



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

Friday, February 5, 2010
9:00 am
Listen-only Dial-in# 1-800-708-1695

Membership

Albert Maury, *Chair*
Miriam López, *Vice Chair*
Thomas Breslin
R. Kirk Landon
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. **FIU Direct Support Organizations Financial Audits, 2008-2009** Kenneth Jessell
 - A. FIU Foundation, Inc.
 - B. FIU Research Foundation, Inc.
 - C. FIU Athletics Finance Corporation
5. **Discussion Items** (*No action required-for discussion only*)
 - 5.1 **Foundation Report** Noel Guillama-Alvarez
 - 5.2 **Office of Internal Audit Status Report** Allen Vann
 - Office of Internal Audit Policy & Charter
 - 5.3 **Sponsored Research** Andres Gil

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

5.4 Finance & Administration Update

Kenneth Jessell

- Budget Variance Analysis – Second Quarter 2009
- State Budget Update
- Construction Status Report
- Auxiliary Enterprises

6. Reports *(For Information Only)*

6.1 University Compliance Report

Leyda Benitez

6.2 Treasury Report

Tony Vu

6.3 Environmental – Regulatory & Compliance

William Youngblut

6.4 Athletics Update

Pete Garcia

7. New Business *(If Any)*

Albert Maury

8. Concluding Remarks and Adjournment

Albert Maury

Conference Call information:

- Please call (800) 708-1695, promptly at 9:00 am on Friday, February 5, 2010.
- If you are disconnected, please redial the conference call number.
- If you have any problems with the above, contact the BOT office at 305.348.6495

Next Finance and Audit Committee Meeting is scheduled for May 20, 2010

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

February 5, 2010

Subject: Finance and Audit Committee Meeting Minutes, November 19, 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 November 19, 2009, attached to this Resolution as Exhibit "FA-Minutes," are hereby approved.

Exhibits/Supporting Documents:

- EXHIBIT "FA-MINUTES": November 19, 2009 Finance and Audit Committee meeting minutes.

Facilitator/Presenter:

- Committee Chair Albert Maury

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**FINANCE AND AUDIT COMMITTEE
MINUTES
NOVEMBER 19, 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 Thursday, November 19, 2009, in Modesto A. Maidique Campus, The Patricia & Phillip Frost Art Museum, Room 107, Miami, Florida.

The following attendance was recorded:

Present

Albert Maury, *Chair*
Thomas Breslin
S. Lawrence Kahn
R. Kirk Landon

Excused

Betsy Atkins
Miriam López

Chairman Albert E. Dotson, Sr. and Trustee Anthony Rionda were also in attendance.

Committee Chair Maury welcomed Trustees and staff to The Patricia and Phillip Frost Art Museum. He also welcomed Chairman Albert E. Dotson, Sr. and Trustee Anthony Rionda to the meeting.

On behalf of the Committee, Chair Maury thanked Trustee R. Kirk Landon for his guidance and leadership. He recognized Trustee Landon for his service as Chair of the Finance and Audit Committee as well as his continued support of the University.

Committee Chair Maury announced that the Presidential Salute program was designed to recognize employees who were providing quality service to the University. He noted that this program provided a venue to honor employees who were delivering service excellence in their respective roles to students and to internal and external constituents as well. He recognized Frances Rodriguez, Elizabeth Greb, David Rice, Stephanie Miller and Milagros Garcia, further noting that each employee demonstrated exemplary service to the University. He added that in addition to the recognition, employees would be provided with passes to a University event.

2. Approval of Minutes

Committee Chair Albert Maury asked if there were any additions or corrections to the minutes of the September 8, 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 September 8, 2009, and attached to this Resolution as Exhibit "FA-Minutes," are hereby approved.

3. Follow-up Items from Previous Meetings

Vice President for Research Andres Gil provided an update on the Committee's request for better communicating and promoting the research activities that the University is engaged in. He noted that awards are posted on the Office of Research website. Additionally, he noted that the Division of Academic Affairs periodically publishes an electronic newsletter, which highlights faculty accomplishments and discoveries. He further noted that another source of information regarding FIU research activities was the FIU Expert Sourcebook, which contains a searchable database of more than 1,200 faculty and staff members.

Sr. Vice President for External Relations Sandy Gonzalez-Levy noted that a collaborative effort was in progress to develop an annual report to disseminate the University's research activities to a larger target audience that extended beyond the University community. Committee Chair Maury requested that the University administration analyze the viability of acquiring 30 second spots during televised sporting events as this would acquaint the viewing audience to FIU. VP Gonzalez-Levy further noted that the division of External Relations concluded the launch of the University calendar and was currently in the process of revamping the University's webpage. Committee Chair Maury requested an update on the progress of the University's webpage at the next regularly scheduled Committee meeting.

CFO & Sr. Vice President for Administration Kenneth Jessell provided an update on the implementation of the University's fraud reporting line. He noted that the University's EthicsPoint hotline will allow members of the University Community to raise concerns without having to disclose their name or department. He further noted that the information on how to file a report would be widely disseminated to the University community via email, announcements on the FIU homepage as well as in the biweekly pay statements.

