



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

Thursday, November 19, 2009
8:30 A.M.

Florida International University
The Patricia & Phillip Frost Art Museum, Room 107
Modesto A. Maidique Campus
Miami, FL 33199

Membership

Albert Maury, *Chair*

Miriam López, *Vice Chair*

Betsy Atkins

Thomas Breslin

Kirk Landon

S. Lawrence Kahn

Noel Guillama-Alvarez, Foundation Board of Directors

AGENDA

- | | |
|---|-----------------------|
| 1. Call to Order and Chair's Remarks | Albert Maury |
| 2. Approval of Minutes | Albert Maury |
| 3. Follow-up to Items from Previous Meetings | Albert Maury |
| 4. Action Item | |
| FA1. Approval of Request to Restructure / Refinance the FIU Foundation, Inc. Loan Associated with Financing and Construction of the MARC Building | Kenneth Jessell |
| 5. Discussion Items (<i>No action required – for discussion only</i>) | |
| 5.1 Foundation Report | Noel Guillama-Alvarez |
| 5.2 Office of Internal Audit Status Report/
Summary of Results of Quality Self-Assessment of
The Office of Internal Audit (OIA) | Allen Vann |

5. Discussion Items (*Continued...*)

5.3 Treasury Report

Tony Vu

5.4 Bond Financing Update

Kenneth Jessell

5.5 Finance & Administration Update

- State Budget Update
- Budget Variance Analysis – First Quarter 2009
- Construction Status Report

Kenneth Jessell
Liane Martinez
Kenneth Jessell

6. Report (*For Information Only*)

6.1 University Compliance Report

Leyda Benitez

7. New Business

7.1 Office of Internal Audit Discussion of Audit Processes

8. Concluding Remarks and Adjournment

Albert Maury

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 19, 2009

Subject: Finance and Audit Committee Meeting Minutes, 8 September 2009

Proposed Committee Action:

Adopt the following Resolution:

RESOLVED that the minutes of the meeting of the Florida International University Board of Trustees' Finance and Audit Committee held on 8 September 2009, attached to this Resolution as Exhibit "FA-Minutes," are hereby approved.

Exhibits/Supporting Documents:

- EXHIBIT "FA-MINUTES": 8 September 2009 Finance and Audit Committee meeting minutes.

Facilitator/Presenter:

- Committee Chair Albert Maury

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**FINANCE AND AUDIT COMMITTEE
MINUTES
8 SEPTEMBER 2009**

1. Call to Order and Chair's Remarks

The Florida International University Board of Trustees' Finance and Audit Committee meeting was called to order by Committee Chair Albert Maury at 8:30 am on Tuesday, 8 September 2009, in Modesto A. Maidique Campus, Graham Center Meeting Room 243, Miami, Florida.

The following attendance was recorded:

Present

Albert Maury, *Chair*
Thomas Breslin
S. Lawrence Kahn
Miriam López

Excused

Betsy Atkins
R. Kirk Landon

Trustees Jorge Arrizurieta and Anthony Rionda were also in attendance.

Committee Chair Maury welcomed Trustees, Director Noel Guillama-Alvarez and staff to the meeting. He also welcomed Trustees Jorge Arrizurieta and Anthony Rionda to the meeting. He introduced newly appointed Chief Financial Officer and Sr. Vice President for Administration Kenneth Jessell, noting his many years of experience and vast background in the area of higher education.

Committee Chair Maury announced the passing of the University's Associate Vice President for Risk Management and Environmental Health and Safety, Jennifer Mwaisela. He recognized her hard work and accomplishments, as well as her countless contributions to the University. He added that the University planned a memorial celebrating Jennifer's life on September 23, 2009 and encouraged those present to attend.

2. Approval of Minutes

Committee Chair Albert Maury asked if there were any additions or corrections to the minutes of the 11 June 2009, Finance and Audit Committee meeting. Hearing none, the Committee adopted the following:

RESOLVED that the minutes of the meeting of the Finance and Audit Committee, held on 11 June 2009, and attached to this Resolution as Exhibit "FA-Minutes," are hereby approved.

3. Action Items

FA1. University Internal Audit Plan, 2009-2010

Internal Audit Director Allen Vann presented the 2009-2010 Internal Audit Plan for Committee approval, noting the plan was formulated based on a process which involved identifying and understanding the auditable universe, the evaluation of risks and meeting with management.

Trustee S. Lawrence Kahn inquired as to the University's utilization of a hotline for anonymous callers to report fraud or abuse. University VP and General Counsel Cristina Mendoza responded that currently the University utilized the State's reporting line – Get Lean Hotline and other mechanisms for anonymous complaints. She noted that the University's EthicsPoint hotline would soon be ready to launch and would allow members of the University Community to raise concerns without having to disclose their name or department. Committee Chair Maury requested that the Office of the President coordinate the efforts on the implementation of an internal hotline to address fraud, abuse, misconduct, and other violations. Office of the President Chief of Staff Javier Marques advised that a status update would be provided at the next regularly scheduled Committee meeting.

Audit Director Vann requested to present the Internal Audit Plan for the Committee's review at the last regularly scheduled meeting of each fiscal year. The Committee approved the request.

After discussion, the Committee approved the following Resolution:

WHEREAS, the Operating Procedures of the Florida International University Board of Trustees' ("the BOT") Finance and Audit Committee Charter ("the Charter") provides that the Committee shall review and approve the Office of Internal Audit's annual audit plan, as attached to this Resolution as Exhibit "FA-1";

THEREFORE BE IT RESOLVED that the BOT Finance and Audit Committee adopts the 2009-2010 University Internal Audit Plan for the fiscal year ending June 30, 2010.

FA2. Reimbursement of Certain Costs Relating to Parking Garage V Project

CFO Jessell presented the Reimbursement of Certain Costs Relating to Parking Garage V Project for Committee review, noting that the Resolution was intended as a declaration of official intent under Treasury regulations for the University to reimburse itself from the Bonds for expenses incurred with respect to the construction of Parking Garage V. He further noted that in order to obtain reimbursement from the bond proceeds, the Internal Revenue Service required the University to declare its intent to seek reimbursement prior to the sale of the Bonds.

After discussion, the Committee recommended the following Resolution for Board approval:

WHEREAS, on March 31, 2009, the Florida International University Board of Trustees ("the BOT") authorized the issuance of tax-exempt bonds not to exceed an aggregate principal amount of \$32,000,000 (the "Bonds") through the Division of Bond Finance of the State Board of Administration of Florida (the "Division") for the purpose of financing a portion of the construction of Parking Garage V on the campus of the University (the "Project"); and

WHEREAS, before receipt of the proceeds from the sale of the Bonds, the University will need to use University funds which would then be reimbursed from the bond proceeds, in order to maintain the Project schedule and timely meet the University's needs for additional parking; and

WHEREAS, in order to obtain reimbursement from the bond proceeds, the Internal Revenue Service requires the University to declare its intent to seek reimbursement prior to the sale of the Bonds;

THEREFORE, BE IT RESOLVED THAT the BOT hereby approves the University reimbursing itself from the Bonds for expenses incurred with respect to the construction of the Project, to the maximum extent permitted under Treasury Regulation Section 1.150-2; and

BE IT FURTHER RESOLVED THAT the appropriate officers of the University are hereby authorized to take such actions as may be necessary to carry out the purposes of this Resolution.

FA3. Signature Authority

CFO Jessell presented the Signature Authority – Authorization to sign checks for Committee review, noting that the Resolution was presented to update the official records of the Board to reflect University officers and employees authorized to sign checks to pay legal obligations on behalf of the University.

After discussion, the Committee recommended the following Resolution for Board approval:

WHEREAS, the University has depositories at banking institutions at which University funds are deposited; and

WHEREAS, the University pays its legal obligations from said depositories; and

WHEREAS, the Florida International University Board of Trustees must state with particularity the legal name and title of University employees who are authorized to sign checks to pay legal obligations of the University;

BE IT RESOLVED THAT, the following officers and employees of the University are authorized to sign checks to pay legal obligations of the University from any and all designated University depositories:

Kenneth Jessell, Chief Financial Officer and Senior Vice President
Thom Davis, Controller
Izhar Ul Haq, Associate Controller

Discussion Items

4.1 Office of Internal Audit Report

Director of Internal Audit Allen Vann provided the Internal Audit Report, providing updates on ongoing audits.

4.2 Foundation Report

FIU Foundation, Inc. Board of Directors Treasurer Noel Guillama-Alvarez presented the Foundation Report, noting that the excess receipts over expenses totaled \$3.3 million for the year. He added that the Annual Fund also exceeded revenues over expenses for the fiscal year. He provided an update on the investments performance and fundraising efforts.

4.3 CFO & Administration Update

CFO Jessell provided the CFO and Administration Update, leading the discussion on the year-end 2008-2009 Budget Variance. He provided a summary of the Revenue Estimating Conference, noting that the reductions in General Revenue were primarily the result of a hard to access credit market, weak business expenditures and commercial activity and accelerated job losses. He also provided a summary on the status of the major construction projects.

4.4 Legislative Update

VP for Governmental Relations Stephen Sauls provided the Legislative Update, leading the discussion on the substantive issues for the 2010 regular session. He also provided an update on the 2010-11 revenue forecasts and the goals for the 2010 Legislative session.

5. Information Items

Committee Chair Maury requested that the Information Items on the Agenda – the Treasury Report, the University Compliance Report, the FIU College of Medicine Health Care Network, the Office of Sponsored Research Report and the Athletics Update be accepted as written. There were no objections.

6. New Business

FA4. Refunding of FIU Athletics Finance Corporation's \$35 Million in Outstanding Bonds

Committee Chair Maury noted that there was an additional action item to come before the Committee and asked CFO Jessell to present the Refunding of the FIU Athletics Finance Corporation's \$35 Million in Outstanding Bonds for Committee review. CFO Jessell noted that, based on the authority granted by the Florida Statutes and the Florida Board of Governors, the

University and its Direct Support Organization, the Athletics Finance Corporation, wished to enter into refundings for debt service where final maturities were not extended.

CFO Jessell provided an overview of the refunding proposals submitted by Regions Bank and Wachovia Bank respectively, noting that the negotiations were ongoing and that a final selection was expected shortly. He noted that the final selection would be made based on the best interest of the University and the Athletics Finance Corporation, provided that, at a minimum, the selected banking institution met or exceeded the terms specified in the proposals.

After discussion, the Committee recommended the following Resolution for Board approval:

WHEREAS, in April 2007, the FIU Athletics Finance Corporation (the "Corporation"), a direct-support organization of Florida International University ("University"), issued \$28,000,000 Capital Improvement Revenue Bonds (Football Stadium Project), Series 2007A and \$7,000,000 Taxable Capital Improvement Revenue Bonds (Football Stadium Project), Series 2007B (collectively the "2007 Bonds") to finance the construction of the FIU Football Stadium pursuant to a Trust Indenture by and between the Corporation and Regions Bank, N.A. as Trustee, dated April 1, 2007 (the "2007 Indenture"); and

WHEREAS, as a result of the extreme economic conditions affecting credit markets and the financial industry, the interest cost of the variable rate 2007 Bonds have dramatically increased due to the declining credit quality of Regions Bank, N.A., the bank that issued a letter of credit securing the 2007 Bonds; and

WHEREAS, Regions Bank, N.A. ("Regions") has offered to retire the 2007 Bonds and refinance the Corporation's debt with a \$28,000,000 Bank Qualified, Tax-Exempt Term Loan and a \$7,000,000 Taxable Term Loan (the "Term Loans") as outlined in the Commitment Letter dated August 10, 2009 and attached hereto as Exhibit "D" (the "Commitment Letter"); and

WHEREAS, Wachovia Bank, N.A., a Wells Fargo Company ("Wachovia"), has presented the University with various refinancing options with terms comparable in material respects to those offered by Regions, as set forth in Exhibit B attached hereto, and Wachovia is in the process of updating its proposal with additional information recently requested by the University; and

WHEREAS, substantial interest savings would be realized if the University retires 2007 Bonds and completes this refunding transaction through a conduit issuer that would permit a lower interest rate; and

WHEREAS, based on the presentations received from both banks, on or about September 4, 2009, the Board of Directors of the Corporation authorized the University to continue negotiations on the Corporation's behalf with the banks, and delegated the authority to the Chairperson of the Corporation to execute the proposed refunding transaction with the bank that the University President and CFO determine is in the best interest of the

Corporation and the University, provided that, at a minimum, the selected bank meets or exceeds the terms specified in either Exhibit "D" or Exhibit "E";

THEREFORE, BE IT RESOLVED that the Florida International University Board of Trustees ("the BOT") authorizes the University CFO to continue negotiations to complete a refunding transaction to retire the 2007 Bonds with Bank Qualified, refunding bonds, or similar debt instrument, consistent with the terms specified in Exhibits "D" or "E"; and

BE IT FURTHER RESOLVED that the BOT delegates to the University and Corporation the authority to execute a refunding transaction and cause the issuance of the refunding bonds through a conduit issuer with the bank that the University President and CFO determine is in the best interest of the Corporation and the University; and

BE IT FURTHER RESOLVED that the BOT authorizes the Corporation to execute any such documents and/or take any such actions as shall be necessary complete the refunding transaction on terms and conditions that meet or exceed those set forth in Exhibits "D" or "E", to be secured by a lien upon and same pledge of revenues previously granted to the holders of the 2007 Bonds; and

BE IT FURTHER RESOLVED that the Board directs the University CFO to report to the Finance and Audit Committee on the progress of the refunding transaction at its next regularly scheduled meeting.

7. Concluding Remarks and Adjournment

With no other business, Committee Chair Albert Maury adjourned the meeting at 10:01 am.

<i>Trustee Requests</i>	<i>Follow-up</i>	<i>Completion Date</i>
1. <i>In response to the University's current process of implementing an internal hotline to report fraud and/or abuse, Committee Chair Maury requested that the Office of the President provide a status update at the next regularly scheduled Committee meeting.</i>	<i>Javier Marques, Chief of Staff, Office of the President</i>	<i>November 2009</i>

Exhibits attached: "FA-Minutes," "FA-1," "D," & "E"

MB
 9.14.09

Follow-up to items from previous meetings

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 19, 2009

Subject: Follow-up to items from previous meetings

Proposed Committee Action:

None. For discussion and information purposes only.

Exhibits/Supporting Documents:

- Research and University Graduate School Office of Sponsored Research Administration Response to Trustee Request, November 2009

Facilitator/Presenter:

- Andres Gil

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**THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

**RESEARCH AND UNIVERSITY GRADUATE SCHOOL
OFFICE OF SPONSORED RESEARCH ADMINISTRATION RESPONSE TO TRUSTEE REQUEST
NOVEMBER 2009**

The Office of Research posts awards on a monthly basis at <http://osra.fiu.edu/awards.htm>. The community in general can obtain the necessary information about the award, including the name of the Principal Investigator, her/his college or school and departmental affiliation, the agency or sponsor funding the award, the title of the project and the total award amount. The information on this webpage begins in February 2006 and is currently updated through September 2009. The Office also posts the annual reports to the Board of Trustees at <http://osra.fiu.edu/reports.html>. Among other activities and initiatives, the report highlights research awards and FIU researchers.

In April 2009, the Office of Research began the "Meet the FIU Researchers" series. This initiative consists of informal meetings organized around research topics, funding sources, as well as specific departments, centers or programs. Typically, the Office of Research invites three to five FIU researchers to briefly present a synopsis of their research and creative activities, followed by group discussions. The first forum was well received and centered around applied developmental research currently being conducted at FIU. On October 20, 2009, the second presentation took place, and discussed the funding and discoveries of the NSF Florida Coastal Everglades Long-Term Ecological Research Group. Two more panels are scheduled for the duration of the Fall 2009 semester; one in November 3 and the other on November 17. The former is titled "Forensic Science Research at FIU – The Original CSI Miami," and consists of researchers from the International Forensics Research Institute (IFRI) presenting their state-of-the-art research and discoveries.

Under the purview of the Office of the Provost, Academic Affairs periodically publishes an electronic newsletter. Available at <http://academic.fiu.edu/newsletter>, this newsletter regularly highlights faculty accomplishments and discoveries. For instance, the August 2009 newsletter highlights the Presidential Medal of Freedom (the highest recognition given to civilians by the United States) bestowed to Dr. Pedro José Greer by President Barack Obama.

The July 2009 issue of FIU Magazine included an article on Dr. Gary Rand and Dr. Piero Gardinali regarding the \$2.75 million agreement with M-DWASD to provide environmental research and analysis. The September 2009 issue contained an article titled "The Minds of Babies," featuring Dr. Lorraine Bahrick's Infant Development Lab, and her research on how babies learn and what they understand (<http://wordpress.fiu.edu/magazine/2009/03/11/the-minds-of-babies>). The October 2009 issue, included T. Colin Campbell's nutritional conclusion "that would upend the diet of most Americans." <http://news.fiu.edu/2009/10/scientist-shares-key-findings-of-nutritional-research>

Another source of information regarding FIU research activities is the FIU Expert Sourcebook, available at http://advnet.fiu.edu:8080/fiusb/basic_search.html. This webpage contains a searchable database of more than 1,200 faculty and staff members willing to share their expertise on the forces and events that shape our world.

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 19, 2009

**Subject: Approval of Request to Restructure/Refinance the FIU Foundation, Inc.
Loan Associated with the Financing and Construction of the MARC Building**

Proposed Committee Action:

Recommend Board Adoption of the following Resolution:

WHEREAS, in September, 1999, the FIU Foundation, Inc. (the “Foundation”), issued \$13,000,000 Miami-Dade County Educational Facilities Authority Revenue Bonds (FIU Foundation Project) Series 1999, to finance the construction of the MARC Building at the Modesto A. Maidique campus, pursuant to a Trust Indenture dated December 1, 1999 between the Foundation and SunTrust Bank, as trustee. The 1999 Bonds were issued as variable rate bonds secured by a letter of credit pursuant to a Letter of Credit Agreement between the Foundation and SunTrust Bank, N.A. (“SunTrust”); and

WHEREAS, in view of the extreme economic conditions affecting credit markets and the financial industry, the interest cost of variable rate bonds have increased and SunTrust, the bank that issued the Letter of Credit securing the 1999 Bonds, has experienced a diminished ability to remarket the bonds that remain outstanding, with a principal amount of approximately \$9,260,000.00; and

WHEREAS, as a result of the foregoing, SunTrust has determined that it is not in a position to renew the Letter of Credit when it expires on December 15, 2009;

WHEREAS, SunTrust has offered to amend the 1999 Trust Indenture to enable the Foundation to convert the 1999 Bonds from variable rate debt to a Bank Qualified, Tax Exempt Term Loan as outlined in the Commitment Letter attached hereto as Exhibit “G” (the “Commitment Letter”); and

WHEREAS, in an effort to identify the most competitive financing terms for the Foundation, the University administration is currently obtaining additional proposals from other banks; and

WHEREAS, interest savings would be realized if the Foundation either amends the Trust Indenture with SunTrust or completes a refinancing/refunding transaction with another bank through a conduit issuer that will permit the Foundation to treat the transaction as “Bank Qualified” and allow banks to offer the Foundation lower interest rates than otherwise available;

THEREFORE, BE IT RESOLVED that the Florida International University Board of Trustees (“the BOT”) approves the Commitment Letter with SunTrust and delegates to the Foundation the authority to either (1) execute the SunTrust Commitment Letter and any other loan documents related thereto; or (2) execute a transaction to refinance the 1999 Bonds with another bank that the University President and CFO determine is in the best interest of the Foundation and University, provided that, at a minimum, the selected bank meets or exceeds the overall financial terms specified in the SunTrust Commitment Letter; and

BE IT FURTHER RESOLVED that the BOT delegates to the Executive Director of the Foundation the authority to execute any such documents and/or take any such actions as shall be necessary to complete the transaction on terms and conditions that meet or exceed those set forth in Exhibit “G;” and

BE IT FURTHER RESOLVED that the BOT directs the University CFO to report to the Finance and Audit Committee on the progress of the transaction at its next regularly scheduled meeting.

