Income			
Operating Revenues	\$ 736,421	\$ 8,138,396	\$ 20,350,346
Operating Expenses	566,910	7,388,690	41,094,055
Net Operating Income / (Loss)	169,511	749,706	(20,743,709)
Net Nonoperating Revenue/(Expenses)	(79,129)	(412,415)	41,234,189
Other Revenues, Expenses, Gains and Losses	38,225	-	44,535,119
Increase (Decrease) in Net Assets	128,607	337,291	65,025,599
Restated Net Assets - Beginning of Year	(3,255,230)	5,074,294	305,279,775
Net Assets - End of Year	\$ (3,126,623)	\$ 5,411,585	\$ 370,305,374

17 COMPONENT UNITS

The University has eight component units as detailed in the summary of significant accounting policies. Figure 13 is a summary of the most recent available audited component unit financial statements.



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

	Parking Facility Revenue Bonds	Housing Facility Revenue Bonds
Operating revenues	\$ 6,782,624	\$ 19,701,528
Operating expenses	3,050,959	10,768,070
Operating income	3,731,665	8,933,458
Net nonoperating revenues (expenses)	217,119	(1,147,202)
Income before other revenues, expenses, gains or losses	3,948,784	7,786,256
Other revenues, expenses, gains or losses	(565,780)	814,834
Increase in net assets	3,383,004	8,601,090
Net assets – beginning of year	9,736,504	46,608,872
Net assets – end of year	\$ 13,119,508	\$ 55,209,962

CONDENSED STATEMENT OF CASH FLOWS

Cash provided (used) by:		
Operating activities	\$ 3,534,328	\$ 9,056,543
Noncapital financing activities	(565,780)	814,834
Capital and related financing activities	12,066,080	2,684,408
Investing activities	(13,938,884)	(11,445,700)
Net increase in cash and cash equivalents	1,095,744	1,110,085
Cash – Beginning of year	4,543,442	16,404,829
Cash – end of year	\$ 5,639,186	\$ 17,514,914

Seminole Boosters 1/31/04	Financial Assistance 1/31/04	Research Foundation 6/30/04	Ringling Museum 6/30/04	FSU Schools 6/30/03	Total
\$ 52,527,999	\$ 2,913,655	\$ 137,896,508	\$ 2,943,145	\$ 5,494,243	\$ 239,175,107
12,873,077	81,344,648	26,539,098	312,873	25,897,853	165,087,304
45,357,683	11,728,393	1,275,687	4,728	-	531,379,054
110,758,759	95,986,696	165,711,293	3,260,746	31,392,096	935,641,465
5,840,116	5,311,523	48,386,522	21,226	1,699,927	193,158,663
10,484,575	75,799,357	24,688,576	-	22,751,554	157,766,252
16,324,691	81,110,880	73,075,098	21,226	24,451,481	350,924,915
7,896,394	8,632,756	4,977,904	312,873	2,332,853	32,250,436
67,772,916	250,000	-	2,584,376	113,290	431,933,373
18,764,758	5,993,060	87,658,291	342,271	4,494,472	120,532,741
\$ 94,434,068	\$ 14,875,816	\$ 92,636,195	\$ 3,239,520	\$ 6,940,615	\$ 584,716,550
\$ 20,812,728	\$ 4,555,787	\$ 19,228,903	\$ 1,171,309	\$ 8,368,690	\$ 83,362,580
19,264,168	1,823,558	23,117,080	1,140,170	8,765,500	103,160,131
1,548,560	2,732,229	(3,888,177)	31,139	(396,810)	(19,797,551)
1,632,379	(2,543,183)	10,421,041	11,231	(1,300,968)	48,963,145
5,356,220	3,453,206	-	368	1,511,804	54,894,942
8,537,159	3,642,252	6,532,864	42,738	(185,974)	84,060,536
85,896,909	11,233,564	86,103,331	3,196,782	7,126,589	500,656,014
\$ 94,434,068	\$ 14,875,816	\$ 92,636,195	\$ 3,239,520	\$ 6,940,615	\$ 584,716,550

18 CHANGE IN ACCOUNTING PRINCIPLES - COMPONENT UNITS

The University restated beginning net assets of the component units as follows to

account for the cumulative effect of accounting changes regarding the capitalization of works of art and historical treasures (FSU Foundation,