CFO Jessell also provided an update on the Refunding of FIU Athletics Finance Corporation's \$35 Million in Outstanding Bonds, noting significant progress as was evident in the Miami-Dade County Commission hearing earlier in the month. He further noted that the refinancing of the outstanding bonds should be finalized in December 2009.

4. Action Items

FA1. Approval of Request to Restructure/Refinance the FIU Foundation, Inc. Loan Associated with the Financing and Construction of the MARC Building

CFO Jessell presented the Approval of Request to Restructure/Refinance the FIU Foundation, Inc. Loan Associated with the Financing and Construction of the MARC Building for Committee review, noting that the current loan provider would not be in a position to renew the current Letter of Credit once it expires on December 15, 2009. Therefore, he further noted, that in an effort to identify the most competitive financing terms for the Foundation, the University administration was currently obtaining additional proposals from other financial institutions. He stated that the final selection would be made based on the best interest of the Foundation and University, provided that, at a minimum, the selected financial institution met or exceeded the terms specified in the current SunTrust Commitment Letter.

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

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.

Discussion Items

5.1 Foundation Report

In the absence of FIU Foundation, Inc. Board of Directors Treasurer Noel Guillama-Alvarez, Vice President for University Advancement Robert Conrad presented the Foundation Report. VP Conrad provided an update on the Foundation's finances, investments performance and fundraising efforts. He noted that a delay persisted in state matching programs with the exception of the First Generation Scholarship program, which continued to match dollar for dollar.

5.2 Office of Internal Audit Report

Director of Internal Audit Allen Vann presented the Internal Audit Report, providing updates on ongoing audits. He also provided a summary on the results of the Quality Self-Assessment of The Office of Internal Audit (OIA), noting that the quality self assessment was conducted in accordance with the Institute of Internal Auditors (IIA) most current quality assessment guidelines. He reported that the self assessment results concluded that the Office "Generally Complies" with the standards. He noted that the results reflected that the relevant structures, policies, and procedures for 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.

5.3 Treasury Report

University Treasury Manager Tony Vu presented the Treasury Report, providing a summary of the University Investment Committee meeting which took place earlier in November. He provided an update on benchmarks and overall portfolio performance.

5.4 Bond Financing Update

CFO & Sr. VP Jessell presented the Bond Financing Update, noting that Fitch, Moody's and Standard & Poor's issued "A" ratings to the University Parking Facility Revenue Bonds, Series 2009A. He further noted that the "A" rating on the University's parking system bonds reflected the strength of the revenues pledged, which included mandatory student transportation fees as well as solid debt service coverage generated by the parking system.

5.5 Finance & Administration Update

CFO Jessell presented the Finance & Administration Update, providing updates on the State budget as well as the status of the major construction projects. Assoc. VP of Business and Finance Liane Martinez provided the budget variance analysis for the first quarter.

6. Report

Committee Chair Maury requested that the University Compliance Report be accepted as written. There were no objections.

7. New Business

Committee Chair Maury noted that, as stipulated in the Charter of the Finance and Audit Committee, the University administration was excused from the conversation with the Office of Internal Audit. He announced that it was not obligatory for members of the public to exit the meeting, noting that it was acceptable for anyone to remain present for the discussion. Internal Audit Director Allen Vann reported to the Committee and answered questions on topics including the use and processes involved with the University's commodity card, recommendations pertaining to the Quality Self-Assessment Report and departmental budget concerns.

8. Concluding Remarks and Adjournment

With no other business, Committee Chair Albert Maury adjourned the meeting at 10:22 am.

<i>Trustee Requests</i>	<i>Follow-up</i>	<i>Completion Date</i>
1. <i>Committee Chair Albert Maury requested that the University administration analyze the viability of acquiring 30 second spots during televised sporting events as this would acquaint the viewing audience to FIU.</i>	<i>Sr. VP for External Relations Sandy Gonzalez-Levy</i>	<i>Spring Committee meeting 2010</i>
2. <i>Committee Chair Maury requested an update on the launch of the new University website.</i>	<i>Sr. VP Sandy Gonzalez-Levy</i>	<i>Spring Committee Meeting 2010</i>

Exhibit "FA-Minutes"

FIU Board of Trustees
Finance and Audit Committee
Minutes
November 19, 2009
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<i>3. Committee Chair Maury requested definitions of frequently used terms within the University community such as PELL, FAFSA, FSAG and alike for the next regularly scheduled Committee meeting.</i>	<i>Provost & Executive VP Douglas Wartzok</i>	<i>Spring Committee meeting 2010</i>
<i>4. Committee Chair Maury requested an update on Accounts Receivable at the next regularly scheduled Committee meeting.</i>	<i>CFO & Sr. VP Kenneth Jessell</i>	<i>Spring Committee meeting 2010</i>

Exhibits attached: "FA-Minutes," & "G"