Background Information:

Legal Authority:

This Resolution is adopted pursuant to and in accordance with Section 1010.62(10) of the Florida Statutes, which provides state universities and direct-support organizations with the authority to amend financing documents relating to capital projects that existed prior to 2006, “to the extent that such amendment does not increase the financial obligation of the Board of Governors, a state university, or a direct-support organization.” In addition, the April 2006 Board of Governors Debt Management Policy Guidelines authorizes state universities and their direct-support organizations to enter into “refundings for debt service savings where final maturities are not extended.”

Exhibits/Supporting Documents:

- EXHIBIT “G”: SunTrust Commitment Letter

Facilitator/Presenter:

- Kenneth Jessell

RESTRUCTURE AGREEMENT AND TERMS SHEET

For Conversion of Variable Rate Demand Bonds to
Tax-Exempt Bank Qualified Loan for
Florida International University Foundation, Inc.

Prepared In Connection With:

Miami-Dade County Educational Facilities Authority
Revenue Bonds
(Florida International University Foundation Project), Series 1999

October 23, 2009



SunTrust Bank
Mail Code FL-Miami 1042
777 Brickell Ave., 4th Floor
Miami, FL 33131
Tel (305) 579-7014
Fax (305) 579-7133
Delle.joseph@suntrust.com

Delle Joseph
First Vice President



October 23, 2009

Dr. Kenneth Jessell
Chief Financial Officer/Senior VP of Finance & Administration
Office of Finance & Administration
11200 SW 8th Street, Miami, 33199

RE: Conversion of Variable Rate Demand Bonds to a tax-exempt Bank Qualified Loan

Dear Dr. Jessell:

This is a follow up to our Bank Notice Letters and Letter of Credit Alternative Proposals to the Foundation from June 23rd and September 18th, 2009. Due to significant stress in the bank market and resulting rating agency downgrades, the Florida International University Foundation, Inc. (the "Foundation") tax-exempt Variable Rate Demand Bonds ("VRDBs") have been either (1) remarketed at elevated levels or (2) have been all or partially repurchased by the Trustee under your SunTrust Bank letter of credit due to our diminishing ability to remarket your VRDBs in the public marketplace.

As discussed and per our previous notices, instead of renewing the Letter of Credit backing up the Bonds when it matures on 12/15/09, SunTrust has offered the Foundation the opportunity to convert its weekly reset VRDBs into a five (5) year tax-exempt Bank Qualified loan ("BQ Loan").

The principal amortization of the BQ Loan will be identical or very similar to the current amortization of your existing VRDBs and after the initial five (5) year maturity, SunTrust Bank would have the right to require the Foundation to refinance the BQ Loan (just as was the case at the termination date of the existing letter of credit supporting the VRDBs) or SunTrust Bank could agree to extend the maturity date for an additional five-year period.

Documentation

This program can only be provided on a tax-exempt basis if the Foundation's VRDBs are "reissued" for federal income tax purposes. This reissuance will be accomplished by adding a new interest rate mode to the existing Indenture at the time the VRDBs are converted to the BQ Loan, enabling SunTrust Bank to treat the BQ Loan as bank-qualified tax-exempt debt on our books which will allow us to pass on a lower interest rate to you as the borrower.

The standard documentation would include an amended and restated trust indenture (primarily to add the new interest rate mode), an amendment to the loan agreement and a new guaranty and credit agreement to replace the existing reimbursement agreement. The covenants (including the financial covenants), representations, events of default etc. in the new guaranty and credit agreement will be substantially similar to those in your current reimbursement agreement.

Interest Rates and Costs

Although SunTrust Bank will provide you with a more detailed term sheet if you are interested in going forward with this proposal, we are estimating that, based on the current rate environment, your ongoing costs of the BQ Loan will be as follows:

Interest rate floating (67% of LIBOR)	.17%
Credit Spread	1.68%
Letter of Credit Fee/ Remarketing Fee	<u>N/A</u>
Total ongoing floating costs	1.85%

We are estimating up front costs as follows:

Bank Amendment & Underwriting Fee	\$15,000
Bank Legal Counsel Fee	\$10,000 plus expenses
Trustee Fee (estimated)	\$3,000
Foundation Counsel Fee	TBD
Authority Counsel/Bond Counsel Fee	TBD

Outstanding Swap

The Foundation should evaluate whether or not it is appropriate to restructure its existing swap as part of the proposed conversion. Any swap currently outstanding should be readily "transferable" to the new BQ Loan. However, maintaining or entering into a swap with SunTrust Bank or any other financial institution is not a condition to obtaining the BQ Loan.

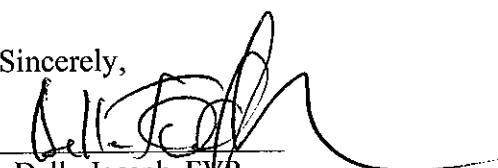
The indicative swap fixed rate based on today's market rates to blend the Foundation's existing percentage of LIBOR swap and extend its term till final maturity of the bonds in 2022, on the entire bonds outstanding notional amount, is 3.37%. The Foundation's existing fixed swap rate on half of the bonds outstanding notional amount is 4.63% and matures in 2015.

* * * *

We believe that this BQ Loan proposal is the best opportunity to maintain the very attractive financing that you currently have in place. If you wish to proceed with this proposal, we shall promptly send you a term sheet which you will need to execute before our counsel and bond counsel can begin work. Because of the necessity to obtain issuer/authority approval, we estimate that the execution of this plan will take approximately 4-6 weeks.

If you have any questions, please call the undersigned. SunTrust Bank looks forward to working with you on this transaction.

Sincerely,


Delle Joseph, FVP

RESTRUCTURE AGREEMENT & TERMS SHEET:
Miami-Dade County Educational Facilities Authority
Revenue Bonds
(Florida International University Foundation Project); Series 1999

Bank:	SunTrust Bank
Borrower:	Florida International University Foundation, Inc.
Issuer:	Miami-Dade County Educational Facilities Authority
Amount:	\$9,260,000
Facility Type:	Bank Qualified Loan in the form of a tax-exempt bond (the "Bond") issued by a qualifying governmental conduit issuer (the "Issuer"). The Bond must be a "qualified tax exempt obligation" under Section 265(b) (3) of the Internal Revenue Code. <u>The Bond will be a re-issuance (for federal income tax purposes) of the existing Variable Rate Demand Bonds ("VRDBs") through certain amendments to the existing bond documents (including the trust indenture).</u>
Purpose:	To enable Borrower to convert its tax-exempt VRDBs to a tax-exempt Bank Qualified loan. Bond proceeds will be used to pay for a mandatory tender of any outstanding VRDBs and to repay the loan to the Bank made pursuant to the current reimbursement agreement.
Term:	The final maturity of the Bonds will remain same as current in 2022. However every 5 years, the Bank, in its sole discretion, has the right to "put" the Bonds to the Borrower; provided, that the Bank, upon notice given not earlier than 120 days and not later than 90 days prior to the end of such 5-year period, may decide, in its sole discretion, to extend the term for an additional 5-year period.
Interest Rate:	<p>5-year term: The Bonds will bear interest at a per annum rate equal to:</p> <p>67% of the sum of (1-month LIBOR plus 2.50%) which can also be expressed as [67% of (1-Month Libor)] plus 1.68%, reset on the first day of each calendar month.</p> <p>For example, today's "all-in" rate would be [1-month LIBOR (0.24%) plus 2.50%] times .67 = 1.85%. There is <u>no</u> minimum rate floor requirement on this floating rate structure.</p> <p>"LIBOR Rate" shall mean that rate per annum effective on any Interest Rate Determination Date which is equal to the quotient of:</p> <p>(i) the rate per annum equal to the offered rate for deposits</p>

in US dollars for a one (1) month period, which rate appears on that page of Bloomberg reporting service, or such similar service as determined by the Bank, that displays British Bankers' Association interest settlement rates for deposits in US Dollars, as of 11:00 A.M. (London, England time) two (2) Business Days prior to the Interest Rate Determination Date; provided, that if no such offered rate appears on such page, the rate used for such Interest Period will be the per annum rate of interest determined by the Bank to be of 11:00 AM (London, England time), on the day which is two (2) Business Days prior to the interest Rate Determination Date, divided by

(ii) a percentage equal to 1:00 *minus* the maximum reserve percentages (including any emergency, supplemental, special or other marginal reserves) expressed as a decimal (rounded upward to the next 1/100th of 1%) in effect on any day to which the Bank is subject with respect to any LIBOR loan pursuant to regulations issued by the Board of governors of the Governors of the Federal Reserve System with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities" under Regulation D). This percentage will be adjusted automatically on and as of the effective date of any change in any reserve percentage.

Repayment:	Interest only to be paid monthly on the last day of each calendar month and on the maturity date. Principal payments will be due in accordance with the current amortization schedule of the VRDBs.
Collateral:	No change. Same as existing under current VRDBs financing.
Amendment Fee:	Flat fee of \$15,000, with one-half of the fee payable upon acceptance of this Agreement and one-half of the fee payable at closing.
Prepayment Penalty:	None
Financing Documents:	<p>Financing Documents will include an amended and restated trust indenture, an amended loan agreement and a new guaranty and credit agreement with the Guarantor to replace the existing reimbursement agreement. This guaranty and credit agreement will contain substantially the same representations and warranties, covenants (including financial covenants and reporting requirements) and events of default currently in the existing reimbursement agreement.</p> <ul style="list-style-type: none">* The Borrower must maintain some level of depository relationship with the Bank during the term of the BQ loan.* Financial covenants will remain same as under existing VRDBs.

- * Borrower shall continue to covenant to take all steps necessary for the Bonds to be treated as a qualified tax-exempt obligation under Section 265(b)(3) of the Internal Revenue Code.

**After-Tax Yield
Maintenance**

The interest rates quoted herein take into consideration a marginal federal corporate tax rate of 35%. In the event of a decrease in the marginal maximum corporate tax rate, the Bank shall have the right to adjust the interest rate upwards in order to maintain the same after tax yield.

The Bank shall have the right to adjust the interest rate upwards in order to maintain the same after tax yield if any amendments to existing law are enacted which would adversely affect SunTrust's after tax yield or if the Bond fails to be eligible as a qualified tax-exempt obligation under Section 265(b)(3) of the Internal Revenue Code.

**Closing Costs/Other
Conditions:**

The Bond financing will be subject to customary closing conditions, including, without limitation, the following:

- * Execution of definitive documentation, including without limitation, a guaranty and credit agreement and an amended and restated indenture, resolutions of the issuing authority, and tax certificates.
- * Receipt of opinions from Borrower's counsel and Bond Counsel in each case in form and substance satisfactory to the Bank, which shall include, without limitation, opinions that the financing is tax-exempt and that the Bond is a qualified tax-exempt obligation under Section 265 (b)(3) of the Internal Revenue Code.
- * Expenses and fees relating to the closing and documentation will be payable at closing by the Borrower, including without limitation the following:
 - 1) Fees for Bank Counsel and the Trustee. Bank Counsel fees should not exceed \$10,000.
 - 2) Fees of the Issuer and its Attorney/Bond Counsel.
- * In consideration of the undertakings of the Bank hereunder, and recognizing that in connection herewith the Bank will be incurring certain costs and expenses, the Borrower agrees to reimburse the Bank for all such reasonable costs and expenses, regardless of whether any of the transactions contemplated hereby are consummated.

**RESTRUCTURE AGREEMENT & TERMS SHEET:
OFFER AND ACCEPTANCE AND INTENT TO FORM AN AMENDED CONTRACT
Miami-Dade County Educational Facilities Authority
Revenue Bonds
(Florida International University Foundation Project); Series 1999**

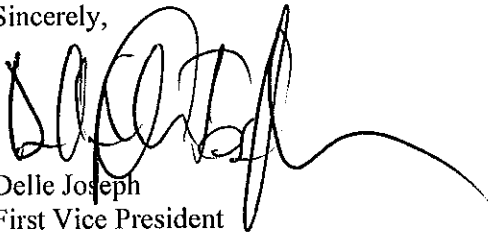
Disclaimer:

This Terms Sheet is presented to FIU Foundation, Inc. in connection with a Bank Qualified loan proposed by SunTrust Bank. This Terms Sheet describes some of the basic terms proposed to be included in documents between SunTrust Bank and FIU Foundation, Inc. This Terms Sheet does not purport to summarize all of the conditions, representations, warranties, or other provisions that may be contained in documents required to consummate this financing. The terms are subject to negotiation and execution of loan documents in form and substance satisfactory to the Bank and its counsel. This Terms Sheet is confidential and may not be disclosed to third parties without the prior consent of the Bank.

THIS PROPOSAL SHALL TERMINATE 30 DAYS FROM THE DATE FIRST ABOVE WRITTEN UNLESS THE BORROWER HAS ACCEPTED IT BY SIGNING THE STATEMENT BELOW.

It is our pleasure at SunTrust to offer this Restructure Agreement & Terms Sheet to Florida International University Foundation, Inc. and look forward to your favorable acknowledgment.

Sincerely,



Delle Joseph
First Vice President

This Terms Sheet is hereby accepted by the Borrower on this ____ day of November, 2009 for purposes of providing the basic terms outlined above for drafting documentation and for purposes of binding the Borrower to payment of costs of Bank Counsel and Bond Counsel for the preparation of documents and other expenses to prepare for closing, regardless of whether the closing of the Bank Qualified loan facility actually occurs.

**AGREED TO AND ACCEPTED BY:
Florida International University Foundation, Inc.**

By: _____
Name:
Title:
Date:

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 19, 2009

Subject: Foundation Report

Proposed Committee Action:

None. Discussion item.

Exhibits/Supporting Documents:

- FIU FOUNDATION, INC. – Preliminary Financial Statements Recap & Investment Summary, September 30, 2009

Facilitator/Presenter:

- Noel Guillama-Alvarez, *Treasurer, FIU Foundation Inc., Board of Directors*

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FIU FOUNDATION, INC.

**PRELIMINARY
FINANCIAL STATEMENTS RECAP
& INVESTMENT SUMMARY**

September 30, 2009

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FIU FOUNDATION, INC.
Preliminary Recap of Statement of Activities
Through the Period Ended September 30, 2009

(In Thousands of Dollars)

	2009-10 3-Month <u>Budget</u>	2009-10 3-Month <u>Actuals</u>	<u>Variance</u>		2009-10 Annual <u>Budget</u>	2008-09 3-Month <u>Actuals</u>	2008-09 Total Year <u>Actuals</u>
REVENUES:							
<u>Contributions:</u>							
Endowments	\$ 71	\$ 2,646	\$ 2,575 [1]		\$ 4,273	\$ 362	\$ 3,155
Non-Endowed Funds:							
Scholarship & Programs	\$ 977	\$ 1,460	\$ 483 [2]		\$ 4,100	\$ 1,600	\$ 7,489
Building Funds	\$ 43	\$ 62	\$ 19		\$ 184	\$ 29	\$ 1,803
Annual Fund	\$ 126	\$ 210	\$ 84 [3]		\$ 365	\$ 120	\$ 429
Pledged Revenue	\$ 6,190	\$ (1,518)	\$ (7,708) [4]		\$ 11,199	\$ (19)	\$ 32,916
TOTAL CONTRIBUTIONS	\$ 7,407	\$ 2,860	\$ (4,547)		\$ 20,121	\$ 2,093	\$ 45,793
<u>Other Revenues:</u>							
MARC Building - Rental Income	\$ 333	\$ 275	\$ (58) [5]		\$ 1,331	\$ 333	\$ 1,275
Estimated Investment Returns	\$ 1,182	\$ 11,219	\$ 10,037 [6]		\$ 4,729	\$ (12,004)	\$ (27,947)
Administrative Fee	\$ -	\$ -	\$ -		\$ 1,387	\$ -	\$ 118
TOTAL OTHER REVENUES	\$ 1,515	\$ 11,494	\$ 9,979		\$ 7,447	\$ (11,671)	\$ (26,554)
TOTAL REVENUES	\$ 8,922	\$ 14,354	\$ 5,432		\$ 27,568	\$ (9,578)	\$ 19,239
EXPENSES:							
<u>University Programs:</u>							
Scholarships & Programs	\$ 2,509	\$ 1,381	\$ 1,128 [7]		\$ 6,262	\$ 1,671	\$ 9,487
Building Funds	\$ 1,342	\$ -	\$ 1,342 [8]		\$ 1,342	\$ 865	\$ 1,449
Annual Fund	\$ 93	\$ 43	\$ 50 [9]		\$ 207	\$ 157	\$ 347
TOTAL UNIVERSITY PROGRAMS EXPENSES	\$ 3,944	\$ 1,424	\$ 2,520		\$ 7,811	\$ 2,694	\$ 11,283
<u>Operational:</u>							
MARC Building	\$ 208	\$ 77	\$ 131 [10]		\$ 1,305	\$ 80	\$ 1,368
Administrative Reserve	\$ 386	\$ 158	\$ 228 [11]		\$ 1,387	\$ 265	\$ 1,602
General Reserve	\$ 26	\$ 22	\$ 4		\$ 1,490	\$ 1,568	\$ 1,557
Administrative Fee	\$ -	\$ -	\$ -		\$ -	\$ -	\$ 118
TOTAL OPERATIONAL EXPENSES	\$ 620	\$ 257	\$ 363		\$ 4,182	\$ 1,913	\$ 4,644
TOTAL EXPENSES	\$ 4,565	\$ 1,681	\$ 2,883		\$ 11,993	\$ 4,607	\$ 15,927
EXCESS REVENUES OVER EXPENSES	\$ 4,357	\$ 12,673	\$ 8,316		\$ 15,575	\$ (14,185)	\$ 3,311

*These financial statements recaps reflect revenue on a modified accrual basis and expenses on a cash basis.

**Please refer to Appendix A for detailed variance notes.

Variance Notes:

[1] The positive variance for endowed revenues is a result of the collection of a \$2 million pledge payment in support of a chair in the College of Medicine expected in the previous fiscal year and the early collection of a \$500,000 pledge payment for the School of Hospitality Management expected in December.

[2] The positive variance for non-endowed revenues is a result of the early collection of various gifts.

[3] There is a positive variance for Annual Fund revenues because the annual BOD membership contribution has been fully accrued based on 40 dues-paying members and has been discounted by 10% based on historical uncollectable rates. Any write-offs will be presented to the Board for approval.