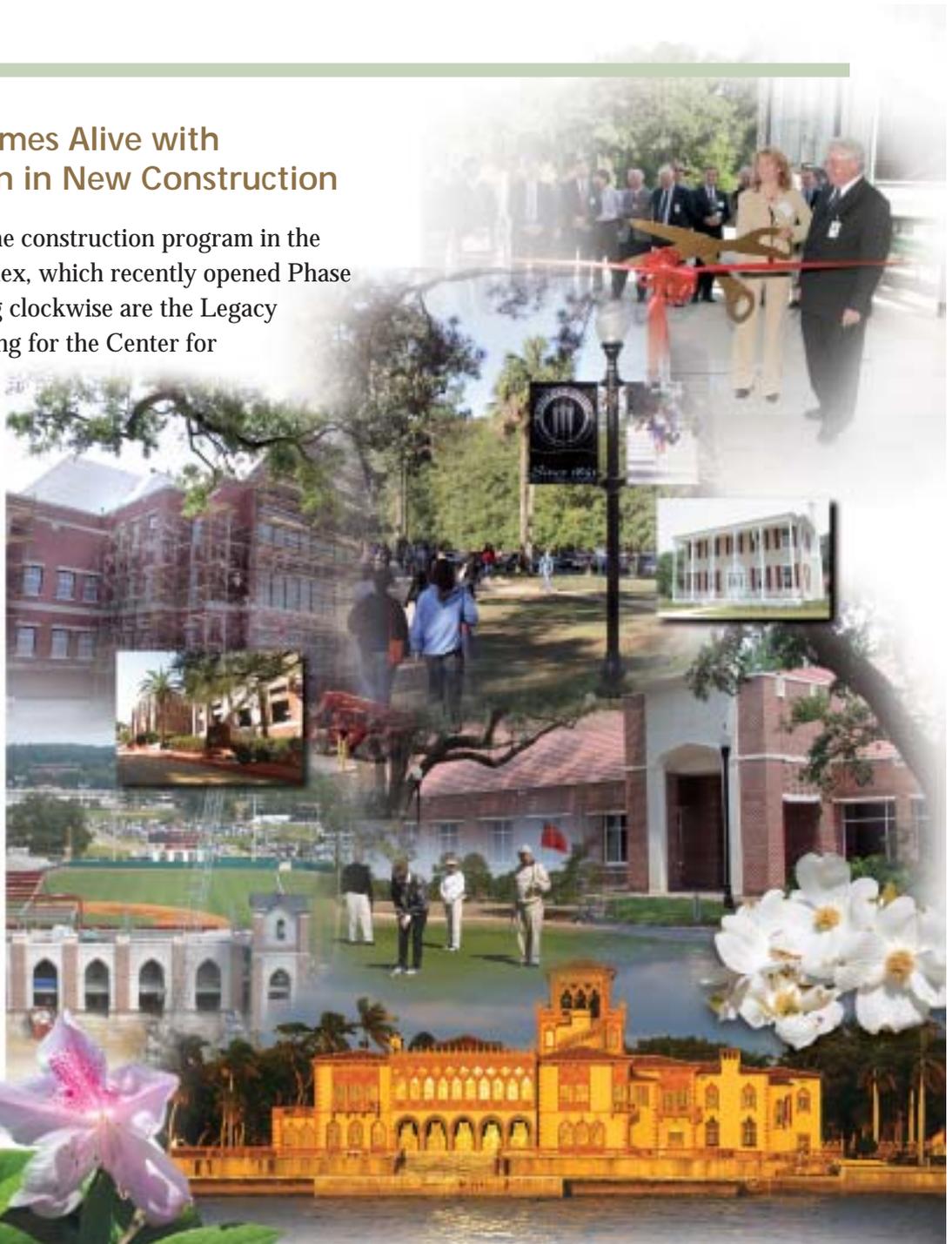
Inc.) and the reporting period (FSU Alumni Association, Inc., and FSU John and Mable Ringling Museum of Art Foundation, Inc.)

	Amount
Net Assets, Beginning of Year	\$ 528,895,076
Decrease Value of Capital Assets	(23,453,802)
Decrease Due to Reporting Period	(4,785,260)
Restated Net Assets, Beginning of Year	\$ 500,656,014

Campus Comes Alive with \$500 Million in New Construction

The centerpiece of the construction program in the Medical School Complex, which recently opened Phase I (top left). Continuing clockwise are the Legacy Walk, the ribbon-cutting for the Center for Advanced Propulsion Studies, the Alumni Association's administrative offices (formerly the President's House), The Alumni Center, Ca'D'Zan at the Ringling Museum in Sarasota, Dick Howser Stadium, Seminole Golf Course, and Montgomery Gymnasium, now Hall.

The success of these projects, and the many not shown here, in large part depends upon donors and the Florida Legislature to provide resources for the Courtelis Matching Funds Program.



PUBLISHER

John R. Carnaghi,
*Senior Vice President For
Finance and Administration*

EDITOR

Michael S. Williams

MANAGING EDITOR

Mark A. Riordan

ART DIRECTOR & DESIGNER

Pam Morris

CONTRIBUTING EDITORS

Michael D. Hankin
Frances A. Conaway

PHOTOGRAPHERS

Michelle Edmunds
Bill Langford
Ryals Lee
Ray Stanyard
Bayard Stern
Michael Belk

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