*MB
12.9.09*

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

February 5, 2010

Subject: Florida International University Foundation, Inc. Financial Audit, 2008-2009

Proposed Committee Action:

Recommend Board adoption of the following Resolution:

WHEREAS, pursuant to Regulation FIU-1502 (2)(f), the Florida International University Foundation, Inc. (FIU Foundation, Inc.) must submit an independently conducted financial audit of its accounts and records, which has been approved by its governing board and recommended by the University President to the Florida International University Board of Trustees (the BOT) for review and approval; and

WHEREAS, the FIU Foundation, Inc. Financial Audit for 2008-2009, attached hereto as Exhibit "A," has been submitted and approved by the FIU Foundation, Inc. Board of Directors on January 27, 2010, and the University President is recommending its approval;

THEREFORE, BE IT RESOLVED that the BOT hereby approves the attached FIU Foundation, Inc. Financial Audit for 2008-2009 and authorizes the Executive Director of the FIU Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

BACKGROUND INFORMATION:

LEGAL AUTHORITY:

Regulation FIU-1502 (2)(f), states in relevant part:

(2)(f) Have a financial audit of its accounts and records to be conducted by an independent certified public accountant after the close of each fiscal year.

ARTICLE 3 Section 2 of the Florida International University Foundation Bylaws, states in relevant part:

(iii) It shall cause an audit to be made by an independent certified public accountant of the books of the Foundation as soon as possible after the close of the fiscal year of the Foundation, and to have the results reported to the Executive Director of the Foundation immediately, and to the full Board at their next meeting thereafter.

Exhibits/Supporting Documents:

- Exhibit "A": Florida International University Foundation, Inc. Financial Audit 2008-2009

Facilitator/Presenter:

- Kenneth Jessell

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**FLORIDA INTERNATIONAL UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARY**
(A Direct Support Organization)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors and the Finance and Audit Committee
Florida International University Foundation Inc. and Subsidiary
Miami, Florida

We have audited the accompanying consolidated statements of financial position of Florida International University Foundation, Inc. and Subsidiary (the Foundation), a direct support organization and a component unit of Florida International University, as of June 30, 2009 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the 2008 consolidated financial statements which were audited by Rachlin LLP who merged into and became MarcumRachlin, a division of Marcum LLP and, in Rachlin LLP's report dated November 3, 2008, they expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation and its subsidiary as of June 30, 2009, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2010 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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MARCUMGROUP
MEMBER

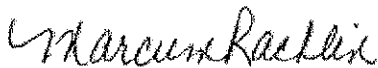
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Members of the Board of Directors and the Finance and Audit Committee
Florida International University Foundation Inc. and Subsidiary
Page Two

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Schedules I through III is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on them.



a division of Marcum LLP
Miami, Florida
January 20, 2010

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)

	<u>ASSETS</u>	<u>Totals</u>	
		<u>2009</u>	<u>2008</u>
Assets:			
Cash and cash equivalents		\$ 5,075,811	\$ 11,161,073
Investments		101,018,413	120,718,279
Contributions receivable, net		54,103,832	27,079,049
Wolfsonian fixed assets, net		-	774,000
Foundation fixed assets, net		11,100,703	11,182,610
Bond issuance costs, net		102,972	110,998
Due from Florida International University		-	262,206
Other assets		533,835	519,150
Total assets		<u>\$ 171,935,566</u>	<u>\$ 171,807,365</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Accounts payable and other liabilities		\$ 205,868	\$ 168,797
Annuities payable		282,106	317,137
Deferred revenue		230,062	675,507
Derivative liability		614,928	466,543
Notes payable		9,260,000	9,780,000
Total liabilities		<u>10,592,964</u>	<u>11,407,984</u>
Net Assets:			
Unrestricted		14,642,835	26,583,862
Temporarily restricted		4,128,312	23,585,449
Permanently restricted		142,571,455	110,230,070
Total net assets		<u>161,342,602</u>	<u>160,399,381</u>
Total liabilities and net assets		<u>\$ 171,935,566</u>	<u>\$ 171,807,365</u>