[4] The budgeted change in contributions receivable for the 3-month period ended September 30, 2009 was \$6.2 million versus the actual change in contributions receivable for this period, which totaled (\$1.5) million. The negative variance is related to expected new contracts for the following major endowed gifts that remain under negotiations: \$5 million for the College of Medicine, \$2 million for the College of Arts & Sciences, and \$500,000 for the School of Journalism and Mass Communication.

Below is an aging schedule of all Foundation contributions receivable, net of a 1% allowance as of 9/30/09:

	Current Year	1-2 years**	3-4 years	5+ years	TOTAL
ENDOWED*	\$14,476,818	\$30,298,605	\$2,091,764	\$1,114,080	\$47,981,268
NON-ENDOWED*	\$5,009,144	\$2,513,161	\$511,851	\$39,714	\$8,073,871
TOTAL*	\$19,485,962	\$32,811,766	\$2,603,615	\$1,153,794	\$56,055,138

**Total Receivables on the statement of financial position total \$54.1M because contributions receivable are discounted to their present value (the total discount is \$2.2M), and the total also includes \$171,492 of dues receivables and \$102,322 of workman's compensation receivables.*

[5] Unrealized losses totaling \$25,000 related to the swap agreement for the MARC Building were recorded for the first quarter. There is an additional deficit of \$33,000 related to uncollected rental income resulting from some tenants' early lease termination.

[6] Upon the recommendation of Consulting Services Group (CSG) and the Board's Investment Committee, investment returns were budgeted at 5%, or \$4.7 million, for the 2009-10 fiscal year. The monthly budgeted returns were forecasted based on our asset allocation and the historical performance of indexes for each asset class. Current fiscal year-to-date gains total approximately 11.3%, or \$11.2 million, which exceed expected returns based on historical data.

[7] On the most part, the positive variance for expenses is due to timing. Various budgeted expenses for Colleges, Schools and Centers have not yet been incurred. In addition, numerous invoices related to scholarships budgeted in the first quarter are being processed in October. Finally, units have been able to use C&G and carry-forward E&G funds to cover some expenses originally budgeted with Foundation dollars.

[8] The \$1.3 million expense budget for building funds was based on the expectation of the university receiving the requested funds from the Alec Courtelis matching program in September. Due to the State's economic position, the Alec Courtelis matching funds program (as well as all other matching programs with the exception of First Generation) has been delayed. As such, the \$1.3 million will not be transferred to the university this fiscal year.

[9] The positive variance for Annual Giving expenses resulted because the annual giving mail campaign expected to drop in September will go out in October instead.

[10] First quarter budgeted expenses for capital renewal, utilities, maintenance & repairs, custodial, waste, and water & sewage related to the MARC Building totaling approximately \$92,000 have not yet been billed to the Foundation. In addition, there have been interest savings of approximately \$20,000 and insurance savings of \$7,000.

[11] The positive variance for Administrative Reserve expenses is a result of timing. The FBOG assessment and expenses related to the Foundation audit, lobbying, and the President's compensation budgeted in the first quarter have not yet been billed to the Foundation. In addition, various budgeted Capital Campaign expenses have not yet been incurred due to changes in the scope and schedule of planned events.

Florida International University Foundation, Inc.
Preliminary Performance Summary as of
September 30, 2009

<i><u>Fund/Manager/Inception Date</u></i>	Market Value	% Allocation	Target Allocation	Current Month 9/1/2009 9/30/2009	Calendar YTD 2009 12/31/2008 9/30/2009	Fiscal YTD 6/30/2009 9/30/2009	Trailing 1 Year 9/30/2008 9/30/2009	Trailing 3 Year 9/30/2006 9/30/2009	Trailing 5 Year 9/30/2004 9/30/2009	Since Investment Inception
Total Fund (6/30/00)	\$111,065,544	100.0%	100.0%	2.8%	16.3%	11.3%	-2.6%	-1.1%	3.2%	1.9%
Total Fund Composite				3.0%	17.0%	11.8%	1.2%	-0.8%	3.3%	1.2%
+/- Benchmark				-0.2%	-0.8%	-0.5%	-3.8%	-0.3%	-0.1%	0.7%
Total Equity Accounts (6/30/00)	\$57,285,699	51.6%	50.0%	3.7%	19.6%	16.1%	-4.6%	-3.3%	3.5%	0.5%
Total Equity Composite				4.3%	25.7%	18.0%	-5.3%	-5.5%	2.3%	-2.0%
+/- Benchmark				-0.6%	-6.0%	-1.9%	0.8%	2.2%	1.3%	2.4%
Total Fixed Income Accounts (6/30/00)	\$23,896,953	21.5%	30.0%	1.7%	13.7%	7.1%	15.1%	7.2%	5.8%	6.4%
Total Fixed Income Composite				1.3%	5.1%	4.2%	10.9%	5.8%	4.8%	5.8%
+/- Benchmark				0.4%	8.6%	2.9%	4.2%	1.4%	1.0%	0.7%
Total Alternative Investments (3/1/02)	\$29,882,892	26.9%	20.0%	1.9%	12.0%	6.1%	-10.3%	-2.4%	1.7%	3.5%
Total Alternative Composite				2.4%	11.7%	8.6%	1.4%	0.3%	2.4%	3.2%
+/- Benchmark				-0.5%	0.3%	-2.5%	-11.7%	-2.7%	-0.7%	0.3%

Florida International University Foundation, Inc.
Preliminary Performance Summary as of
September 30, 2009

<i>Fund/Manager/Inception Date</i>	Market Value	% Alloc.	Target Alloc.	Current Month 9/1/2009 9/30/2009	Calendar YTD 2009 12/31/2008 9/30/2009	Fiscal YTD 6/30/2009 9/30/2009	Trailing 1 Year 9/30/2008 9/30/2009	Trailing 3 Year 9/30/2006 9/30/2009	Trailing 5 Year 9/30/2004 9/30/2009	Since Investment Inception
<u>Domestic Equity Managed Accounts</u>										
Atalanta Sosnoff Large Cap Growth (3/1/06)	\$15,250,186	13.7%	12.5%	3.9%	25.6%	16.2%	3.3%	0.0%	N/A	0.4%
Russell 1000 Growth Index				4.3%	27.1%	14.0%	-1.9%	-2.5%	1.9%	-1.7%
Wedge Capital Large Cap Value QVM (12/29/06)	\$12,797,706	11.5%	12.5%	3.3%	18.0%	15.0%	-8.7%	N/A	N/A	-10.4%
Russell 1000 Value Index				3.9%	14.9%	18.2%	-10.6%	-7.9%	0.9%	-11.1%
Advisory Research Small Cap Value (6/1/01)	\$6,311,765	5.7%	5.0%	2.1%	8.1%	13.2%	-14.3%	-4.0%	4.6%	8.6%
Russell 2000 Value Index				5.0%	16.4%	22.7%	-12.6%	-6.7%	1.8%	5.8%
IronBridge Small Cap Core Equity (12/2/03)	\$6,302,255	5.7%	5.0%	5.2%	19.6%	15.3%	-10.8%	-0.7%	3.9%	4.5%
Russell 2000 Small Cap Index				5.8%	22.4%	19.3%	-9.6%	-4.6%	2.4%	2.8%
Student Investment Management Fund (3/31/09)	\$203,414	0.2%		-0.6%	N/A	1.3%	N/A	N/A	N/A	1.7%
<u>International Equity Managed Accounts</u>										
Artio International Equity Fund (12/2/03)	\$8,322,449	7.5%	7.5%	5.0%	21.6%	19.7%	-0.6%	-2.7%	8.2%	9.0%
MSCI EAFE Index				3.9%	29.6%	19.5%	3.8%	-3.1%	6.6%	7.4%
Brandes International Equity Fund (6/1/01)	\$8,097,924	7.3%	7.5%	3.0%	20.7%	17.6%	-0.9%	-3.9%	5.8%	5.5%
MSCI EAFE Index				3.9%	29.6%	19.5%	3.8%	-3.1%	6.6%	4.9%
TOTAL EQUITY INVESTMENTS	\$57,285,699	51.6%	50.0%							
<u>Core Fixed Income Managed Accounts</u>										
SCM Advisors Enhanced Core Fixed (6/1/01)	\$11,589,813	10.4%	12.5%	1.5%	14.0%	7.1%	18.1%	7.6%	5.8%	6.3%
Barclays Aggregate Index				1.1%	5.7%	3.7%	10.6%	6.4%	5.1%	5.8%
Hillswick Asset Management (6/1/01)	\$6,311,472	5.7%	10.0%	1.1%	4.6%	3.3%	11.7%	8.8%	6.6%	7.1%
Barclays Aggregate Index				1.1%	5.7%	3.7%	10.6%	6.4%	5.1%	5.8%
Brandywine Global Opp Bond (1/1/08)	\$5,501,804	5.0%	5.0%	2.7%	20.8%	10.0%	14.2%	N/A	N/A	5.6%
Citigroup World Gov't Bond Index				2.3%	4.6%	6.2%	13.8%	9.4%	6.7%	8.8%
Cash	\$0	0.0%	2.5%							
SunTrust Balanced Annuity Account (10/22/03)	\$493,864	0.4%	N/A	3.0%	18.1%	10.3%	9.2%	2.2%	3.8%	4.3%
70% Barclays Aggregate / 30% S&P 500				1.9%	10.0%	7.2%	5.8%	3.1%	4.2%	4.6%
TOTAL FIXED INCOME INVESTMENTS	\$23,896,953	21.5%	30.0%							
<u>Alternative Investments</u>										
Ironwood Partners (3/1/04)	\$7,424,984	6.7%	5.0%	2.0%	14.1%	5.7%	-7.5%	-2.2%	1.9%	2.2%
Barclays Aggregate Index				1.1%	5.7%	3.7%	10.6%	6.4%	5.1%	5.0%
Ironwood Partners (NDM Gift) (8/1/05)	\$1,953,062	1.8%	N/A	2.0%	14.2%	5.8%	-7.9%	-2.3%	N/A	0.5%
Barclays Aggregate Index				1.1%	5.7%	3.7%	10.6%	6.4%	5.1%	5.0%
Collins Capital (3/1/07)	\$6,468,126	5.8%	0.0%	1.9%	12.0%	5.7%	-11.3%	N/A	N/A	-2.5%
50% S&P 500/ 50% Barclays Agg				2.4%	12.8%	9.6%	2.4%	0.8%	3.4%	-0.8%
Titan Advisors (3/1/07)	\$6,725,630	6.1%	5.0%	1.7%	15.3%	6.4%	4.5%	N/A	N/A	4.0%
50% S&P 500/ 50% Barclays Agg				2.4%	12.8%	9.6%	2.4%	0.8%	3.4%	-0.8%
DTC Private Equity (\$5 Million)¹ (12/15/05)	\$2,178,062	2.0%	5.0%							-12.0%
DTC Private Equity III (\$2.5 Million)¹ (07/10/08)	\$139,526	0.1%								-26.6%
Montagu Newhall Partners IV (\$2.5 Million)¹ (8/8/08)	\$419,602	0.4%								-15.1%
Cohen and Steers Realty (12/16/08)	\$2,031,907	1.8%	2.5%	6.8%	21.0%	34.8%	N/A	N/A	N/A	23.2%
NAREIT US REIT Index				6.4%	17.0%	33.3%	-28.4%	-12.4%	1.4%	18.2%
Deutsche Bank Liquid Comm. Fund (1/1/08)	\$2,541,993	2.3%	2.5%	-0.2%	5.7%	-2.5%	-33.9%	N/A	N/A	-18.5%
TOTAL ALTERNATIVE INVESTMENTS	\$29,882,892	26.9%	20.0%							
TOTAL FUND	\$111,065,544	100.0%	100.0%							

*These are short-term liquid funds

¹ Since Inception return represents the internal rate of return since the initial capital call of the investment.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 19, 2009

Subject: Office of Internal Audit Report

Proposed Committee Action:

None. Discussion item.

Exhibits/Supporting Documents:

- **Office of Internal Audit Status Report/**
Summary of Results of Quality Self-
Assessment of The Office of Internal
Audit (OIA)

Facilitator/Presenter:

- Allen Vann

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Office of Internal Audit Status Report

BOARD OF TRUSTEES

November 19, 2009

Date: October 23, 2009

To: Board of Trustees and
Finance and Audit Committee

From: Allen Vann, Audit Director

Subject: OFFICE OF INTERNAL AUDIT STATUS REPORT

COMPLETED AUDITS AND INVESTIGATIONS

Since our last Finance and Audit Committee meeting on September 8, 2009 we completed the following projects:

1. **Audit of the Athletics Department Travel Expenses** – We conducted an audit of travel expenses incurred by the Athletics Department for the 10 month period ending April 30, 2009, totaling \$2.2 million. We concluded that, with few exceptions, established controls and procedures for travel expenses, including team travel and recruiting activities are adequate; are being adhered to; and are in compliance with University policies and procedures, applicable state statutes, rules and regulations. Furthermore, National Collegiate Athletic Association (NCAA) Operating Bylaws are being fully complied with.

Some areas which Athletics agreed to more carefully address, going forward, include: approving travel authorizations more timely, ensuring that travelers complete their vouchers promptly, returning cash advances more promptly, monitoring car rental and per diem rules more closely, and coding accounting transactions more carefully. Athletics implemented all of our recommendations.

2. **Investigation of Improper Use of University Issued Procurement Card by a Professor in the College of Business Administration** – While in the process of performing a University-wide audit of procurement card (ProCard) utilization, our testing identified the likelihood of abuse by a Professor in the College of Business Administration. Based on our investigation, we concluded that the Professor misused the credit card provided to him by the University. The Dean of the College of Business in consultation with the Provost, Human Resources, and Office of Counsel took appropriate disciplinary action resulting in the separation from employment of the Professor and the Office Assistant responsible for approving his credit card transactions. Partial restitution was obtained from the Professor. The Office of Internal Audits referred this matter to FIU Police. An active criminal case is pending in the State Attorney's Office.

- 3. Whistleblower Complaint** – We reviewed a complaint filed with the Florida Commission on Human Relations by a former employee concerning a charge of retaliation under the Whistle-Blower Act. In accordance with the Florida Statute 112.3189, we reviewed the complaint and determined that the information disclosed did not demonstrate reasonable cause to suspect that an employee or employees of FIU, as alleged committed an act, or acts, of gross mismanagement and gross waste of public funds or violations of any federal, state, or local law, rule or regulation. In fact, the evidence reviewed revealed that FIU staff: 1) followed Florida Statutes; 2) were acting within their authority; and 3) were fully transparent in the intended use and retention of University funds.

WORK IN PROGRESS

Audits/Investigations	Status
Audit of the University Purchasing Card Program	Fieldwork in progress
Audit of the University's IT Governance	Fieldwork in progress
Audit of Financial Controls Over College of Medicine Expenditures	Fieldwork in progress
Investigation – Misuse of funds College of Medicine	Draft report
Investigation – College of Education Purchasing Cards	Fieldwork in progress
Review of PeopleSoft Upgrade Implementation	Planning stage

FOLLOW-UP STATUS REPORTS

Management is responsible for addressing audit recommendations. The Office of Internal Audit periodically surveys cognizant officials for a status report on recommendations due for implementation in their areas. As of October 31, 2009, we are tracking 58 outstanding recommendations. Of these 28 recommendations are not yet due for implementation. Of the remaining 30 recommendations, management indicated that they completed implementation of 25 recommendations (83%) and are working on implementing the remaining 5.

Attachment A – Follow-up Status Report – Internal Audits

Attachment B – Management Responses to Outstanding Recommendation(s)

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT**

**FOLLOW-UP STATUS REPORT - INTERNAL AUDITS
AS OF OCTOBER 2009**

Report	Audit Issue(s)/Recommendations	Responsible Executive/Director	Status	Original Due Date	Revised Due Date
Audit of the Frost Art Museum Report Issued: Jan. 28, 2005	1. Art Collection Records: • Fair Market Value (Rec. #1.2) • Insurance (Rec. #1.3) 2. Capitalization of Art Work (Rec. #3)	Wartzok/Damian/ Kirschtel-Taylor	No No No	04/06 04/06 07/05	04/10 04/10 06/10
Audit of University Minor Construction Projects Report Issued: May 16, 2008	1. Oversight of Minor Construction Projects (Rec. #4)	Jessell/Cal/Berenguer	N/A	08/08	12/09
Audit of the College of Law Report Issued: Feb. 27, 2009	1. Admissions Deposit (Rec. #1.1) 2. Admissions Deposit (Rec. #1.2) 3. Travel Procedures (Rec. #3.4) 4. Telephone Usage (Rec. #4.2) 5. Telephone Usage (Rec. #4.3) 6. Property Accountability (Rec.#6.1) 7. Property Accountability (Rec.#6.2) 8. Overall Recommendation (Rec.#7)	Wartzok/Acosta Jessell/ Blevens Wartzok/Acosta	Yes Yes Yes Yes Yes Yes Yes Yes	05/09 05/09 09/09 05/09 05/09 05/09 05/09 08/09	10/09 10/09 10/09 10/09 10/09 10/09
Allegations Against the Applied Research Center Report Issued: April 6, 2009	1. Review of Travel Expenses (Rec. #1.1) 2. Review of Travel Expenses (Rec.#1.2) 3. Allocation of Project Costs (Rec. #3.1) 4. Travel Plan (Rec. #4.3) 5. Allocation of Salaries (Rec. #5.1)	Salas/Proni	Yes Yes Yes Yes Yes	06/09 06/09 06/09 06/09 07/09	10/09 08/09 08/09 10/09 10/09
Investigation of the Use of University Funds for Foreign Travel in the School of Journalism and Mass Communication Report Issued: June 29, 2009	1. Grants Administration (Rec. #3.2)	Wartzok/Kopenhaver	Yes	08/09	
Audit of Accounts Receivable Report Issued: July 22, 2009	1. Collection Efforts (Rec. #1.1) 2. Collection Efforts (Rec.#1.2) 3. Collection Efforts (Rec. #1.3) 4. Aging of Receivable Reports (Rec. #2.1) 5. Aging of Receivable Reports (Rec. #2.2) 6. Doubtful Accounts Allowance (Rec. #3.1) 7. Doubtful Accounts Allowance (Rec. #3.2) 8. Accounts Receivable Write-Offs (Rec. #4) 8. Accounts Receivable Reconciliations (Rec. #5.1) (Rec. #5.2) (Rec. #5.3) 9. Policies and Procedures (Rec. #6)	Jessell/ Blevens Gil/Barabino Jessell/ Blevens Gil/Barabino Jessell/ Blevens Jessell/ Blevens	N/A Yes Yes N/A N/A Yes Yes N/A N/A N/A N/A N/A	01/10 09/09 10/09 01/10 01/10 10/09 09/09 09/10 03/10 03/10 03/10 03/10	
Audit on FIU Safeguards Over Credit Card Holder Data Report Issued: July 30, 2009	1. Protecting Cardholder Data (Rec. #1) 2. Network Cardholder Environment (Rec. #2.1) (Rec. #2.2) 3. Build & Maintain Secure Network (Rec. #3.1) (Rec. #3.2) (Rec. #3.3) (Rec. #3.4)	Jessell/ Blevens Yao/Granto Jessell/ Blevens	No N/A N/A N/A N/A N/A N/A	10/09 01/10 01/10 03/10 03/10 03/10 01/10	12/09

Report	Audit Issue(s)/Recommendations	Responsible Executive/Director	Status	Original Due Date	Revised Due Date
	4. PCI Information Security Policy (Rec. #4.1) (Rec. #4.2) (Rec. #4.3) (Rec. #4.4) (Rec. #4.5) (Rec. #4.6) 5. Regular Monitoring & Testing of Networks (Rec. #5.1) (Rec. #5.2) 6. Strong Access Control Measures (Rec. #6.1) (Rec. #6.2) (Rec. #6.3)	Jessell/Blevens Yao/Granto Jessell/Blevens Yao/Granto	No N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A	10/09 06/10 06/10 06/10 06/10 06/10 03/10 03/10 03/10 01/10 01/10 10/10	12/09
Review of Four Grants at the Request of the Department of Energy & National Science Foundation Inspector General Report Issued: August 20, 2009	1. Terminal Leave Payouts	Mendoza Gil/Barabino	N/A	06/10	
Investigation of Improper Use of University Issued Procurement Card by a Professor in the College of Business Administration Report Issued: October 8, 2009	1. Misuse of University Resources (Rec. #1.1) 2. Reimbursement to University (Rec. #1.2) 3. Insufficient Documentation (Rec. #1.3)	Wartzok/Elam	Yes N/A N/A	10/09 11/09 11/09	
Audit of the Athletic Department Travel Expenses Report Issued: October 21, 2009	1. Travel Authorizations Requests 2. Travel Vouchers 3. Travel Advances 4. Car Rental 5. Travel Meal Allowance 6. Accounting Code	Garcia	Yes Yes Yes Yes Yes Yes	10/09 10/09 10/09 10/09 10/09 10/09	

Explanatory Notes to Follow-up Status Report

- Explanation of status column
 - **Yes** = implemented;
 - **No** = not fully implemented by original due date;
 - **N/A** = not due for implementation.
- For those recommendations not fully implemented, please see Management Responses to Outstanding Recommendation(s) (Attachment C) for management's detailed current action plan

**FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT**

**MANAGEMENT RESPONSES TO OUTSTANDING AUDIT RECOMMENDATIONS
WITH REVISED TARGET DATES**

Audit of the Frost Art Museum (January 2005)

1. Audit Issue: **Fair Market Value** (Recommendation #1.2)

Recommendation:

The Art Museum should assign a fair value to all collection items.

Action Plan to Complete:

The collection of The Frost Art Museum (FAM) has only recently been moved from the storage area where it resided for over 10 years to the museum's own storage area. In the process, all the artwork is being catalogued and assessed and an outside appraiser has been asked to create a report of values for Fair Market Value of works valued over \$1000. This is a difficult, costly and laborious process that requires considerable research into auction records, once appraiser determines which of the works should be included. Furthermore, not all the works in our collection would even be included in auction records and values will be difficult to access. The delay in doing this was caused by the difficulty in seeing the collection in the storage area and the time and money required to look at and evaluate close to 6000 objects. That appraisal is being conducted this fall for re-accreditation purposes also with estimated time of completion April 2010.

Original Target Date: April 30, 2006

New Target Date: April 30, 2010

1. Audit Issue: **Insurance** (Recommendation #1.3)

Recommendation:

The Art Museum should provide accurate information to Environmental Health & Safety regarding the value of the art collection to ensure adequate insurance coverage.

Action Plan to Complete:

All work is now in museum and appraisal under way to complete insurance information. This will be complete by above date April 2010.

Original Target Date: April 30, 2006

New Target Date: April 30, 2010

2. Audit Issue: **Capitalization of Art Work** (Recommendation #3)

Recommendation:

We recommend that the Art Museum work with Property Control and the Controller's Office to ensure that applicable art works are properly recorded in the University's property records, as required by AA Policy 14.30.

Action Plan to Complete:

Capitalization can only take place after appraisal is completed. This will take a considerable amount of time and effort. Once the appraisal is complete and property control provides property control numbers for objects of value over \$1000, those will be entered in our database for compilation of values for capitalization and future inventory requests. Estimated date June 2010.

Original Target Date: April 30, 2006

New Target Date: June 30, 2010

Audit of FIU Safeguards Over Credit Card Holder Data (July 2009)

1. Audit Issue: **Protecting Cardholder Data** (Recommendation #1)

Recommendation:

The Controller's Office in consultation with the Division of Information Technology and the Compliance Office should establish a governance structure and create Operational Procedures that establish standards detailing what controls should be in place for the storage, collection and transmittal of cardholder data. The operational procedures should include detailed cardholder data retention and disposal procedures.

Action Plan to Complete:

The Office of the Controller in consultation with the Division of Information Technology and the Compliance Office is currently working on a governance structure and creation of a Payment Card Processing policy (including E-commerce) to establish standards that detail what controls should be in place for the storage, collection and transmittal of cardholder data. The draft policy is currently with the Compliance Office for review, will be forwarded to the Senior Vice President and Chief Financial Officer and Vice President for Information Technology for review, and then will be forwarded to the Operations Committee for consideration and approval.

Original Target Date: October 31, 2009

New Target Date: December 31, 2009

2. Audit Issue: **PCI Information Security** (Recommendation #4.1)

Recommendation:

Create an E-commerce policy that provides specifications for systems and technologies that capture cardholder data over the internet.

Action Plan to Complete:

(Same as 1. Above)

Original Target Date: October 31, 2009

New Target Date: December 31, 2009

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Date: November 4, 2009

To: Albert Maury, Chair, and Members of the Finance and Audit Committee

From: Allen Vann, Director of Internal Audit

**Subject: Summary of Results of Quality Self-Assessment of
The Office of Internal Audit (OIA)**

According to the University's *Office of Internal Audit Policy & Charter* "The activities of the OIA shall be conducted in accordance with the standards for the Professional Practice of Internal Auditing.¹" As we have previously discussed with the Committee, OIA has been out of compliance with the standards for a number of reasons:

1. The standards require internal audit departments to have a quality assurance program. This requires an external assessment of the department's adherence with the standards at least every five years. The last external quality assurance review of FIU's Internal Audit Department was conducted by the State of Florida Auditor General for FY 2001. At that time, the Auditor General's report covered all ten Universities under the previous Board of Regents. Currently, each university audit department is responsible for arranging for its own external quality assurance review.
2. Due to budget cuts and a leadership vacuum within the department, professional staff was not provided the mandatory number of required training hours necessary to maintain their audit proficiency.

As a consequence, the department discontinued using the required phrase: "*Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing*" in our audit reports.

Recognizing that there is no "one size fits all" model for performing quality assurance reviews, the Institute of Internal Auditors allows audit departments to perform a Self-Assessment followed by an independent review by an outside validator. Self-Assessments are particularly popular with organizations, such as ours, that have small internal audit departments. They are much less costly and receive the same recognition, as to validity and usefulness, as a review performed entirely by an external party.

¹ The standards, currently referred to as the International Professional Practices Framework, are promulgated by the Institute of Internal Auditors.

Accordingly, the Director of Internal Audit conducted a quality self assessment of the Office of Internal Audit, in accordance with the IIA most current quality assessment guidelines. An Evaluation Summary is attached.

Based on this review I have concluded that the Office “Generally Complies” with the standards. This means that, in my opinion, the relevant structures, policies, and procedures of the Office, as well as the processes by which they are applied, comply with the requirements of the individual Standards and the Code of Ethics in all material respects. I found general conformance to an overwhelming majority of the individual *Standards* and the Code of Ethics, and at least partial conformance to the others. Accordingly, there are opportunities for improvement, as discussed in further detail below:

ATTRIBUTE STANDARDS²

- 1. Purpose, Authority, and Responsibility:** While the purpose, authority, and responsibility of the internal audit department is well defined in the University’s *Office of Internal Audit Policy & Charter*, the Standards require that the nature and definition of internal auditing services must be included in the Charter.

We will bring to the Finance and Audit Committee a proposed amendment to the University’s *Office of Internal Audit Policy & Charter* with the following proposed language:

The purpose of the Office of Internal Audit (OIA) is to provide an independent and objective assurance and consulting activity designed to add value and improve Florida International University (FIU) operations. OIA assists FIU in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

- 2. Independence and Objectivity:** The Office fully meets this standard. The Director of Internal Audit reports administratively to the Office of the President, a reporting relationship, which prevents management from interfering in the discharge of his “direct reporting responsibilities” to the Finance and Audit Committee as required per the Charter. In this respect the Charter sets the tone for the Internal Auditors’ interaction with the Board.

For each assignment, the audit staff asserts that they do not have any conflicts, which would compromise their objectivity.

² Attribute Standards address the attributes of the internal audit department and the individuals performing internal auditing.

3. Proficiency and Due Professional Care:

- a. **Proficiency:** Currently there is continuing professional development to enhance the knowledge and competencies of our internal auditors. Staff is receiving sufficient (quantitative) and specific (qualitative) training based on their collective and specific needs. The Office has expanded its memberships for the professional staff and/or participated in training events with the following organizations: 1) the Institute of Internal Auditors; 2) the Association of College and University Auditors; 3) the Association of Healthcare Internal Auditors; 4) Association of Certified Fraud Examiners; 5) the Association of Inspectors General; and 6) the Information Systems Audit and Control Association.
- b. **Due Professional Care:** Audit workpapers provide evidence that due professional care is being taken in the conduct of the work performed. There is evidence that internal controls and risk of fraud are considered in audit engagements.

- 4. **Quality Assurance and Improvement Program:** We have redesigned and updated the audit/workpaper review forms to include a post evaluation of all projects to ensure that the audit reports are supported by sufficient, competent, and relevant evidence. There is also a quality assurance checklist to ensure that there is evidence in the working papers that all aspects of IIA Standards are adequately covered.

Going forward, external quality assurance reviews will be performed every five years as required.

PERFORMANCE STANDARDS³

- 5. **Managing the Internal Audit Activity:** The Director of Internal Audit has established risk based plans in consultation with the Finance and Audit Committee and management. The Office of Internal Audit is organized to ensure proper coverage of the organization's audit universe. Nevertheless, going forward the Director of Internal Audit should review with the Chair and the Committee the budgetary and staffing needs of the Office pursuant to the Board of Trustees' Operating Procedures, which states that the Committee shall "Assess the staffing of the Office of Internal Audit, including, the annual budget."

³ Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured.

The Operations and Investigations manuals used by the Office of Internal Audit, while adequate have not been updated since December 2006 and will be reviewed and updated by the Director of Internal Audit by the first quarter of FY 2010-2011.

In accordance with the standards in this section, the Director of Internal Audit has reported periodically to the Committee and senior management on the internal audit activity purpose, authority, responsibility, and performance as well as significant fraud and other risks.

6. **Nature of Work:** The Office of Internal Audit, through its audits and investigations, demonstrated that it has evaluated and contributed to the improvement of FIU's governance, risk management, and control processes using a systematic and disciplined approach to its work.
7. **Audit Planning:** Each audit is properly planned and its objectives are linked to risk based criteria. The scope of each engagement is consistent with the audit objectives.
8. **Performing the Audit:** Internal audit staff identify, analyze, evaluate, and document sufficient information to achieve each audit's objectives. Audit conclusions and engagement results are based on appropriate analyses and evaluations that identify the root cause(s) of errors and/or irregularities. Sufficient, competent and relevant information are included in the working papers for every assignment. There is evidence that each assignment is properly supervised.
9. **Reporting Audit Results:** Each audit report includes the engagement's objectives, scope and methodology, as well as, applicable findings, recommendations, and management action plans. An overall opinion or conclusion is included in each audit report. Satisfactory performance is acknowledged in reports whenever applicable. There is evidence of appropriate and timely communication with management and timely issuance of reports.

The use of "*Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing*" will be included in all forthcoming audit reports upon confirmation by an independent validator on the findings contained in this self assessment.

10. **Code of Ethics:** The Office of Internal Audit's Charter and Operations Manual establish the expectation that audit staff will conform to the Code of Ethics requirements. This policy has been communicated to and is understood by the internal audit staff.

In conclusion, my review disclosed that the Office of Internal Audit generally fulfills its mission to provide audit services to the University within the parameters of the Institute of Internal Auditors' Standards. As a best governance practice, the FIU Board of Trustees included in their official Operating Procedures that one of the key responsibilities of the Finance and Audit Committees is to "Evaluate the Office of Internal Audit's role and scope of activities." An annual review would provide valuable feedback to the President's Office and particularly the Director of Internal Audit, situated therein. Accordingly, we have prepared a draft evaluation tool adopted from the American Institute of CPA's *Audit Committee Toolkit* & the Institute of Internal Auditors Professional Practices Guidelines for your consideration.

Finally, I look forward to discussing with you, at our next Finance and Audit Committee meeting, the selection of an independent outside validator. We received written proposals from three reputable, interested and highly qualified independent parties to provide this service at a very reasonable cost.

Attachments

C: Mark B. Rosenberg, University President
Javier I. Marques, Chief of Staff, Office of the President
Kenneth A. Jessell, CFO & Senior Vice President, Finance and Administration

EVALUATION SUMMARY

Florida International University Office of Internal Audit

Evaluation of Conformance with The IIA's *International Standards for the Professional Practice of Internal Auditing* General Instructions/Definitions

Definitions

GC – “Generally Conforms” means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, “successful practice,” etc.

PC – “Partially Conforms” means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organization.

DNC – “Does Not Conform” means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

Quality Self-Assessment
Prepared by Allen Vann, Chief Auditor
Evaluation Summary

Standards Conformance Evaluation Summary		Evaluator's Decision		
		GC	PC	DNC
OVERALL EVALUATION		✓		
ATTRIBUTE STANDARDS		✓		
1000	Purpose, Authority, and Responsibility		✓	
1010	Recognition of the Definition of Internal Auditing			✓
1100	Independence and Objectivity	✓		
1110	Organizational Independence	✓		
1111	Direct Interaction with the Board	✓		
1120	Individual Objectivity	✓		
1130	Impairments to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development		✓	
1300	Quality Assurance and Improvement Program			✓
1310	Requirements of the Quality Assurance and Improvement		✓	
1311	Internal Assessments		✓	
1312	External Assessments			✓
1320	Reporting on the Quality Assurance and Improvement Program			✓
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "			✓
1322	Disclosure of Nonconformance		✓	
PERFORMANCE STANDARDS		✓		
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management		✓	
2040	Policies and Procedures		✓	

Quality Self-Assessment
Prepared by Allen Vann, Chief Auditor
Evaluation Summary

Standards Conformance Evaluation Summary		Evaluator's Decision		
		GC	PC	DNC
2050	Coordination	✓		
2060	Reporting to Senior Management and the Board	✓		
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		
2421	Errors and Omissions	✓		
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "			✓
2431	Engagement Disclosure of Nonconformance		✓	
2440	Disseminating Results	✓		
2500	Monitoring Progress	✓		
2600	Management's Acceptance of Risks	✓		
IIA Code of Ethics		✓		

Purpose of This Tool: Under the official Board of Trustees Operating Procedures and in accordance with best management practices for Finance and Audit Committees, a key responsibility of the Committee is to “Evaluate the Office of Internal Audit’s role and scope of activities,” The Finance and Audit Committee is also tasked with “Participation in the process of the appointment and dismissal of the Director of Internal Audit.” Accordingly, the review of the services of the Director of Internal Audit provides valuable feedback to the Office of the President concerning the Director’s performance. The questions included in this toolkit are designed to assist the Finance and Audit Committee in evaluating the performance and effectiveness of the internal audit team. Follow-up questions should be considered as appropriate.

Adopted from the American Institute of CPA’s *Audit Committee Toolkit* & the Institute of Internal Auditors Professional Practices Guidelines.

It is in the best interest of all concerned for the Finance and Audit Committee and the Director of Internal Audit to maintain a strong positive relationship. The Committee should view the Director of Internal Audit and his audit team as their eyes and ears. The Committee Chair should have frequent contact between committee meetings with the Director of Internal Audit.

At every Finance and Audit Committee meeting the Committee should ensure that the Director of Internal Audit is completely forthcoming with information, including the results of audits conducted as well as audits under way. The Director of Internal Audit and his team should recognize that they are agents of the Committee and not management as per official university policy, which states that: “The Director of Internal Audit has direct reporting responsibilities to the Board of Trustees’ Finance and Audit Committee.”

Periodically, the Director of Internal Audit should review with the Finance and Audit Committee the budgetary and staffing needs of the Office of Internal Audit pursuant to the Board of Trustees Operating Procedures, which states that the Committee should: “Assess the staffing of the Office of Internal Audit, including, the annual budget.”

Finally, the Finance and Audit Committee should periodically assess the performance of the internal audit team and the Director of Internal Audit to ensure that they are fulfilling their role at the University. The following survey includes some questions that the Committee should ask itself in evaluating the effectiveness of the internal audit team and the Director of Internal Audit.

Instructions for Using This Tool: The sample questions included in this tool are only a starting point to evaluating the performance and effectiveness of the internal audit team. Finance and Audit Committee members should ask follow-up questions of the Director of Internal Audit as appropriate.

Assessment of the <i>Internal Audit Team</i>	Yes	No	Not sure	Comments
1. Does the Office of Internal Audit appear to be using its time and resources effectively and efficiently?				
2. Do you believe that the size and structure of the Office is adequate to meet its established objectives?				
3. Does the Office of Internal Audit appear to be objective?				
4. Do internal audit work products exhibit adequate technical knowledge of the subject matter covered?				
5. Do information systems audits exhibit sufficient expertise to address the level of technology used by the University?				
6. Is the internal audit plan sufficiently comprehensive?				
7. Do the audit reports appear to be accurate, complete, and current?				
8. Do you receive internal audit reports on a timely basis?				

Assessment of the <i>Internal Audit Team</i>	Yes	No	Not sure	Comments
9. Do the internal audit reports include sufficient detail for effective action by management and/or the Finance and Audit committee?				
10. Do the audit reports appear to be objective?				
11. Do internal audit procedures encompass operational issues as well as financial areas?				
12. Does the work of the internal audit department appear to be concentrated in areas of high risk and sensitivity?				
13. Do the internal auditors satisfactorily convey their views regarding internal controls, the risk of fraud, and compliance matters?				

Assessment of the Director of Internal Audit	Yes	No	Not sure	Comments
1. Has the Director of Internal Audit ensured that the internal audit activity adds value to the University?				
2. Does the Director of Internal Audit establish and prioritize the annual and long-range internal audit plan?				
3. Has the Director of Internal Audit established risk-based plans to determine the priorities of the internal audit activity, consistent with the University's mission?				
4. Has the Director of Internal Audit effectively communicated the internal audit plans and resource requirements, including significant changes impacting productivity?				
5. Has the Director of Internal Audit ensured that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved audit plan?				
6. Has the Director of Internal Audit established procedures to guide the internal audit activity?				
7. Has the Director of Internal Audit periodically reported to the Finance and Audit Committee on internal audit activities, effectively communicated significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Committee and/or senior management?				