See notes to consolidated financial statements.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2009	Totals 2008
Revenue, Gains and Other Support:					
Contributions	\$ 2,787,589	\$ 6,604,113	\$ 33,603,394	\$ 42,995,096	\$ 28,396,318
Wolfsonian grant revenue	-	-	-	-	20,974
Royalty income	842,066	31,138	-	873,204	241,303
Rental income	1,082,914	-	-	1,082,914	1,119,648
Dues	691,857	15,000	78,992	785,849	680,447
Net investment income (loss)	(2,259,504)	(7,356,867)	-	(9,616,371)	3,643,944
Unrealized derivative loss	(148,385)	-	-	(148,385)	(180,356)
Net unrealized investment losses	(4,306,106)	(14,067,242)	-	(18,373,348)	(9,103,546)
Administrative fees	117,671	-	-	117,671	-
Other	385,100	-	-	385,100	60,314
Net assets released from restrictions	5,033,637	(4,606,637)	(427,000)	-	-
Total revenue, gains and other support	4,226,839	(19,380,495)	33,255,386	18,101,730	24,879,046
Expenses:					
Program services	11,147,964	-	-	11,147,964	10,844,535
General and administrative	4,375,080	-	-	4,375,080	2,444,721
Fund raising	632,321	-	-	632,321	824,210
Total expenses	16,155,366	-	-	16,155,366	14,113,466
Change in Net Assets Before Provision for Uncollectible Pledges	(11,928,527)	(19,380,495)	33,255,386	1,946,364	10,765,580
Provision for Uncollectible Pledges	(12,500)	(76,642)	(914,001)	(1,003,143)	(1,001,414)
Change in Net Assets	(11,941,027)	(19,457,137)	32,341,385	943,221	9,764,166
Net Assets, Beginning	26,583,862	23,585,449	110,230,070	160,399,381	150,635,215
Net Assets, Ending	\$ 14,642,835	\$ 4,128,312	\$ 142,571,455	\$ 161,342,602	\$ 160,399,381

See notes to consolidated financial statements.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	Program Services	General and Administrative	Fund Raising	Totals 2009	Totals 2008
College of Business Administration	\$ 1,606,237	\$ -	\$ -	\$ 1,606,237	\$ 1,132,299
University Support	-	1,524,807	-	1,524,807	325,776
Contribution to University Building Program	1,448,599	-	-	1,448,599	2,020,999
College of Arts and Sciences	1,069,843	-	-	1,069,843	333,000
Athletics Fund - Golden Panthers	914,251	-	-	914,251	1,237,391
College of Engineering and Computing	912,162	-	-	912,162	813,591
Wolfsonian expenses	22,314	766,854	-	789,168	20,974
University Wide Scholarships and Programs	739,992	-	-	739,992	713,748
Wolfsonian Museum	649,542	-	-	649,542	429,733
FIU Art Museum	438,854	-	-	438,854	254,852
College of Nursing and Health Sciences	434,853	-	-	434,853	595,317
Medical School	430,379	-	-	430,379	141,233
School of Hospitality Management	429,745	-	-	429,745	736,160
College of Education	382,448	-	-	382,448	342,413
President's compensation	-	346,256	-	346,256	344,962
Depreciation and amortization	-	342,183	-	342,183	343,037
Interest	-	339,263	-	339,263	399,820
Utilities and Maintenance	-	316,164	-	316,164	355,132
Academic Affairs	300,588	-	-	300,588	819,603
FIU Alumni Association	266,309	-	-	266,309	193,699
College of Architecture & the Arts	261,134	-	-	261,134	241,148
Lobbying	-	261,071	-	261,071	194,722
Advancement operations	-	-	259,945	259,945	349,077
Marketing fees	-	-	223,961	223,961	250,000
License plates	197,500	-	-	197,500	16,860
School of Journalism	152,983	-	-	152,983	65,193
Capital campaign	-	-	148,415	148,415	225,133
College of Law	145,600	-	-	145,600	138,080
Professional fees	-	131,187	-	131,187	93,596
Business office operations	-	130,488	-	130,488	128,389
Faculty Research Awards	100,000	-	-	100,000	150,000
Stemple School of Public Health	90,747	-	-	90,747	147,140
Insurance	-	50,787	-	50,787	54,437
President's allowance	-	49,243	-	49,243	90,062
Florida Board of Governor's Assessment	-	46,291	-	46,291	39,091
President's Office	40,211	-	-	40,211	40,102
FIU Libraries	36,242	-	-	36,242	49,254
Student Affairs	32,941	-	-	32,941	145,720
Bank and investment fees	-	32,717	-	32,717	26,993
Honors College	25,770	-	-	25,770	36,105
FIU Vice President's allowance	-	24,367	-	24,367	23,987
Remarketing fees	-	10,478	-	10,478	10,383
College of Social Work, Justice & Public Affairs	9,638	-	-	9,638	9,805
Human Resources	8,932	-	-	8,932	20,116
Other miscellaneous expense	-	2,924	-	2,924	14,334
Office of Sponsored Research	150	-	-	150	-
Total expenses	<u>\$ 11,147,964</u>	<u>\$ 4,375,080</u>	<u>\$ 632,321</u>	<u>\$ 16,155,366</u>	<u>\$ 14,113,466</u>

See notes to consolidated financial statements.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in net assets before provision for uncollectible pledges	\$ 1,946,364	\$ 10,765,580
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	350,209	343,037
Loss on disposal of assets	758,828	-
Provision for uncollectible pledges	(1,003,143)	(1,001,414)
Net unrealized investment losses	18,373,348	9,103,546
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(27,024,783)	(7,933,591)
Other assets	(14,685)	(90,898)
Due from FIU	262,206	(262,206)
Increase (decrease) in:		
Accounts payable and other liabilities	37,071	(33,930)
Annuities payable	(35,031)	(13,761)
Deferred revenue	(445,445)	147,373
Derivative liability	148,385	180,356
Unrestricted investment income (loss)	<u>(2,259,504)</u>	<u>3,630,302</u>
Net cash provided (used) by operating activities	<u>(8,906,180)</u>	<u>14,834,394</u>
Cash Flows from Investing Activities:		
Net purchases/sales of investments	10,942,889	(20,712,206)
Purchases of fixed assets	<u>(245,104)</u>	<u>-</u>
Net cash provided (used) by investing activities:	<u>10,697,785</u>	<u>(20,712,206)</u>
Cash Flows from Financing Activities:		
Principal repayments	(520,000)	(495,000)
Interest and dividends restricted for reinvestment	<u>(7,356,867)</u>	<u>13,642</u>
Net cash used for financing activities	<u>(7,876,867)</u>	<u>(481,358)</u>
Net Decrease in Cash and Cash Equivalents	(6,085,262)	(6,359,170)
Cash and Cash Equivalents, Beginning	<u>11,161,073</u>	<u>17,520,243</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,075,811</u>	<u>\$ 11,161,073</u>

See notes to consolidated financial statements.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Florida International University Foundation, Inc. (the Foundation or the Organization), a direct support organization and a component unit of Florida International University, is organized to encourage, solicit, receive and administer gifts and bequests of property and funds for the advancement of Florida International University (the University) and its objectives. The Foundation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

The Wolfsonian, Inc. was established in 1986 to create and operate a museum and research center in Miami Beach, Florida, and to support a comprehensive program focused on the collection, exhibition, interpretation, preservation, research and publication of the decorative, design and architectural arts. The Wolfsonian, Inc. has been loaned The Mitchell Wolfson, Jr. Collection of nearly 27,000 objects of art and rare books dating from the late nineteenth to the mid-twentieth century. It encompasses furniture, sculptures, paintings, books, graphics and other works of art on paper, as well as archives relating to the period. Through a series of academic study and fellowship programs, national and international traveling exhibitions, and scholarly initiatives, the Wolfsonian, Inc. promotes public education and awareness of the social, historical, technological, political, economic, and artistic material culture of Europe and America in the 1885-1945 period.

As more fully explained in Note 2, the Foundation was party to the gift agreement (the Agreement) on July 1, 1997 with the Wolfsonian, Inc., whereby the Wolfsonian, Inc. agreed to amend its articles of incorporation and bylaws with the intent of transferring control of the Wolfsonian, Inc., all of its assets, interest, and obligations, to the Foundation.

Principles of Consolidation

The consolidated financial statements of the Foundation and its subsidiary for the year ended June 30, 2009, include the accounts of the Foundation and the Wolfsonian, Inc. based on the Foundation's controlling economic interest in the Wolfsonian, Inc. The Foundation's controlling economic interest in the Wolfsonian, Inc. was the result of the gift agreement between the two entities, which became effective on March 26, 1998 (see Note 2).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Statement (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Assets are presented according to their nearness of conversion to cash. Liabilities are presented according to the nearness of their maturity and resulting use of cash.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Unrestricted

Net assets which are free of donor-imposed restrictions; all revenue, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets are classified as unrestricted.

Temporarily Restricted

Net assets whose use is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.

Permanently Restricted

Net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008 from which the summarized information was derived.

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of contributions receivable. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law. Restricted gains and investment income, where the restrictions are met in the same reporting period as the income is earned, are recorded as unrestricted support. Total net unrealized investment losses and net investment income for the year ended June 30, 2009 totaled (\$27,989,719), of which, (\$20,727,905) were applied to individual endowments. The total net unrealized investment gains and losses and investment income or loss for the year ended June 30, 2008 amounted to (\$5,459,602), of which, (\$4,097,347) were applied to individual endowments. Net investment income (loss) includes interest, dividends and realized gains or losses.

The Financial Accounting Standards Board issued the Statement of Financial Accounting Standards (SFAS) No.157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The investments of the Foundation are being prioritized into the three broad levels. Refer to Note 3 for the breakdown of the investments.

Contributions

The Organization accounts for contributions in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributed goods and services are recorded as contributions at their estimated fair value at date of receipt.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the year in which the

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Promises to Give (Continued)

contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets.

The Organization records unconditional promises to give at its net realizable value which is based on prior years' experience and management's analysis of specific promises made. The promises to give are further discounted to reflect their present value. Decreases in fair value are recognized as bad debt loss in the period the decrease occurs. Increases in estimated fair value are not recognized unless they represent recoveries of previous bad debt losses incurred; increases are recognized as additional contribution revenue when the promise to give is collected.

Deferred Revenue

Deferred revenue is comprised of advanced licensing and royalty fees. Bank of America has agreed to the fees in exchange for the right to use FIU's logo on credit cards and also to advertise on FIU's home page and athletic home page. In either case, that right extends to print or electronic media. In addition, Bank of America, has the right to solicit for business, FIU students and alumni population, faculty, staff, ticket holders, athletic teams and athletic departments. Revenue is recognized on a quarterly basis based on credit card fees and credit card activity. Deferred revenue at year ended June 30, 2009 amounted to \$230,062.