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 19, 2009

Subject: Treasury Report

Proposed Committee Action:

None. Discussion item.

Exhibits/Supporting Documents:

- **Treasury Report** – Investment Performance for Quarter Ending September 30, 2009

Facilitator/Presenter:

- Tony Vu

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Investment Performance for Quarter Ending September 30, 2009*Benchmarks*

In the first fiscal quarter, investment classes not only rebounded strongly but exhibited decoupled movements that are indicative of a return to normalized markets. All investment classes continued the recovery of value that started in the previous quarter. Equity benchmarks continue to lead the recovery with the S&P 500 gaining 15.6%, the Russell 2000 gaining 19.3% and EAFE up 19.5% for the quarter. Fixed income benchmarks also maintained positive traction with index gains in the Barclay's Aggregate of 3.7%, in Barclay's U.S. TIPS of 3.1% and Merrill Lynch High Yield Master II of 14.8% for the quarter. 91-day Treasury Bills earned 0.1% for the quarter. The REIT's benchmark reversed the losses from the previous quarter with gains of 33.3%.

Portfolio Performance by Investment Class

Performance within the portfolio mirrored or beat their respective benchmarks. With 34% of the portfolio allocation, the Fixed Income Asset Class contributed to overall positive return of 6.3% for the quarter. Fixed Income – Core and Fixed Income – High Yield outperformed their benchmarks with a 5.5% and 16.2% returns, respectively, while TIPS matched the benchmark with gain of 3.0%. Absolute Returns (9% allocation) gained 5.5% outperforming versus its benchmark of 1.0% (CPI +3.25%). With 16.4% gain, Domestic Equity (6% allocation) the benchmark gain of 16.1%. International Equity's (5% allocation) gain of 23.4% outperformed the benchmark gain of 19.5%. REIT's outperformed, gaining 39.1% for the quarter versus the benchmark of 33.3%. Short-term investments gained 0.4%, outperforming 91-day Treasury Bills.

Overall Portfolio - FYTD

The fiscal quarter-end investment balance of Total Combined Pool totaled to \$240.7 million. This was a \$49.5 million, or 26%, increase over the previous quarter's ending balance and \$5.7 million, or 2%, less than the same time last year. Overall fiscal YTD return for the portfolio was 5.4% with the Strategic/ Reserve Pools gaining 9.4% and the Working Capital Pool gaining 0.4% for the quarter. Policy-mandated rebalancing enhanced returns by increasing investments to the Strategic/Reserve Pools by \$19.5 million during the first third of the quarter.

MEMBERSHIP

Albert Maury
Chair, Finance & Audit Committee
FIU Board of Trustees

Dr. Kenneth Jessell
SVP & CFO
Office of Finance & Administration

Dr. Chun-Hao Chang
Department Chair, Finance and Real Estate
College of Business Administration

CONSULTANT

Marc Friedberg
Vice President
Wilshire & Associates

UNIVERSITY STAFF

Tony Vu
Treasury Manager
Office of the University Treasurer

**Performance Summary as of
September 30, 2009**

Fund / Manager (Inception Date) Benchmark	Market Value (000's)	Allocation (%)	Current Month	Fiscal YTD	1 Year	Trailing 2 Years	3 Years	Since Inception
Working Capital Pool (03/31/06) <i>91-Day Treasury Bill</i>	\$ 100,573	42%	0.1%	0.4%	1.4%	2.4%	3.5%	3.6%
		30%	0.0%	0.1%	0.4%	1.6%	2.8%	3.1%
Strategic / Reserve Capital Pool (03/31/06) <i>Weighted Average Benchmark Index</i>	140,154	58%	3.0%	9.4%	6.7%	0.3%	2.8%	3.5%
		70%	2.2%	7.6%	5.0%	1.1%	3.4%	4.0%
TOTAL COMBINED POOL (03/31/06) <i>Weighted Average Benchmark Index</i>	\$ 240,727	100%	1.8%	5.4%	5.0%	1.8%	3.3%	3.7%
		100%	1.6%	5.3%	3.8%	1.4%	3.2%	3.7%

Fund / Manager (Inception Date) Benchmark	Market Value (000's)	Allocation (%)	Current Month	Fiscal YTD	1 Year	Trailing 2 Years	3 Years	Since Inception
WORKING CAPITAL POOL								
SPIA Account (03/31/06) <i>91-Day Treasury Bill</i>	\$ 77,469	32%	0.2%	0.5%	1.7%	2.7%	3.6%	3.7%
			0.0%	0.1%	0.4%	1.6%	2.8%	3.1%
MS Institutional Liquid Funds Account (08/07/09) <i>91-Day Treasury Bill</i>	20,004	8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
BoA Columbia Account (09/30/07) <i>91-Day Treasury Bill</i>	3,083	1%	0.0%	0.0%	0.6%	0.0%	0.0%	1.3%
			0.0%	0.1%	0.4%	0.0%	0.0%	1.4%
WORKING CAPITAL POOL COMPOSITE (3/31/06) <i>Target Allocation / 91-Day Treasury Bill</i>	\$ 100,573	42%	0.1%	0.4%	1.4%	2.4%	3.5%	3.6%
		30%	0.0%	0.1%	0.4%	1.6%	2.8%	3.1%
STRATEGIC / RESERVE CAPITAL POOL								
Prudential Core Fixed (11/30/07) <i>Barclays Aggregate</i>	\$ 40,904	17%	1.3%	5.5%	13.0%	0.0%	0.0%	6.7%
		21%	1.1%	3.7%	10.6%	0.0%	0.0%	6.2%
Northern Trust TIPS (6/30/06) <i>Barclays U.S. TIPS</i>	25,876	11%	2.0%	3.0%	5.8%	5.7%	5.5%	6.2%
		14%	2.1%	3.1%	5.7%	5.9%	5.6%	6.3%
BlackRock HY Bond (3/31/06) <i>ML High Yield Master II</i>	14,496	6%	6.3%	16.2%	12.8%	1.1%	3.5%	4.2%
		7%	6.0%	14.8%	22.4%	4.0%	5.2%	5.7%
FIXED INCOME COMPOSITE (3/31/06) <i>Fixed Income Benchmark Index</i>	81,276	34%	2.4%	6.3%	11.0%	5.9%	5.7%	5.9%
		42%	1.9%	4.5%	10.1%	6.6%	6.2%	6.5%
Northern Trust S&P 500 (6/30/06) <i>S&P 500</i>	10,866	5%	3.8%	15.6%	-6.7%	-14.7%	-5.4%	-3.3%
		5%	3.7%	15.6%	-6.9%	-14.8%	-5.4%	-3.4%
CS McKee Small Cap (6/30/08) <i>Russell 2000</i>	4,343	2%	7.2%	18.1%	-2.9%	0.0%	0.0%	-1.6%
		2%	5.8%	19.3%	-9.5%	0.0%	0.0%	-13.4%
U.S. EQUITY COMPOSITE (3/31/06) <i>Wilshire 5000</i>	15,209	6%	4.7%	16.4%	-5.9%	-14.3%	-5.7%	-5.9%
		7%	4.1%	16.1%	-6.4%	-14.2%	-4.8%	-3.5%
Alliance Bernstein (6/30/08) <i>MSCIEAFE Index (N)</i>	11,027	5%	4.4%	23.4%	0.6%	0.0%	0.0%	-13.7%
		5%	3.8%	19.5%	3.2%	0.0%	0.0%	-19.2%
INTERNATIONAL EQUITY COMPOSITE (3/31/06) <i>MSCIEAFE Index (N)</i>	11,027	5%	4.4%	23.4%	0.6%	-16.8%	-5.4%	-3.4%
		5%	3.8%	19.5%	3.2%	-15.3%	-3.6%	-1.8%
Aetos Alternatives Mgmt. (4/31/06) <i>CPI + 3.25%</i>	21,969	9%	1.9%	5.5%	1.6%	-2.4%	1.6%	1.6%
		11%	0.4%	1.0%	2.0%	5.2%	5.5%	5.4%
ABSOLUTE RETURN COMPOSITE (3/31/06) <i>CPI + 3.25%</i>	21,969	9%	1.9%	5.5%	1.6%	-2.4%	1.6%	1.6%
		11%	0.4%	1.0%	2.0%	5.2%	5.5%	5.4%
Urdang REIT (6/30/06) <i>NAREIT Equity</i>	10,672	4%	6.8%	39.1%	-20.0%	-15.4%	-8.2%	-5.1%
		5%	6.4%	33.3%	-28.4%	-20.3%	-12.4%	-9.1%
REITs COMPOSITE (6/30/06) <i>NAREIT Equity</i>	\$ 10,672	4%	6.8%	39.1%	-20.0%	-15.4%	-8.2%	-5.1%
		5%	6.4%	33.3%	-28.4%	-20.3%	-12.4%	-9.1%

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 19, 2009

Subject: Bond Financing Update

Proposed Committee Action:

None. Discussion item.

Exhibits/Supporting Documents:

- Bond Financing Update
 - **FITCH**, FIU Parking System Bonds, Series 2009A, New Issue: October 2009
 - **MOODY'S**, FIU Parking System Bonds, Series 2009A , New Issue: October 2009
 - **STANDARD & POOR'S**, FIU Parking System Bonds, Series 2009A

Facilitator/Presenter:

- Kenneth Jessell

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Ratings

New Issue	
\$32,000,000 Florida Board of Governors Parking Facility Revenue Bonds, Series 2009A	A
Outstanding Debt	
\$25,376,000 Florida Board of Education Parking Facility Revenue Bonds, Series 1995, 1999, and 2002	A

Rating Outlook

Stable

Analysts

Colin Walsh
+1 212 908-0767
colin.walsh@fitchratings.com

Douglas J. Kilcommons
+1 212 908-0740
douglas.kilcommons@fitchratings.com

New Issue Details

Sale Information: Series 2009A fixed-rate bonds scheduled to sell during the week of Oct. 26 via competition.
Security: Net revenue of FIU's parking system.
Purpose: Finance the construction of a multilevel parking garage, fund a debt service reserve fund, and pay costs of issuance.
Final Maturity: July 2039.

Related Research

- *Fitch Affirms Florida International University's Parking Revs at 'A'; Outlook Stable, April 13, 2009*
- *State of Florida, April 22, 2009*
- *Florida State University System, Nov. 26, 2008*
- *Rating Guidelines for Public Colleges and Universities, July 16, 2004*

Rating Rationale

- Florida International University's (FIU) self-supported parking system has a long track record of positive operations and solid debt service coverage.
- Stable student demand and enrollment growth at FIU have led to increased demand for parking system facilities.
- Counterbalancing credit factors include the parking system's high debt burden, ongoing capital needs, and the weakened fiscal situation in Florida, which has led to reductions in state funding to FIU.

Key Rating Drivers

- Maintenance of the parking system's operating performance and debt service coverage at or near current levels.
- Maintenance of FIU's stable student demand, which leads to corresponding demand for parking system facilities.

Credit Summary

The 'A' rating on FIU's parking system bonds reflects the strength of the revenues pledged, which include a mandatory student transportation fee, and strong operating performance and solid debt service coverage generated by the parking system. The rating also reflects the stable, albeit moderating, enrollment growth at FIU, which continues to support demand for parking facilities. Primary credit concerns include the parking system's high debt burden and ongoing capital needs, and the financial impact of recent state funding reductions on FIU's overall finances. Should FIU successfully manage the implementation of the new parking garage project (the project) while at the same time maintain the parking system's strong operating performance and debt service coverage, upward rating movement is possible.

Parking system revenue sources include a mandatory transportation access fee collected from each student at FIU's main Miami campus, parking decal sales, visitor parking, and traffic and towing fines. For fiscal 2009, pledged revenues totaled \$6.5 million and resulted in a healthy 2.16x debt service coverage ratio. However, the parking system's debt burden remains very high, with MADS increasing to approximately \$5.2 million. For fiscal 2010, FIU forecasts parking system MADS coverage of 1.3x, based on pledged revenues of \$6.8 million.

Security and Debt Structure

The series 2009A bonds are on parity with outstanding parking facility revenue bonds and are secured by a pledge of the net revenues of FIU's integral and self-supporting parking system. The series 2009A bonds will have a debt service reserve fund (DSRF) fully funded from bond proceeds. The DSRF for outstanding parking facility revenue bonds will continue to be supported by surety bonds.

FIU covenants to raise rates as needed to pay debt service when due, and for each budget period to allocate, allot, and approve funds from parking system revenues and other available funds to pay pledged revenues. There is also an additional bonds test of 1.2x pro forma MADS coverage.

Rating History

Rating	Action	Outlook/ Watch	Date
A	Affirmed	Stable	10/16/09
A	Affirmed	Stable	4/13/09
A	Affirmed	Stable	5/31/06
A	Assigned	Stable	10/25/02

Subsequent to issuance of the series 2009A bonds, FIU will have approximately \$161 million of debt outstanding (all in fixed-rate mode), including auxiliary revenue bonds (\$136 million), university system revenue bonds (\$22 million), and capital leases (\$2.5 million). Parking facility revenue bonds are included in FIU's auxiliary debt.

Organization

Established in 1972, FIU is a public co-educational university and one of 11 public universities in the State University System of Florida (the system, revenue bonds rated 'AA' by Fitch Ratings). FIU offers more than 190 degrees through 18 colleges and schools. Its main campus is located on 344 acres in Miami, with a second 200-acre campus in Biscayne Bay (northwest Miami-Dade County), and an educational center in Broward County. FIU also has three component units: the FIU Foundation, FIU Research Foundation, and FIU Athletics Finance Corporation, which provide fund-raising and programmatic support to FIU.

Governance and Management

A board of governors operates, regulates, and controls the system. Each university within the system has its own 13-member board of trustees that is responsible for setting the policies of the university. In August 2009, FIU appointed a new president, who most recently held the position of chancellor of the system after having already spent nearly 30 years at FIU. In June 2009, FIU hired a new chief financial officer, who previously served as senior vice president for finance at Florida Atlantic University.

Student Demand

The university's fall 2009 headcount enrollment was 39,751, up 1.5% from fall 2008, and up 13% since fall 2004. For fall 2009, undergraduate full-time equivalents (FTEs) were flat to slightly down, while graduate FTEs continued to grow. Undergraduate FTEs fell slightly due to state efforts to temper FTE growth as a result of state funding reductions. FIU expects undergraduate FTEs to rise again in the spring 2010 semester. The university forecasts FTEs to grow to nearly 34,000 by fall 2014. As per FIU's strategic plan, enrollment growth has been driven largely by graduate programs, to include the college of law (opened 2002) and the college of medicine (opened 2009).

Demand and Enrollment Data

(Fall Semester)

	2005	2006	2007	2008	2009
Applicants (Freshman)	9,123	11,060	12,255	13,528	16,219
Acceptances	4,797	4,735	4,404	4,482	5,329
Acceptance Rate (%)	52.6	42.8	35.9	33.1	32.9
Matriculants	2,718	2,332	2,348	2,113	1,987
Matriculation Rate (%)	56.7	49.3	53.3	47.1	37.3
Headcount					
Undergraduate	31,097	32,093	31,530	31,871	31,441
Graduate	6,327	6,444	7,084	7,275	8,310
Total	37,424	38,537	38,614	39,146	39,751
Full-Time Equivalents	23,310	24,606	24,637	24,552	N.A.
Tuition and Fees Per Credit Hour (\$)					
Undergraduate – Resident	102.08	104.33	109.58	122.88	142.04
Undergraduate – Nonresident	515.38	517.63	522.88	536.18	555.34

N.A. – Not available. Note: Numbers may not add due to rounding.

Parking System Finances

FIU's parking system is a self-supporting auxiliary enterprise and does not receive state operating appropriations. The parking system will have approximately 15,000 vehicle spaces

after the project. Parking system fees are set by FIU's board of trustees. All motor vehicles parked on FIU's campuses must display a parking decal unless parked at a meter. The total number of decals issued to faculty and staff during the 2008–2009 academic year was 3,458, and was in line with those of the previous few years. Students pay a transportation access fee each semester in lieu of purchasing parking decals.

FIU Parking System

(\$000, Audited Fiscal Years Ending June 30)

	Actual					Projected				
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Pledged Revenues	4,755	4,747	5,900	6,145	6,528	6,797	6,811	7,183	7,360	7,353
Maximum Annual Debt Service	3,032	3,032	3,032	3,032	3,032	5,242	5,242	5,242	5,242	5,242
MADS Coverage (x)	1.6	1.6	1.9	2.0	2.2	1.3	1.3	1.4	1.4	1.4

Mandatory transportation access fees are charged to all Miami campus students on a per semester basis. For 2008–2009, the fee was \$77 for the fall and spring semesters (up from \$67 in 2007–2008) and \$70 for the summer term (up from \$61). The fee is anticipated to remain at \$77 for the next five years. For fee increases, management makes a recommendation to FIU's Board, which then must be approved by the system. Fees are generally increased only in advance of a capital project in order to generate pledged revenues sufficient to cover the associated debt service. However, Fitch viewed FIU's ability to raise the fee at any time positively in the rating process.

Operating Margin

FIU's parking system has had a historically strong operating margin, averaging 32.5% over the past five fiscal years. While still strong, the operating margin fell to 24.4% in fiscal 2009 from 36.5% in fiscal 2008 due to the parking system assuming responsibility for maintenance services on its facilities and costs associated with the upcoming project. The increase in traffic and towing revenues over the past three fiscal years was a result of a modified collection policy for overdue fines.

Liquidity

For fiscal 2009, available funds, defined by Fitch as cash and investments that are not permanently restricted, were \$12.9 million (up from \$10.8 million in fiscal 2008). Investments of \$12.1 million are predominantly held in state treasury investment pools. Available funds covered operating expenses (\$8 million) by a solid 160% and pro forma debt (\$57.4 million) by a low 22.5%. Liquidity is limited when compared with debt, a common trait for university auxiliary enterprises, and reflects the parking system's increase in financial leverage, which strains available resources relative to debt.

Debt Burden

With the series 2009A bonds, MADS increases to \$5.2 million from \$3.0 million. The parking system's debt burden is very high with pro forma MADS representing 49.3% of fiscal 2009 operating revenues. However, the high debt burden is offset by the strength of the pledged revenues, which consistently generate solid debt service coverage. For fiscal 2009, pledged revenues of \$6.5 million resulted in pro forma MADS coverage of 1.25x.

University Finances

Operating Margin

FIU generated positive operations for the past three fiscal years, although the operating margin fell to 1.3% in fiscal 2009 from 4.9% in fiscal 2008. The decline was due mostly

to reductions in state funding. FIU maintains solid revenue diversity with state appropriations representing 38% of fiscal 2009 operating revenues. Tuition, fees, and auxiliary revenues and grants and contracts represented the second and third largest revenue sources at 36% and 23%, respectively. The state recently granted FIU, along with the other Florida public universities, the ability to raise tuition higher than was permitted in the past. This provides additional flexibility should FIU need to raise tuition to offset state funding reductions or potential declines in other revenue sources.