Wolfsonian, Inc. Land and Building and Foundation Property

Property and equipment are recorded at cost. If contributed, the asset, with the exception of the collection of decorative and propaganda arts, is recorded at the fair market value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions are recorded as unrestricted support. The Foundation has elected to exercise the option of not capitalizing the items that meet the definition of "collections" as prescribed by accounting principles generally accepted in the United States. Therefore, the fair value of the donated collection of decorative and propaganda arts are not reflected in the accompanying consolidated financial statements. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years. The Foundation capitalizes fixed assets over a \$1,000 threshold that have a useful life of more than one year.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Derivative Financial Instruments

The Foundation entered into an interest rate swap agreement to reduce its exposure to market risks from changing interest rates. For interest rate swaps, the differential to be paid or received is accrued and recognized in the unrealized derivative loss and may change as market interest rates change. The fair value of the swap agreement is presented in the statement of financial position. The change in fair value is presented as an unrealized gain or loss in the statement of activities.

The fair value estimate is based on the banking institution's valuation models and assumptions and available market data, some of which may be internally developed. The estimate is provided without adjustments for transactions and hedging costs, liquidity, or credit considerations or other significant factors external to the valuation models.

Income Taxes

The Foundation and its subsidiary are not-for-profit corporations, as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, investments, contributions receivable (promises to give). The Foundation places substantially all of its cash with high quality financial institutions which the Foundation believes limits this risk. At June 30, 2009, approximately \$3,017,298 was in excess of the Federal Depository Insurance Company (FDIC) limits.

In addition, the Foundation maintains investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. At June 30, 2009, \$101,018,413 was held in these accounts. The Foundation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

Subsequent Events

Management has evaluated subsequent events to determine if events or transactions occurring through January 20, 2010, the date the financial statements were available to be issued, require potential adjustment to or disclosure in the financial statements.

NOTE 2. GIFT AGREEMENT

On July 1, 1997, the Foundation entered into a gift agreement (the Agreement) with Mitchell Wolfson, Jr., the Wolfsonian, Inc. and the University, whereby Mitchell Wolfson, Jr. agreed to donate all rights, title and interest in and to all objects constituting The Mitchell Wolfson, Jr. Collection of Decorative and Propaganda Arts (the Collection) to the FIU Foundation, subject to a loan agreement made and entered into by the Wolfsonian, Inc. and Mr. Wolfson, Jr., dated July 29, 1991. The Loan Agreement was extended in July 2001 for ten years to July 2011.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 2. GIFT AGREEMENT (Continued)

As a result of the Agreement, the Wolfsonian, Inc. has amended its articles of incorporation and bylaws to provide that all of its directors be appointed and removed at any time with or without cause by the Foundation, with the intention to effect a transfer of complete control of all of the assets, interests and obligations of the Wolfsonian, Inc. to the Foundation. On May 26, 1999, the Foundation passed a revision to the bylaws of the Wolfsonian, Inc. to make the Foundation the sole voting member of the Wolfsonian, Inc.

The gifts are conditional upon the provisions outlined in the Agreement, including but not limited to the Foundation continuing the museum and educational activities and operations that were conducted by the Wolfsonian, Inc. As a result of the Agreement, the University and the Foundation have assumed all administrative functions and operating costs of the Wolfsonian-FIU.

In order for the Foundation to be able to maintain the rights to the Collection, the University is to provide the Wolfsonian-FIU with the same financial support from its general budget, as provided to other departments, in order to continue the museum and educational activities and operations of the Wolfsonian-FIU. The University provides support for the Wolfsonian-FIU expenses which included the insurance premium for the art collection, salaries, equipment, administrative expenses, and building security. In addition, the University provides support for utilities, repairs and maintenance expenses for buildings used by the Wolfsonian-FIU.

NOTE 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

	June 30,	
	<u>2009</u>	<u>2008</u>
Common stock and mutual funds	\$ 61,215,058	\$ 69,375,811
Limited partnerships	25,206,483	36,398,112
U.S. Government and municipal securities	3,433,986	11,225,681
Corporate bonds	10,924,057	3,535,345
	<u>100,779,584</u>	<u>120,534,949</u>
Plus accrued interest	238,829	183,330
Total investments	<u>\$ 101,018,413</u>	<u>\$ 120,718,279</u>

The following table sets forth by levels within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock and mutual funds	\$61,023,582	\$ 430,305	\$ -	\$ 61,453,887
Limited partnerships	-	-	25,206,483	25,206,483
U.S. Government and municipal securities	3,433,986	-	-	3,433,986
Corporate bonds	899,865	10,024,192	-	10,924,057
Total investments at fair value	<u>\$65,357,433</u>	<u>\$10,454,497</u>	<u>\$25,206,483</u>	<u>\$101,018,413</u>
Swap agreement (see Note 10)	<u>\$ -</u>	<u>\$ 614,928</u>	<u>\$ -</u>	<u>\$ 614,928</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The investments categorized as level 1 consist of investments held in domestic and foreign common stocks, exchanged traded funds, equities, real estate investment trusts that are all valued using a pricing tape method. This is the Interactive Data's Equity and Treasury daily pricing file. Also included in level 1 are investments in governmental agencies, Euro and international fixed income bonds and U.S. Treasury investments that are valued using the IDSI institutional bond quotes. This is the Interactive Data Pricing Services which are primarily used for debt issues, government and corporate bonds. Lastly, short term U.S. government money market investments are always priced at par.

The investments categorized as level 2 consist of domestic bond prices under the IDSI institutional bond quotes, GNMA and FNMA pools priced at the IDSI MBS pricing. This is the Interactive Data pricing services for mortgage backed pools. Government CMO's and REMICS use the IDSI CMO pricing method which is the Interactive Data Pricing Services – collateralized mortgage obligation evaluations. Lastly there is a small portion of largecap growth stocks, large cap value equity and fixed income instruments held at Suntrust that use company pricing methods which are valuations from the Suntrust Privately Held Investment Group.

Investments categorized as level 3 consist of investments related to Limited Partnerships. They are valued using quarterly valuation cycles, internal balance capitalization as well as current day net asset value.

The table below sets forth the summary of changes in the fair value of the Foundation's level 3 investments for the year ended June 30, 2009.

	<u>Limited Partnerships</u>
Balance, beginning of year	\$ 22,670,824
Realized losses	(60,805)
Unrealized losses	(7,354,924)
Purchases, sales, issuances, and settlements, net	<u>9,951,388</u>
Balance, end of year	<u>\$ 25,206,483</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give, recorded at its net realizable value and discounted to net present value, are expected to be realized in the following periods:

	June 30,	
	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 6,026,633	\$ 7,737,452
Receivable in one to five years	49,197,994	20,958,526
Receivable in more than five years	<u>4,124,500</u>	<u>1,066,380</u>
	59,349,127	29,762,358
Allowance for uncollectible pledges	(993,492)	(100,988)
Less discount of 2.40% and 3.34%, respectively	<u>(4,251,803)</u>	<u>(2,582,321)</u>
Promises to give, net	<u>\$54,103,832</u>	<u>\$27,079,049</u>

NOTE 5. WOLFSONIAN, INC. FIXED ASSETS

	June 30,	
	<u>2009</u>	<u>2008</u>
Land	\$ -	\$700,000
Women's Club building	<u>-</u>	<u>160,000</u>
	-	860,000
Less accumulated depreciation	<u>-</u>	<u>86,000</u>
Fixed assets, net	<u>\$ -</u>	<u>\$774,000</u>

On May 22, 2009 the Wolfsonian, Inc. transferred the Women's Club property to the Florida International University as a donation. This transfer was approved by the Wolfsonian, Inc. Board on April 30, 2009 as it deemed it was in the best interest of the Wolfsonian and the University (see Note 15).

NOTE 6. FOUNDATION FIXED ASSETS

	June 30,	
	<u>2009</u>	<u>2008</u>
MARC Building	\$13,080,435	\$13,080,435
Construction in progress	245,104	-
Land	2,500	2,500
Time share	<u>3,200</u>	<u>3,200</u>
	13,331,239	13,086,135
Less accumulated depreciation	<u>(2,230,536)</u>	<u>(1,903,525)</u>
Fixed assets, net	<u>\$11,100,703</u>	<u>\$11,182,610</u>

Depreciation expense was \$327,011 for the years ended June 30, 2009 and 2008, respectively.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 7. BOND ISSUANCE COSTS

As of June 30, 2009, unamortized issuance costs related to the tax-exempt bonds (Florida International University Foundation Project – Series 1999) issued by the Miami-Dade County Educational Facilities Authority, as described in Note 9. The issuance costs will be amortized over the term of the bonds which mature in 2022.

	June 30,	
	<u>2009</u>	<u>2008</u>
Bond issuance costs	\$178,772	\$178,772
Less accumulated amortization	<u>(75,800)</u>	<u>(67,774)</u>
Bond issuance costs, net	<u>\$102,972</u>	<u>\$110,998</u>

Amortization expense for the year ended June 30, 2009 was \$8,026.

NOTE 8. ANNUITIES PAYABLE

The Foundation has received, as of June 30, 2009, \$700,000 in gifts under charitable remainder annuity trust agreements. The Foundation recognized the contributions received as revenue during the period that the trust was established. The amount of the contribution was the fair value of the trust assets less the fair value of the estimated annuity payments to be paid annually over the expected life of the annuities. The Foundation recorded the present value of the annuities, plus an additional 10 percent of that amount, as required by Florida Statute Section 627.481, as the liability of annuities payable totaling \$282,106.