Financial Ratios

(Audited Fiscal Years Ended June 30)

	2005	2006	2007	2008	2009
Revenue Diversity Ratios					
Tuition as % of Revenues	22.0	20.7	20.6	19.6	21.3
Tuition Discounting (%)	30.3	29.3	28.1	28.7	28.8
Tuition and Auxiliaries as % of Revenues	32.9	32.5	33.7	33.2	36.0
Grants and Contracts as % of Revenues	22.9	25.3	24.1	23.0	23.0
State Appropriations as % of Revenues	38.1	38.5	38.3	39.9	37.6
Interest and Dividend Income as % of Revenues	0.9	1.0	1.1	1.4	0.9
Operating Performance Ratios					
Operating Margin (%)	(0.1)	(1.2)	6.3	4.9	1.3
Leverage Ratios					
Historical Debt Service Coverage (x)	2.1	3.4	5.4	5.0	3.6
Historical Debt Service as % of Revenues	3.4	2.8	2.5	2.4	2.3
Pro Forma MADS Coverage (x)	1.6	2.4	3.8	3.6	2.5
Pro Forma MADS as % of Revenues	4.3	4.0	3.5	3.3	3.3
Liquidity Ratios					
Available Funds as % of Operating Expenses	21.5	29.2	25.0	31.8	31.0
Available Funds as % of Long-Term Debt	67.3	104.3	97.2	139.4	143.6
Available Funds as % of Pro Forma Debt	61.9	91.6	82.8	112.7	115.0
Available Funds to MADS (x)	5.0	7.4	6.7	9.1	9.3

State Funding

Following several years of increases, state appropriations decreased 5% in fiscal 2009 to \$227 million from \$239 million in fiscal 2008. In preparation for the impending funding reductions, FIU implemented university-wide budget cuts over the prior two years, such as leaving vacant staff positions open and consolidating certain academic programs to eliminate administrative costs. FIU does not anticipate additional reductions for fiscal 2010. Fitch rates the GO debt of the state of Florida 'AA+' with a Negative Rating Outlook.

Liquidity

FIU had available funds of \$185 million in fiscal 2009, covering an adequate 31% of operating expenses, and a solid 115% of pro forma debt. A majority of FIU's investments (\$189 million as of June 30, 2009) are held by the state treasury and follow the state's conservative investment guidelines. The remaining balance is held in various fixed income, equity, and money market funds.

Debt Burden

FIU has a manageable debt burden with MADS of approximately \$20 million representing a low 3.3% of fiscal 2009 operating revenues. FIU benefits from the receipt of state funds for certain capital projects through capital appropriations and state-issued public education capital outlay (PECO) bonds, which enables it to maintain a low debt burden.

Financial Summary

(\$000, Audited Fiscal Years Ended June 30)

	2005	2006	2007	2008	2009
Statement of Operating Activities					
Gross Tuition and Fees	146,182	145,974	162,816	165,013	180,724
Less: Student Aid	44,277	42,735	45,788	47,406	51,968
Net Tuition and Fees	101,905	103,239	117,028	117,607	128,756
Grants and Contracts	106,037	125,833	136,945	137,584	139,073
State Appropriations	176,471	191,481	217,507	239,179	227,082
Sales and Services of Auxiliary Enterprises	50,583	58,725	74,215	81,239	88,511
Sales and Services of Educational Departments	3,274	3,144	3,086	4,028	359
Interest and Dividend Income	4,137	4,963	6,173	8,622	5,608
Other Revenue	20,581	10,590	12,913	11,090	14,116
Total Operating Revenues	462,988	497,975	567,867	599,349	603,505
Instruction	116,506	120,245	123,724	128,828	154,475
Research	67,959	64,559	71,855	68,052	74,208
Auxiliary Enterprises	60,315	69,210	82,730	101,542	78,537
Academic Support	60,589	65,516	71,143	75,585	80,975
Student Services	18,611	18,982	19,710	21,146	22,381
Public Service	6,095	4,020	4,819	6,091	7,796
Institutional Support	60,300	51,778	55,821	60,699	64,838
Operation and Maintenance of Plant	24,522	30,043	33,990	36,058	36,385
Student Aid	15,743	25,277	28,321	29,880	34,112
Depreciation	24,964	47,432	33,497	35,760	36,088
Interest Expense	7,406	6,829	6,524	6,194	6,030
Other Expenses	303	57	45	90	32
Total Operating Expenses	463,313	503,948	532,179	569,925	595,857
Change in Net Assets from Operating Activities	(325)	(5,973)	35,688	29,424	7,648
Non-Operating Activities					
Realized and Unrealized Gain/(Loss) on Investments	410	(2,309)	6,589	(2,388)	(13,247)
Capital Appropriations	50,042	52,730	25,321	21,216	44,618
Capital Grants and Gifts	2,549	2,896	3,155	5,604	7,815
Other Non-Operating Activities, Net	(1,944)	(2,698)	504	(1,311)	(2,102)
Change in Net Assets	50,732	44,646	71,257	52,545	44,732
Change in Net Assets from Operating Activities	(325)	(5,973)	35,688	29,424	7,648
Plus Depreciation	24,964	47,432	33,497	35,760	36,088
Plus Interest Expense	7,406	6,829	6,524	6,194	6,030
Income Available for Debt Service	32,045	48,288	75,709	71,378	49,766
Annual Debt Service	15,553	14,189	14,121	14,292	13,851
Estimated Maximum Annual Debt Service (MADS)	19,862	19,862	19,862	19,862	19,862
Statement of Financial Position					
Cash and Cash Equivalents	3,889	6,430	4,581	263	16,649
Investments	116,165	153,866	172,075	220,586	189,443
Total Cash and Investments	120,054	160,296	176,656	220,849	206,092
Less: Restricted Net Assets	20,535	13,069	43,621	39,723	21,204
Available Funds	99,519	147,227	133,035	181,126	184,888
Land, Buildings, and Equipment, Net	485,115	536,086	579,950	606,229	656,958
Unrestricted Net Assets	78,056	76,885	108,417	140,867	145,647
Investment in Capital Assets, Net of Related Debt	389,661	442,944	452,116	476,111	534,581
Permanently Restricted Net Assets	20,535	13,069	43,621	39,723	21,204
Total Net Assets	488,252	532,898	604,154	656,701	701,432
Total Long-Term Debt	147,878	141,176	136,885	129,937	128,741
Total Pro Forma Debt	160,741	160,741	160,741	160,741	160,741

Note: Numbers may not add due to rounding.

Capital Planning

The new multilevel parking garage will add 2,100 new vehicle spaces (net 1,750 after elimination of 350 existing surface spaces). It is expected to be completed by August 2010. FIU has no additional projects or debt plans for the parking system over the near to intermediate term. However, management advised that as enrollment growth

continues at FIU, there may be a need for additional parking facilities.

On the broader university level, FIU maintains a multiyear capital improvement plan (CIP). The CIP currently calls for about 10 projects for academic, research, and infrastructure facilities at an estimated cost of \$168 million. The projects are expected to be funded through a mix of PECO funds, revenue bonds, auxiliary operations, grants and contracts, and student capital improvement fees.

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Moody's Investors Service

New Issue: MOODY'S ASSIGNS A1 RATING TO FLORIDA INTERNATIONAL UNIVERSITY'S SERIES 2009A PARKING BONDS; OUTLOOK IS STABLE

Global Credit Research - 19 Oct 2009

UNIVERSITY AND AFFILIATED ORGANIZATIONS HAVE \$196 MILLION OF PRO FORMA RATED DEBT

Florida State Board of Governors
Higher Education
FL

Moody's Rating

ISSUE	RATING
Florida International University Parking Facility Revenue Bonds, Series 2009A	A1
Sale Amount	\$32,000,000
Expected Sale Date	10/21/09
Rating Description	Public University Revenue Bonds

Moody's Outlook Stable

Opinion

NEW YORK, Oct 19, 2009 -- Moody's Investors Service has assigned an A1 rating to Florida International University's (FIU) Parking Bonds, Series 2009A to be issued by the Florida Board of Governors. We have also affirmed the A1 rating on the University Series 1995, 1999, and 2002 Parking Facility Revenue Bonds. The rating outlook is stable. Moody's also maintains ratings on the University's Housing Bonds based on bond insurance and on several series of bonds issued by Direct Support Organizations (DSO's) of the University. Please see the RATED DEBT section at the end of this report for a list of all Moody's rated debt related to FIU.

LEGAL SECURITY: Net revenues of the parking system, including mandatory student parking and transportation access fees. Pledged Revenues of \$6.5 million (based on preliminary estimates) provided Debt Service Coverage for the parking system debt of 2.16 times in FY 2009. The bonds are further secured by debt service reserve subaccounts. The subaccount for the Series 2009A Bonds will be cash funded. Prior series reserve requirements were funded by surety bonds from National Public Finance Guarantee Corp, (formerly MBIA of Illinois, whose current financial strength rating is Baa1 with a developing outlook) totaling \$2.4 million and a surety bond from Financial Security Assurance, Inc, (whose current financial strength rating is Aa3 on review for possible downgrade) totaling \$0.7 million. The Resolution does not require any cure based on downgrade of surety provider over the life of the bonds.

State University Improvement Revenue Bonds (secured by a first lien pledge on two mandatory student fees, Capital Improvement Fees and Net Student Building Fees, collected at each of the eleven member institutions of the public university system):

USE OF PROCEEDS: Proceeds will fund a portion of the costs of construction of a seven-level parking garage with approximately 2,100 parking spaces on the main campus of FIU. The project will also include approximately 41,000 square feet of administrative space, a portion of which will only be shell space initially. The total project cost is expected to be \$36.9 million, a portion of which will be funded by the reserves of the Parking System.

INTEREST RATE DERIVATIVES: The University has not entered into any swap agreements. However, three DSO's of the University, the Foundation, Research Foundation, and FIU Athletics Finance Corporation, have entered into swap agreements with three different counterparties in order to hedge the interest rate risk on

their variable rate debt. None of the swap agreements has collateral posting requirements or rating triggers for the DSO's or the University. As of June 30, 2009, the mark-to-market valuation of the swap portfolio was a liability of \$2.4 million for FIU.

STRENGTHS

*Strong student demand and healthy market position for this large, comprehensive, public university with a main campus and several branch campuses located in and around Miami, Florida. In fall 2008, FIU enrolled 24,457 full-time equivalent students, 82% of whom were undergraduate students. Demand for the University's programs has improved over the past several years as the population in the state and demand for public education has grown, with selectivity and matriculation ratios of 33.1% and 47.1%, respectively in fall 2008. FIU offers a wide array of undergraduate and graduate programs, including Colleges of Business, Law, Nursing, Health Sciences, and recently opened a new College of Medicine. FIU aims to grow its graduate student population, while keeping undergraduate enrollment relatively stable.

*Ability to increase resident undergraduate tuition rates by up to 15 percent each year until tuition reaches the national average of \$3,735 per semester (starting in fall 2008 with a 15% increase) as per a bill signed into law by Florida's Governor. Historically, public universities in the State have been very limited in terms of their ability to increase undergraduate tuition, and Moody's views the newly granted flexibility as a significant credit positive for public universities with healthy student demand in the State.

*Positive operating performance over the past three years, with a Moody's adjusted operating margin of 1.7% in FY 2009 (based on draft, unaudited financials), leading to comprehensive debt service coverage of 3.8 times. Prudent budgeting and long-term planning, coupled with expectations of enrollment growth and tuition increases, will likely enable FIU to adjust to declines in state support and other challenges arising from the current economic climate.

CHALLENGES

*Budget pressures at the State level have led to double digit reductions in state operating support during FY 2009. However, federal stimulus support and other programs brought net reductions to the 5% range. This is somewhat counterbalanced by the University's ability to raise tuition from current levels and expectations of enrollment growth, particularly at the graduate level. State operating appropriations accounted for 40.9% of Moody's adjusted operating revenue in FY 2009.

*A portion of near-term capital plans are likely to be financed by additional debt. The University has plans to construct graduate student housing, but will likely not begin to pursue this project until 2010 or 2011.

*Balance sheet has been pressured in FY 2009 as a result of investment volatility. Expendable financial resources fell 16% in FY 2009 to \$182 million, cushioning pro forma debt 0.9 times and operations 0.3 times. In FY 2009 the pooled endowment had a total return of -20.7%. In the first quarter of FY 2010, the return was 10.6%.

MARKET POSITION/COMPETITIVE STRATEGY: STRONG STUDENT DEMAND AIDED BY HEALTHY LOCAL DEMOGRAPHICS AND INVESTMENTS IN ACADEMIC PROGRAMS

Moody's anticipates that FIU's location in a demographically vibrant state will continue to bode well for the University's enrollment and financial health. The large, comprehensive, research University saw full-time equivalent (FTE) enrollment grow 17% over the last five years, reaching 24,552 FTEs in the fall of 2008, 18% of which was at the graduate level. Management reports FTE enrollment is up another 3.6% this fall aided by graduate program demand including that for the new College of Medicine. With campuses in Miami-Dade County and Broward County, FIU serves a large metropolitan area and many part time students. Of total headcount enrollment of 39,146 in the fall of 2008, 84% came from Dade or Broward Counties. The University expects ongoing enrollment growth in the coming years, with some emphasis on increasing graduate ranks as it seeks to enhance its research profile. Demand for the University's programs has improved over the past several years as the population in the state and demand for public education has grown, with selectivity and matriculation ratios of 33.1% and 47.1%, respectively for first-time freshman students in fall 2008.

Despite recent increases tuition remains affordable at FIU, with in-state undergraduates paying \$4,354 in tuition and fees in the current academic year (fall and spring). The Florida Legislature is allowing the state's public universities to increase their tuition rates by up to 15 percent each year until tuition reaches the

national average of \$3,735 per semester.

FIU continues to invest in its sponsored research activity and believes its new College of Medicine will position it to increase awards. Sponsored research awards totaled \$72.6 million in FY 2009. Management expects grant proposals related to federal stimulus funds will boost the amount of sponsored awards in FY 2010 and 2011.

OPERATING PERFORMANCE: SOLID TRACK RECORD IN HEALTHY OPERATIONS EXPECTED TO CONTINUE COMBINED WITH SOLID COVERAGE OF COMPREHENSIVE DEBT SERVICE

Moody's believes FIU will be able to generate positive to breakeven operating results in the near future, providing solid support for comprehensive debt service. Through fiscal year 2009 (based on unaudited FY 2009 information), the University had a three-year average margin of 4.7% as calculated by Moody's. State appropriations accounted for 40.9% of operating revenues in FY 2009 down from 43.5% in FY 2008. Prudent budgeting and long-term planning, coupled with expectations of enrollment growth and tuition increases, will likely enable FIU to adjust to declines in state support and other challenges arising from the current economic climate, including any funding gaps when current federal stimulus funding is scheduled to run out after FY 2011. Of the roughly \$15 million in stimulus funds in the FY 2010 budget, the majority is being used for capital investment or the expenses related to closing certain programs, while only a portion is being used for recurring adjunct faculty-related expenses. Given market demand and more latitude in tuition pricing, we expect student charges will make up a growing portion of revenues as compared to the 41.2% of operating revenue in FY 2009. Grants and contracts contribute to revenue diversity and made up 13.3% of revenues in FY 2009.

Moody's rating on the general obligation of the State of Florida is Aa1 with a negative outlook. Credit strengths include historically conservative budgeting practices, diverse economy with strong tourist and retirement appeal, and a pension system that was fully funded as of July 2008 valuation. Credit challenges include the draw down of General Revenue Fund surpluses during the course of the last three fiscal years with increasing reliance on the use of non-recurring revenues during those years along with a high reliance on economically sensitive sales tax, approximately 80% of fiscal year 2009 general fund revenues to date, creates increased potential for financial volatility. For more information on Moody's State of Florida ratings see our report dated September 30, 2009.

FIU's Parking Facility Revenue Bonds are secured by net income from FIU's parking system, including a mandatory student transportation access fee charged to all students attending in person classes on a per semester basis. This fee, which effectively links the source of debt service payments to FIU's growing enrollment base, is locally controlled by the University's Board of Trustees and can be increased as necessary. Beginning in 2007-2008 academic year, the student parking and transportation access fee was increased from \$58 to \$61 per (fall or spring) semester. This mandatory fee provided approximately 70% of the parking system's gross revenues in fiscal year 2009. Traffic fines and towing revenue grew 98% in FY 2009 to \$2.3 million over the prior year. In fiscal year 2009, estimated pledged revenues of \$6.5 million provided 2.16 times coverage of annual debt service. The University also maintains a maintenance and equipment reserve fund for the parking system with total unrestricted net assets of \$13.5 million as of June 30, 2009, although approximately \$6 million will be expended on the planned parking structure. Projections for net revenue coverage thin with the additional debt to 1.3 times in 2010 and 2011. Given FIU's predominantly commuter population, the parking system is critical to maintaining student satisfaction.

BALANCE SHEET POSITION: SOUND FINANCIAL CUSHION RELATIVE TO MODERATE DEBT; DONOR SUPPORT IS GAINING MOMENTUM; AFFILIATED ORGANIZATIONS HAVE VARIABLE RATE DEBT EXPOSURE

Moody's believes that the University's overall financial position will remain sound. Total financial resources at the end of FY 2009 were \$326 million including direct support organizations. Expendable financial resources fell 16% in FY 2009 to \$182 million, cushioning total pro forma debt of \$211 million by 0.9 times and operations 0.3 times. The University has been able to increase unrestricted reserves held directly by the University through retained operating surpluses and increased gift revenue, with unrestricted financial resources reaching \$146 million at the end of FY 2009 almost triple the \$55 million at the end of FY 2004.

With pro forma direct debt equating to 38% of operating revenues, FIU continues to be a moderate user of debt with multiple funding sources for its capital needs. FIU has \$168 million of capital projects in various stages of planning or construction. Non-auxiliary capital improvement projects will continue to be funded by proceeds from state-issued Public Education Capital Outlay (PECO) bonds and gifts. Debt for auxiliary

system projects is expected to remain manageable with future borrowing plans limited to potential plans to construct additional graduate student housing, but FIU will likely not pursue this project until 2010 or 2011. FIU is in the preliminary planning stages of constructing a central building for the Miami-Dade County Department of Health (DOH) to be located on the main campus that would potentially be financed through one of the University's DSO's based on a lease agreement with the County.

The majority of long term investments are managed by the FIU Foundation. In FY 2009 the pooled endowment had a total return of -20.7%. In the first quarter of FY 2010, the return was 10.6%. As of June 30, 2009, the asset allocation was 50% global equities, 22% fixed income, 20% hedge fund-of-funds, 3% commodities and 2% private equity, and 2% natural resources. Both the University and Foundation have some concentration among managers in their portfolios, with several manager allocations exceeding 5%. The University's (non-foundation) investments totaled \$191 million as of June 30, 2009. The working capital pool was \$84 million, consisting primarily of investments in the State of Florida Special Purpose Investment Account (State Treasury). An additional \$64 million was invested in fixed income securities; \$21 million in hedge funds; and \$22 million in domestic equity composite, international equity composite, and REITs.

We expect to see growth in the University's balance sheet strength aided by fundraising even as the relatively young University seeks to cultivate donors. Total gifts received reached an all time high of \$28.4 million in FY 2008, with \$23 million of that being for endowment scholarships and professorships. FIU is in the early phases of developing an updated strategic plan, a portion of which will identify funding needs likely tied to future comprehensive campaign.

Three of the DSO's associated with the University have a total of \$47 million in variable rate debt outstanding, a portion of which are currently held as bank bonds. The Foundation's Series 1999 bonds are secured by a letter of credit with SunTrust (bank deposit ratings of A2/P-1) that expires on 12/15/09. The Reimbursement Agreement to the letter of credit includes financial covenants requiring the Foundation to maintain 1.0 times debt service coverage during each fiscal year and to maintain the greater of \$2 million or an amount equal to MADS in unencumbered liquid assets. As of FY 2008, the Foundation reported a debt service coverage ratio of 1.9 times and unencumbered liquid assets of over \$11 million. The FIU Athletics Finance Corporation Series 2007 A and B bonds are secured by a letter of credit with Regions Bank (bank deposit ratings of Baa1/P-2) that expires on April 15, 2012. The Reimbursement Agreement to the letter of credit includes a financial covenant requiring the Athletics Finance Corporation to maintain debt service coverage of 1.25 times beginning in FY 2010. Following credit quality decline and downgrade events for the two banks some of the bonds have been put back and not successfully remarketed. FIU is actively working on plans to refund the debt with bank-qualified tax-exempt obligations and a taxable loan at the respective banks. The new agreements with both banks will be shorter than the planned amortization schedule, five years for the SunTrust agreement and eight years for the Regions tax-exempt agreement.

Outlook

The rating outlook is stable reflecting expectations of continued healthy operating results and debt service coverage, student market demand and manageable borrowing plans.

What could change the rating-UP

Continued growth in revenue and enrollment coupled with consistent operating surpluses and growth in financial resources; improvement in fiscal health of the State.

What could change the rating-DOWN

Significant reductions in state support contributing to adverse effects on the University's operations; sustained declines in enrollment leading to deterioration of pledged revenue coverage; and significant increase in debt without corresponding growth of financial resources

KEY INDICATORS (preliminary FY 2009 financial data and fall 2008 enrollment data)

Total Full-Time Equivalent Students (FTE): 24,457 students

Freshman Acceptance Rate: 33.1%

Freshman Matriculation Rate: 47.1%

Total Pro-Forma Direct Debt: \$211 million

Expendable Resources to Pro-Forma Direct Debt: 0.9 times

Expendable Resources to Operations: 0.33 times

Three-year Average Operating Margin: 4.7%

Reliance on Student Charges: 41.2%

Reliance on State Appropriations: 40.9%

State of Florida G.O. rating: Aa1 with a negative outlook

RATED DEBT

University:

Parking Bonds, Series 1995: A1 rating; insured by FSA, whose current financial strength rating is Aa3 on review for possible downgrade

Parking Bonds, Series 1999 and 2002: A1 rating; insured by National Public Finance Guarantee Corp. (formerly MBIA of Illinois), whose current financial strength rating is Baa1 with a developing outlook

Parking Bonds Series 2009A: A1

Housing Bonds, Series 1998, 2000, 2004A: insured by National Public Finance Guarantee Corp. (formerly MBIA of Illinois), whose current financial strength rating is Baa1 with a developing outlook

State University Improvement Revenue Bonds Series 1997A, 2008A: Aa2

State University Improvement Revenue Bonds Series 1998 and 2003A: Aa2 rating; insured by Ambac whose current financial strength rating is Ba3 with a developing outlook

State University Improvement Revenue Bonds Series 2001: insured by FGIC

State University Improvement Revenue Bonds Series 2005A: Aa2 rating; insured by National Public Finance Guarantee Corp. (formerly MBIA of Illinois), whose current financial strength rating is Baa1 with a developing outlook

CONTACTS

University: Kenneth A. Jessell, Ph.D., Senior Vice President and Chief Financial Officer, 305-348-2101

Florida Division of Bond Finance: Carol A. Bagley, 850-488-4782

METHODOLOGY

The principal methodology used in rating Florida International University was Moody's Rating Approach for Public College and Universities, published in November 2006 and available on www.moody.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

The last rating action with respect to Florida International University was on April 24, 2009 when the A1 rating was affirmed.

Analysts

Dennis M. Gephardt
Analyst
Public Finance Group
Moody's Investors Service

Kimberly S. Tuby
Backup Analyst

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653



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October 27, 2009

Florida Board Of Governors Florida International University; Auxiliary - System; Public Coll/Univ - Unlimited Student Fees

Primary Credit Analyst:

Charlene Butterfield, New York (1) 212-438-2741; charlene_butterfield@standardandpoors.com

Secondary Credit Analyst:

Marc Savaria, Boston (1) 617-530-8315; marc_savaria@standardandpoors.com

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Florida Board Of Governors Florida International University; Auxiliary - System; Public Coll/Univ - Unlimited Student Fees

Credit Profile

US\$32. mil parking fac rev bnds (Florida Intl Univ) ser 2009A dtd 11/01/2009 due 10/01/2039

Long Term Rating

A+/Positive

New

Florida St Brd of Ed, Florida

Florida Brd of Ed, Florida

Florida Intl Univ, Florida

Florida St Brd of Ed (Florida International University, Florida Board of Education) Ser 2002

Unenhanced Rating

A+(SPUR)/Positive

Outlook Revised

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services revised its rating outlook on Florida Board of Governors' debt issued for Florida International University (FIU) to positive from stable. At the same time, we assigned our 'A+' long-term rating to the board of governor's \$32.0 million series 2009A parking facility revenue bonds, issued for FIU. In addition, Standard & Poor's affirmed its 'A+' rating on the board's series 2002 parking facility revenue bonds, issued for FIU.

The outlook revision reflects what we consider solid operations, strong demand, and FIU's ability to manage well during this period of state funding reductions.

The 'A+' rating reflects our view of FIU's unlimited student-fee security feature, supported by our opinion of FIU's:

- Status as an overall comprehensive university with strong demand trends and a large student base of 39,751 students for fall 2009;
- Solid support from 'AAA' rated Florida (FIU is ranked fifth in the state hierarchy of funding); and
- History of solid operating surpluses through fiscal 2008, with the \$4.7 million operating deficit for fiscal 2009 reflective of \$36.8 million of investment losses and \$36 million in depreciation expense; and
- Parking system's strong demand.

Offsetting credit factors, in our opinion, include budgetary pressures at the state level, resulting in a 9% reduction in fiscal 2009 support and a 15% recurring general revenue reduction in state operating appropriations to the university for fiscal 2010. Additional state revenue sources comprised add-backs to the general revenue appropriations in fiscals 2009 and 2010, so that the net reduction to FIU's overall state appropriation was 5% in fiscal 2009 and 4% in fiscal 2010. An additional offsetting factor is the university's future capital needs, which total \$146.1 million with funding expected from a mixture of state monies, bond proceeds, auxiliary operations, contracts and grants, and student fees. Many of the projects currently contemplated are on hold or are in the very early planning phases, with specific scope and timing not yet determined.

Standard & Poor's based the 2009 numbers and ratios cited within this report on unaudited statements. Numbers and ratios for all years refer to the entire university, including component units.

Outlook

The positive outlook reflects our view of FIU's continued positive demand and financial trends. We expect the university to manage the sustained reductions in state appropriation well, and that FIU's strong demand will continue during the next one to two years. Standard & Poor's would view fundraising initiatives and balance sheet growth favorably.

The University

Florida International University, established in 1965, opened its doors to 5,667 students six years later in 1972 as a two-year, upper-division school. In 1981, the institution received approval to add a lower division and doctoral programs. Today the university has more than 39,000 students and offers more than 200 bachelors, masters, and doctoral programs in 21 colleges and schools. FIU is one of the 25 largest universities in the nation, based on enrollment. The university has two campuses, the 344-acre Modesto A Maidique campus (formerly known as University Park campus) in western Miami-Dade County, and the 200-acre Biscayne Bay campus in northeast Miami-Dade County. The university also has an academic site in Broward County, 40-acre Engineering Center — a major research facility near the main campus, and the Downtown Center, located in downtown Miami for graduate courses.

Strong Demand Trends

FIU's demand trends are strong in our opinion with a headcount enrollment for fall 2009 of 39,751 students, a 17% increase from fall 2003. Management indicated that it wants to keep the headcount enrollment at about 40,000 students. Freshman applications for fall 2009 totaled 16,219, a 20% increase over the previous year's results, and an impressive 91% increase from fall 2003. Transfer and graduate applications have both increased, with transfer applications for fall 2009 totaling 9,945, a 29% increase from fall 2003, and graduate applicants increasing to 12,302 for fall 2009, or 38% since fall 2003. The freshman acceptance and matriculation rates are in our view solid for a public university at a very selective 33% and a strong 37%, respectively for fall 2009. Student quality has also improved in our opinion with an average SAT score of 1,157 for fall 2009.

Finances: History Of Operating Surpluses But Deficit In 2009

After five fiscal years of what we considered healthy operating surpluses, the university, including the component units, experienced a \$4.7 million operating loss, including \$36.0 million of depreciation expense, and a \$36.8 million sizable investment loss. The operating surplus in fiscal 2008 was healthy in our opinion at \$46.0 million, compared with \$60.6 million in fiscal 2007, though both years included what we considered were sound investment returns. Total net assets increased \$45.7 million, or 6%, to \$861.4 million in fiscal 2009 from the \$815.7 million in fiscal 2008 or an 8% increase from fiscal 2007.

FIU is dependent on state support and receives the fifth-largest appropriation from the state. Appropriations of

\$227.1 million in fiscal 2009 decreased 6% from the fiscal 2008 level of \$239.2 million and accounted for 37% of total adjusted revenues (including state operating appropriations and investment income) in fiscal 2009. The state of Florida (AAA/Negative) traditionally provides strong support to higher education in our opinion, and has committed what we view as significant capital to fund FIU's four-year medical school, which will begin teaching its first class of 43 students in fiscal 2010. Recent economic conditions have resulted in a revenue decline on a statewide basis this past year, and the state has reduced FIU's fiscal 2010 net operations appropriation by 4%. We believe state student tuition increases offset the budget decreases somewhat. In addition, the university's revenue stream is fairly diverse with state appropriations accounting for 37% of total revenues, followed by tuition and fees of 21%, grants and contracts 12%, federal and state financial aid at 18%, and auxiliaries at 15%.

We believe FIU has an adequate balance sheet, with unrestricted net assets including debt service reserve of \$157.7 million, representing 26% of operations and 80% of pro forma debt. According to management, cash and investments of \$324.3 million were down in fiscal 2009 from \$379.6 million in fiscal 2008, due to investment losses, and equated to 53% of operations and 165% of pro forma debt. At fiscal year-end June 30, 2009, the university's endowment, held by the Florida International University Foundation Inc., decreased to \$82.5 million, with a 15% loss from the previous year.

We believe the university's pro forma debt is manageable at \$196.2 million as of June 30, 2009. The pro forma debt burden is low in our view at 2.6% of fiscal 2009 operations. Management reports that the university is contemplating additional capital spending during the next two to three years for potential projects including an office and laboratory building and graduate housing. The university has not yet determined the exact scope, cost, or timing of the projects. Standard & Poor's will evaluate the effect of the capital spending and potential for additional debt at the time of issuance.

Government Related Entities (GREs)

In accordance with our criteria for government-related entities (GREs), we based our view of a "moderate" likelihood of extraordinary government support on our assessment of FIU's "limited" link with state government, given the state's limited legal capacity and ability to provide extraordinary support in a timely manner. However, the provision and availability of higher education and its "important" role is reflected in its history of regular, ongoing operating and capital support and the state's policies governing tuition, debt issuance, and appointing the governing board.

FIU Parking System

The Office of Parking and Transportation, a subdivision of the Office of the Chief Financial Officer and Senior Vice President of Administration, operates the FIU parking system. The parking system is a self-supporting auxiliary operation that does not receive state funding. A student transportation access fee as well as faculty and staff decal sales generate the majority 74% of the parking system revenues. Parking citation fines and visitor parking generate the remaining 26% of revenues. The FIU parking system currently has 13,298 vehicle spaces on its two campuses.

The parking system's financial operations have, in our view, been healthy, with the consistent generation of operating surpluses. The parking system had an operating surplus of \$3.7 million for fiscal 2009 and \$4.4 million in fiscal 2008. The parking system provided ample coverage of debt service at approximately 2.2x in fiscal 2009 and

2.0x in fiscal 2008. The transportation fee for fall 2009 is \$77.00 per student per semester and is included in tuition and fees. Management does not expect this fee to increase for fall 2010. Furthermore, faculty and staff need a parking decal to park on campus.

Debt Derivative Profile: '1.5'

Three subsidiaries of FIU, the Florida International University Foundation, the FIU Athletics Finance Corp., and the FIU Research Foundation have entered into three floating- to fixed-rate swap transactions with SunTrust Bank ('BBB+'), Regions Bank ('A-'), and Union Planters Bank (part of Regions Bank), for a combined notional amount of \$27.5 million. The SunTrust Bank swap, with a notional amount of \$4.9 million, expires in 2015. The Regions Bank swap, which expires in 2033, has a notional amount of \$21.0 million. The Union Planter's swap, with an outstanding notional amount of \$1.5 million, expires in 2010.

Standard & Poor's assigned the swap portfolio a Debt Derivative Profile (DDP) overall score of '1.5', which reflects a very low credit risk at this time.

The overall score reflects our view of FIU's:

- Strong management practices, including a written swap management policy and frequent monitoring of the swaps;
- Low risk of involuntary termination, given the short maturity of two of the three swaps, and lack of rating termination triggers linked to FIU's rating;
- Good economic viability of the swap portfolio over stressful economic cycles; and
- Elevated counterparty risk, as the counterparties' ratings are adequate at 'A-' and 'BBB+'.

Related Research

USP Criteria: "Higher Education," June 19, 2007

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 19, 2009

Subject: Finance & Administration Update

Proposed Committee Action:

None. Discussion Item.

Exhibits/Supporting Documents:

- Finance & Administration Update
 - State Budget Update
 - Budget Variance Analysis – First Quarter 2009
 - Construction Status Report

Facilitator/Presenter:

- Kenneth Jessell
- Liane Martinez

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Finance & Administration Update

STATE BUDGET UPDATE

The Legislative Office of Economic and Demographic Research (EDR) released the State of Florida Long-Range Financial Outlook for Fiscal Year 2010-11 through 2012-13.

General Revenue balance estimate is positive for Fiscal Year 2009-10; revenues will be higher than expenditures and a reserve of \$381 million is expected to be available to roll forward into Fiscal Year 2010-11. General revenue for Fiscal year 2010-11 has been reduced from earlier estimates, but is still showing a positive growth rate of 6.8%. This will mark the end of four consecutive years of revenue declines. Florida economic conditions are expected to improve by late spring of 2010 with months of modest growth before full recovery begins in the spring of 2011. General Revenue collections are expected to grow by an annual rate of 8% in Fiscal Year 2011-12 and 2012-13, but are still not anticipated to exceed the Fiscal Year 2005-06 level.

The outlook figures for State Expenditures include additional expenditures categorized as either “Critical Needs” or “Other High Priority Needs”. Critical Needs are the absolute minimum the state must do. Critical Needs in combination with Other High Priority Needs form a highly conservative continuation budget for the State. For the three years of the outlook, projected general revenue growth will be insufficient to support anticipated spending in Critical Needs and High Priority Needs. In Fiscal year 2010-11 the anticipated expenditures exceed available revenues by \$1 billion for Critical Needs, and when Other High Priority Needs are included, the gap grows to \$2.7 billion. This outlook suggests that corrective action will be required by the State legislature to bring the budget into balance starting in Fiscal Year 2010-11.

	Year To Date September 2009			
	Budget	Current Year Actual	Variance Fav/(Unfav)	
			\$	%
(\$ in millions)				
Revenue / Receipts				
University				
Educational and General (net) ²	99.5	101.8	2.3	2%
University	93.2	95.4	2.3	2%
College of Medicine	6.3	6.0	(0.4)	-6%
State Fiscal Stabilization Fund ⁵	0.0	0.5	0.5	0%
FIU Self-Insurance Program	0.0	0.0	0.0	0%
Auxiliary Enterprises	43.0	44.7	1.7	4%
Sponsored Research	23.0	22.7	(0.3)	-1%
Student Scholarships	35.3	23.3	(12.0)	-34%
Concessions	0.3	0.1	(0.2)	-80%
Intercollegiate Athletics	6.7	6.9	0.2	3%
Activities and Service	4.8	4.9	0.1	2%
Technology Fee	2.4	2.4	0.1	3%
Direct Support Organizations				
FIU Athletic Finance Corp	0.8	0.7	(0.1)	-7%
FIU Research Foundation	0.0	0.0	0.0	0%
FIU Foundation Inc	7.7	3.1	(4.6)	-59%
FIU Health Care Network	0.0	0.0	(0.0)	-92%
Interfund Adjustments ³	(6.4)	(6.4)	0.0	0%
Total Operating Revenues	217.1	204.3	(12.8)	-6%
University Treasury (net)	2.1	11.5	9.4	444%
FIU Foundation Inc	1.2	11.2	10.0	849%
Total Investment Revenues	3.3	22.7	19.4	589%
Total Revenues / Receipts	220.4	226.9	6.6	3%
Expenses				
University				
Educational and General (net)	82.2	70.5	11.7	14%
University	73.2	65.0	8.2	11%
College of Medicine	5.3	3.2	2.1	40%
State Fiscal Stabilization Fund ⁵	3.7	2.3	1.4	38%
FIU Self-Insurance Program	0.0	0.0	0.0	0%
Auxiliary Enterprises	24.6	22.7	1.9	8%
Sponsored Research	21.5	22.4	(0.9)	-4%
Student Scholarships	38.4	44.9	(6.5)	-17%
Concessions	0.1	0.1	0.0	30%
Intercollegiate Athletics	6.1	6.2	(0.1)	-1%
Activities and Service	7.0	6.8	0.2	3%
Technology Fee	1.0	0.0	1.0	100%
Direct Support Organizations				
FIU Athletic Finance Corp	0.2	0.2	0.0	19%
FIU Research Foundation	0.0	0.0	(0.0)	-17%
FIU Foundation Inc	4.6	1.6	3.0	66%
FIU Health Care Network	0.0	0.0	0.0	70%
Interfund Adjustments	(6.4)	(6.4)	0.0	0%
Total Expenses	179.4	169.0	10.4	6%
Principal Payment of Debt ⁴	0.7	0.7	0.0	3%
Change in Net Assets (incl. Investments)	40.3	57.3	17.0	42%
Change in Net Assets (excl. Investments)	37.0	34.6	(2.4)	-6%

Notes:

- ¹ *The financials presented above reflects the state budgeting methodology which differs from full accrual Financial Statements. The following have the most significant impact:*
 - *Depreciation of Assets: For budgeting purposes equipment purchases are fully expensed in their acquisition year, therefore depreciation is not included in the budget.*
 - *Payables: The E&G budget expenses include year end commitments (encumbrances) even though they have not yet been*
 - *Unrealized gains and losses: The investment results are recognized as revenues in the budget however GASB accounting*
- ² *E&G revenues include State Funding and Tuition and are net of waivers, uncollectible amounts and 30% Financial Aid need-based amounts per BOG regulation. The difference between E&G Revenues and Expenses will be funded from prior years carry forward.*
- ³ *Interfund transfers have been included resulting in higher revenue and expenses by fund allowing for an individual fund performance analysis. The interfund adjustments above eliminate this double counting. However, interfund transactions such as tuition funded by scholarships and auxiliary services provided to other units have not been eliminated. Since revenues and expenses are equal, the interfund adjustments are the same for both.*
- ⁴ *Principal payment of debt reflected above per BOG requirement that debt service payments be shown on a cash basis.*
- ⁵ *State Fiscal Stabilization Fund is appropriated as follows: University \$14.2M, College of Medicine \$0.9M*

FACILITIES & CONSTRUCTION (October 2009)

The following is an update of major construction projects:

Projects Completed: None since last report.

Projects Under Construction

- **College of Nursing and Health Sciences (CNHS)** - \$46.9M project cost. On schedule and on budget. Overall project is approximately 90% complete. External structure is 100% complete. Interior finishes are 80% complete. Mechanical systems have been installed and are being tested. Building commissioning is in progress and will be completed by end of November. Furniture installation in progress. Media infrastructure and cabling is complete and equipment is being received. LEED documentation is in progress for certification with the goal of Silver within reach. Move-in date has been set for December 2, 2009.
- **School of International and Public Affairs (SIPA)** - \$22.8M project cost. Notice to Proceed (NTP) was issued to Construction Manager (CM) following successful negotiation of foundation Guaranteed Maximum Price (GMP). Due to the complex building shell, constructability issues that affected the geometry of the building have been resolved. Foundations are being laid and pre-cast panels are ready to enter production. Project target is LEED certified with goal of Silver. Final GMP will include all alternates including LEED certification, exterior entrance canopies, and build-out of floors 3-5 to meet current University organizational structure. Delivery date: October 2010.

Projects Under Design – PECO Approved

- **International Hurricane Research Center (IHRC)** – \$15M Project cost. Conceptual schematic design was approved by President in June 2009. IHRC is currently negotiating with NOAA on revised site location that may also imply a joint project. OSRA is also discussing whether to replace the boundary layer wind tunnel with lab research space. The results of the discussions could potentially result in a major revision of the initial design. CM selection is complete and the recommended firm is C.R. Klewin. Contract negotiations to be completed by mid November. Delivery date: June 2011. Delivery date will be impacted if a site is not chosen. Design on hold until decisions on location and the wind tunnel are made.

- **Science Classroom Complex** - \$50.0M Project cost. Complex will provide specialized science classrooms, lecture halls, breakout rooms facilitating large instructional needs, flexible research space serving multi-disciplinary programs, a vivarium, study rooms for graduate students, faculty offices, and student/faculty gathering spaces promoting collaborative work. A Data Center, Chem-Store, Scientific Receiving and Stock Room areas are also included. Final programming with A/E is in progress and should be ready for final University approval by November 2009. The Construction Manager selection was advertised on October 16th, 2009, with submittals due November 20th. The CM selection will be completed by the end of February 2010. Project Delivery date: July 2012.

Projects in Planning Stage

- **Robert Stempel College of Public Health and Social Work** - This \$64.3M project combines three distinct yet related programs in one facility – the Stempel Complex. General support - infrastructure, utilities, services, circulation, etc. - will be shared for economies of scale. With each project element funded from a different source, the development of the complex is contingent on funding.
 - The \$23.3M PECO funded portion of the project will house faculty/staff offices, research and training labs of the **Robert Stempel College of Public Health and Social Work**. Funding is in place and the program appears solid.
 - The College of Medicine's **Ambulatory Care Center (ACC)**, a \$10.0M Miami-Dade County GOB Funds project, will include Family Medicine/ Primary Care, Sports Medicine, an Imaging Center, and Administrative/Support spaces. It will be open to the general community for diagnosis, treatment and care. Funding is in place and will cover the cost of construction. The \$10.0 MM bond does not cover the equipment required to operate the clinic.
 - The third component of this triad, the **MDCHD (Miami-Dade County Health Department)** component will consolidate the Health Department's administrative, public health units, and limited clinical research labs. It will provide increased opportunities for interagency collaboration between the Department's operations in Miami-Dade and FIU's faculty and students. The goal is to strengthen existing public health laboratory sciences curriculum and facilitate establishment of new collaborations enhancing disease/disorder diagnostic capabilities. DOH and FIU faculty & students will work cooperatively in the DOH laboratory and clinical space. Funding for the DOH element has not been finalized. The DOH element of the project is currently estimated at \$27.3MM. Negotiations continue with DOH on the program, estimated costs, and funding.

- The Architect/Engineer selection process is well underway. The short listed firms will be interviewed by the Committee on November 2, 2009. The Construction Manager Selection process calls for receipt of submittals on October 19th. The schedule anticipates having both the A/E and the CM working under contract mid-January 2010. Project completion is slated for Spring 2012.
- **Student Academic Support Center (SASC)** - \$30.9M project cost. Design funds of \$2.5M were received in FY08-09; \$1.7M in construction funds are appropriated for FY09-10. The final submittal of the program to FIU for approval is anticipated in November 2009. Conceptual design phase will follow programming. The University is assessing the impact of the delay in PECO funding. It appears that the funding delay will push back construction by 3-5 years (i.e. from 2012 to 2015 -2017).
- **U.S. Century Arena** - \$4.5M project cost - CITF. The Student Government Association (SGA) in consultation with Student Affairs and the Provost Office dedicated these CITF funds to create a pre-function space consisting of a grand hall lobby & reception area, rest rooms, and concession areas at the main east entrance. The project will also require significant infrastructure upgrades and site work. The final program has been approved. A/E advertisement will be published in early November 2009.
- **Satellite Chiller Plant** - \$7.1M project cost. Evaluation of campus wide chilled water system has been completed. Objective of study was to assess actual capacity vs. needs for UP campus growth. Current chiller plants with additional equipment will support growth through 2013. Additional development of the Academic Health Sciences Complex (AHSC) will require this satellite chiller plant. Different plant options are being evaluated such as pre-packaged chiller plant and co-generation capability for its efficiency and sustainable aspect. This new plant is intended to meet the requirements past 2012. This project is now in programming, and will then move to A/E competitive solicitation.
- **GC Expansions** - \$700K project cost – CITF. Phase I of this project lays the groundwork for Phase II (Ballroom Expansion). Project will restore and upgrade the existing ballroom acoustical systems, lighting requirements, and hardware of both movable partitions and access doors. This will allow the ballrooms to continue functioning while the expansion studies define future growth. Phase I construction documents have been completed and have been provided to CM for pricing. Pricing to be delivered by end of November. Phase II includes a planning study to be completed by March 2010. The GC Planning Study will respond to current functional requirements laid out by the new 20-year campus master plan.

- **WUC Improvements** - \$1.5M - CITF. BBC-WUC-220: Program and schematic plan for the use of the “old cafeteria and kitchen” have been developed. Guaranteed Maximum Price (GMP) for the decommissioning of existing kitchen equipment is being finalized including demolition of obsolete kitchen and utility infrastructure. A new functional layout is being prepared by A/E. Project is now developing schematic designs, construction budget and schedule.
- **HM Dining & Kitchen Expansion Improvements** - \$2.0M - Auxiliary. Beverage Management Center. Kitchen and Dining Room expansion. Program was completed in September 2009. Construction method and A/E services are being assessed as project might be expedited via Minor Project with CM method and AE ongoing contracts.

Projects Under Construction – Bonded

- **Parking Garage 5/Public Safety/Retail** – Project budget \$40.8M. On schedule & on budget. Phase I GMP for early foundation and pre-cast panel fabrication is 30% complete. Due to bonding delays the project will be split further into Phase II (Additional Pre-Cast Fabrication) and Phase III (Project Construction Balance). This will allow the university to maintain its aggressive completion schedule of August 2010. Phase II Notice to Proceed (NTP) is scheduled for October 26, 2009. Phase III NTP is projected for December 2, 2009 but is contingent on obtaining the bonds. Selection of finishes for the retail “mall” is in process. Schedule is still on target for garage delivery in August 2010. Shelled retail and Public Safety will be delivered early September 2010.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 19, 2009

Subject: University Compliance Report

Proposed Committee Action:

None. Information item.

Exhibits/Supporting Documents:

- University Compliance Report

Facilitator/Presenter:

- Leyda Benitez

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MEMORANDUM

University Compliance Office

To: The Florida International University
Board of Trustees Finance and Audit Committee

From: Leyda Benitez
University Compliance Officer

Subject: University Compliance Program Report

Date: October 22, 2009

The University Compliance Office respectfully submits this report to the Finance and Audit Committee of the Florida International University Board of Trustees on the status of compliance initiatives since the last report dated August 17, 2009.

I. Executive Summary:

Since the last report to this Committee, the University Compliance Officer has been involved in numerous education and training sessions on diverse topics including ethics, identity theft prevention, conflicts of interest in research, and health information privacy under both the Family Educational Rights and Privacy Act, as amended (FERPA), and the Health Insurance Portability and Accountability Act of 1996 and implementing regulations (HIPAA). Education and training modules for HIPAA were completed, with over 100 individuals—faculty, staff and student interns-- receiving training to date.

In addition to education and training, several new initiatives are under way including the formation of a University Web Standards Work Group. This Group will provide recommendations and develop necessary policies and procedures in connection with the University's proper and secure use of social networking sites such as Facebook and Twitter in the conduct of its operations.

Assistance has been provided in connection with recent Human Resources initiatives. Due to its status as a federal contractor, the University is now required to participate in the E-Verify Program to determine the employment eligibility of employees assigned to work on federal contracts. Also, the University Compliance Officer was pleased to provide a broad overview of privacy considerations to the Tender Loving Care Brigade, a University committee who seeks to assist University employees and their immediate family members in a moment of need.

II. Description and current status of institutional compliance initiatives and activities undertaken by, or with the assistance of, the University Compliance Office:

1. Education and Training Opportunities:

- a. Faculty Orientation: The University Compliance Officer provided an introduction to compliance to new faculty members during their orientation on August 19, 2009. The session covered ethics and legal requirements applicable to Florida International University employees, conflicts of interest, gifts, nepotism and basic considerations for data stewardship - - privacy and security of sensitive information created or maintained by the University. Sixty-five faculty members joining the University community were in attendance.
- b. HIPAA Education and Training: Since the last report to this Committee, the University Compliance Officer and the University Health Services Security Officer completed the development of privacy and security training modules for HIPAA. The office is now working closely with the Office of Media and Technology Support, University Technology Services, in order to develop on-line modules that will facilitate additional training for the University community.
- c. Compliance Education and Training: Since the last report, the University Compliance Office has provided a series of education and training sessions on ethics (24 attendees), conflicts of interest in research (27 attendees), identity theft prevention (69 attendees), and privacy and security of health information (104 attendees). In addition, compliance and ethics education continue to be presented to new employees during orientation (81 attendees). A description of the presentation, speakers, intended audience and dates follows:

Education and Training Workshops/Presentations since previous BOT Finance and Audit Committee Report (8/17/09)	Attendees	Date(s)
1. L. Benitez, University Compliance Office, <i>Introduction to Ethics and Compliance Considerations, New Faculty Orientation</i>	Faculty members	August 19, 2009
2. L. Benitez, University Compliance Office and D. Oliva, Office of Sponsored Research Administration Workshop, <i>Conflicts of Interest in Research</i>	Faculty, staff and students	August 19, 2009

3.	L. Benitez, University Compliance Office and D. Assee, University Health Services, <i>HIPAA Train the Trainer</i>	University Health Services Personnel (MMC)	August 24, 2009
4.	L. Benitez, University Compliance Office and D. Assee, University Health Services, <i>HIPAA Ancillary Role Training and Intensive Training</i>	University employees (BBC)	August 26, 2009
5.	L. Benitez, University Compliance Office and D. Assee, University Health Services, <i>HIPAA Intensive Training</i>	University Health Services (MMC)	August 27, 2009
6.	L. Benitez, University Compliance Office and D. Assee, University Health Services, <i>HIPAA/FERPA Training</i>	University Health Services (MMC)	August 31, 2009
7.	L. Benitez, University Compliance Office and D. Assee, University Health Services, <i>HIPAA/FERPA Training</i>	University College of Medicine Faculty Group Practice/ Health Care Network/Staff	August 31, 2009
8.	L. Benitez, University Compliance Office and D. Assee, University Health Services, <i>HIPAA/FERPA Training</i>	University College of Medicine Faculty Group Practice/Health Care Network/Staff	September 1, 2009
9.	L. Benitez, University Compliance Office, <i>Tender Loving Care Brigade Kick Off – Privacy Considerations</i>	Human Resources Personnel and Tender Loving Care Brigade Members	September 30, 2009
10.	L. Benitez, University Compliance Office and I. Carbajal de Garcia, Office of the General Counsel, <i>Ethics and Awareness of FIU's Code of Conduct</i>	Applied Research Center, Faculty, Staff and Graduate Students	October 2, 2009
11.	L. Benitez, University Compliance Office and D. Oliva, Office of Sponsored Research Administration, <i>Conflicts of Interest in Research</i>	Applied Research Center, Faculty, Staff and Graduate Students	October 2, 2009

12.	L. Benitez, University Compliance Office and C. Granto, IT Security Office, <i>Preventing Identity Theft 101</i>	Division of Student Affairs Staff, Graham Center Personnel and Vendors	October 9, 2009
13.	L. Benitez, University Compliance Office and D. Assee, University Health Services, <i>HIPAA/FERPA Training</i>	University Health Services and College of Medicine Faculty Group Practice/Health Care Network/Staff	October 21, 2009
14.	L. Benitez, University Compliance Office, <i>Florida International University, Compliance 101, New Employee Experience (NEE)</i>	All New University Employees	August 17, 31 September 8, 21 October 5, 19

2. E-Verify Program: As a federal contractor, the University must ensure that it verifies the eligibility for employment of certain employees through a database maintained by the U.S. Department of Homeland Security. The University Compliance Officer has participated in three virtual seminars, the last of which was held on September 15, 2009. A work group comprised of representatives from Academic Affairs, Human Resources, Research, General Counsel and University Compliance has met in order to ensure that the University takes the appropriate and necessary steps to comply with these new federal requirements. A time line was developed to create the necessary procedures, and to disseminate the information to the various human resources liaisons throughout the University.
3. H1N1 Special Assignment Group: Designated as a Special Assignment Group by, and within the Emergency Management Core Group, this task force has met on several occasions to discuss the University's response to the H1N1 virus, in the event it becomes a pandemic at the University. Matters discussed include, without limitation, the University's role as a point of distribution for the vaccine, how to address absences by faculty, staff and students due to the illness, communicating with the University community, and housing considerations for our students. The Group is co-chaired by the Assistant Director of Emergency Management Dorothy Miller and Interim Director of University Health Services Oscar Loynaz.
4. Environmental Health and Safety (EHS): At the request of representatives from EHS, the University Compliance Officer has provided guidance and assistance in connection with various matters including, without limitation, a notice of violation in connection with water discharge standards, noise complaints, improper disposal of EXIT sign containing Tritium, and controlled substances procedures. Assistance is provided as requested, with the goal of ensuring that all University health and safety programs continue without interruption.

5. Web Standards: A work group consisting of representatives from Academic Affairs, Information Technology, External Affairs and Media Relations, General Counsel and University Compliance will be responsible for developing recommendations, policies and guidelines for the University's use of its web site and new social networking media such as Facebook and Twitter. Representatives from the work group have participated in at least two conferences—one virtual, entitled *Facebook, Twitter & Compliance: What This Means For Your Company*, sponsored by the Society of Corporate Compliance and Ethics on October 13, 2009, and one entitled *Ethics and the Media*, sponsored by the Miami-Dade Commission on Ethics and Public Trust and the University of Miami on October 16, 2009. The group will be assessing security safeguards that must be adhered to when using social networking sites in connection with University activities and the impact of Florida's public records laws.
6. Compliance with the Higher Education Opportunity Act: The Office of the General Counsel sponsored a virtual seminar entitled *Key Compliance Obligations Under the Proposed Regulations*, offered by the National Association of College and University Attorneys on September 24, 2009. The seminar addressed the new proposed regulations under the Higher Education Opportunity Act and the areas that these proposed regulations impact at the University. Representatives from diverse areas were in attendance including Public Safety, Judicial Affairs, Environmental Health and Safety, Housing, Financial Aid and Registrar's. The University through its representatives is in the process of studying the proposed regulations and determining areas that will need to be addressed with new policies or processes.
7. Academic Affairs Policies and Procedures: The process of transitioning Academic Affairs policies and procedures to the University Policies and Procedures Library is ongoing. The estimated completion date for the transition of all Academic Affairs policies currently under review was originally projected as September 30, 2009, and is now revised to November 30, 2009. The University Compliance Office continues to work in close collaboration with the Office of the Provost throughout this transition process.
8. Summer Camps/Programs Involving Minors: This project is ongoing, with programs or activities currently being reviewed on a case-by-case basis by the work group. A final recommendation needs to be reached regarding where ultimate responsibility for approval of these activities will rest.
9. E-commerce and Payment Card Industry Data Security Standard (PCI DSS): A work group led by the University Controller and the University Information Technology Security Officer met on several occasions in order to develop a University-wide e-commerce and PCI DSS policy. A draft policy is undergoing review and will be provided to senior leadership for review and approval. A time line for completion of all steps in developing a framework for institutional

compliance with PCI DSS has been developed by the work group, with an estimated completion date for this initiative as of the end of the current fiscal year.

10. Management Representation Letter(s) Sub-Certification Policy: At the request of the Controller's Office and the University General Counsel, the University Compliance Officer reviewed a draft Management Representation Letter(s) Sub-Certification Policy and provided comments and proposed revisions to the University Controller. This policy sets forth the internal review process that leads to the actual certification of the management representation letter by the President and the Chief Financial Officer. The policy is currently under revision and review.
11. Ethics and Compliance Reporting Helpline: At its last meeting, this Committee requested that the University provide an update regarding this specific initiative. Since the last meeting, the University Compliance Officer has discussed this initiative with Internal Audit Director Mr. Allen Vann and with senior leadership. At the request of Senior Vice President of Finance and Administration and Chief Financial Officer Kenneth Jessell, a Fraud Prevention, Mitigation and Detection Policy has been drafted for the University and is currently undergoing review. The next steps are to present both the proposed policy and the ethics and compliance helpline, to be offered through EthicsPoint, to the Operations Committee for final approval on Monday, October 26, 2009. The helpline is ready to be launched following final approval.
12. University Policies and Procedures Library: The University Compliance Office continues with the project to transition all University policies and procedures into a new template. Since the last report to this Committee, policies and procedures for the following areas have been transitioned: Academic Affairs (UFF), Board of Trustees, Environmental Health and Safety, Finance & Administration, University Graduate School, Information Technology, Office of the General Counsel and Office of the President. The estimated completion date for this initiative is the end of the calendar year.

I respectfully submit this report to the Finance and Audit Committee of the Florida International University Board of Trustees in anticipation of the meeting scheduled to take place on November 19, 2009. As always, I welcome your questions, comments and concerns.

Thank you for your kind attention and consideration.

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