NOTE 9. NOTES PAYABLE

On January 20, 2000, the Miami-Dade County Educational Facilities Authority (the Authority) issued \$13,000,000 tax-exempt revenue bonds (Florida International University Foundation Project – Series 1999). These bonds are payable from and secured by a pledge of payments to be made to the Authority under a loan agreement dated December 1, 1999, between the Foundation and the Authority. The Bonds will also be payable from an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see Note 14). The \$13,000,000 original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on fifty percent of the original issue, \$6,500,000, has been synthetically fixed at 4.63 percent through February 1, 2015, by way of an interest rate swap agreement with a commercial bank (see Note 10). For the year ended June 30, 2009, total interest paid was \$339,263. The bond proceeds were used to acquire, construct and equip the multi-function support complex located on the University campus in Miami-Dade County and to pay issuance costs. As of June 30, 2009, the outstanding principal balance due under this note payable amounted to \$9,260,000. As of June 30, 2009, the fair value of the FIU Foundation's liability under the swap agreement was \$614,928.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 9. NOTES PAYABLE (Continued)

On December 1, 1999, the Foundation entered into a letter of credit agreement with a commercial bank that permitted the Foundation to borrow up to \$13,000,000 through December 15, 2004, bearing interest at the prime rate plus 2 percent. On November 29, 2004, this agreement was extended, with the same terms and conditions, through December 15, 2009. The Foundation must pay an annual commitment fee of 0.45 percent on the unused portion of the commitment. Borrowings under the financing agreement mature 90 days after the date of the borrowing.

The aggregate maturities of the notes payable as of June 30, 2009 are as follows:

Year ending June 30:	
2010	\$ 550,000
2011	575,000
2012	605,000
2013	640,000
2014	670,000
Thereafter	<u>6,220,000</u>
	<u>\$9,260,000</u>

NOTE 10. DERIVATIVE FINANCIAL INSTRUMENTS

On February 1, 2000, the Foundation entered into an interest rate swap agreement (the Swap Agreement) with a commercial bank on a notional amount of \$6,500,000 which represents 50 percent of the principal amount of the bond issue, as described in Note 9. Under the original swap agreement, the Foundation agreed to pay a fixed rate of 5.03 percent per annum and receive variable rates based on 67 percent of the one month U.S. Dollar – LIBOR rate. Effective October 1, 2005, the Foundation renegotiated the swap agreement reducing the interest rate swap to 4.63 percent per annum. The renegotiated swap agreement expires on February 1, 2015.

SunTrust Bank calculates Mark-To-Market Estimates by constructing mid-market forward curves with available market data from external and internal sources. Once constructed, the mid-market forward curves generate a nominal amount for each of a transaction's expected future payments. SunTrust Bank discounts those expected future payments at the respective zero rate, and the sum of all discounted payments equals the MTM Estimate.

NOTE 11. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$4,128,312 at June 30, 2009 were available for scholarships and other program specific expenses. Permanently restricted net assets of \$142,571,455 at June 30, 2009 consisted of endowment funds. Investment income earned by endowment funds are available for spending based on the Foundation's spending policy. The spending rate is determined by the Foundation's Board at its annual board meeting. The spending rate for year ending June 30, 2009 was 3.0%. The spendable earnings are recorded as either temporarily restricted or unrestricted assets, as stipulated by the donor.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 12. CONTRIBUTIONS TO UNIVERSITY BUILDING PROGRAM

Contributions are received by the Foundation to support construction projects of the University. These projects are handled by the University, are on University property and become assets of the University upon completion. These funds may be further matched by a state matching program for construction. Prior to the request of matching funds and the commencement of the construction project, the Foundation transfers these contributions to the University.

During the year ended June 30, 2009, the Foundation transferred \$1,448,599 to support numerous construction projects, as follows:

A. Chapman Graduate School building	\$ 573,254
Art Museum Building	433,000
Nursing and Health Sciences Building	200,045
Kovens Conference Center	150,000
International Hurricane Research Center Building	82,300
Civil Engineering Structures Lab Building	10,000
	<u>\$1,448,599</u>

NOTE 13. COMMITMENTS AND CONTINGENCIES

Loan Guarantees

The Foundation guarantees amounts on construction projects on FIU's South Campus, specifically the Pi Kappa Alpha Kappa Gamma Greek Housing facility. This guarantee is expected to retire without being funded, and are not expected to significantly impact operations or future cash flows. The outstanding loan amount is less than one million dollars.

The Foundation also guaranteed the repayment of principal and interest on each hurricane relief loan made by the University credit union to existing credit union members and to Foundation-approved University employees. During fiscal year 2008-2009 all outstanding loan balances were paid in full. The Foundation no longer has any remaining contingency.

NOTE 14. RELATED PARTY TRANSACTIONS

On December 1, 1999, the Foundation entered into a ground lease agreement with the Board of Regents of the State University System of the State of Florida for and on behalf of the University. Under this agreement, the Foundation, the lessee, has leased the grounds on which the multi-functional support complex was built, as described in Note 9. The consideration required to be paid by the Foundation is \$10 annually. The lease will expire on December 31, 2024 or the final payment date under the letter of credit agreement, as described in Note 9.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 14. RELATED PARTY TRANSACTIONS (Continued)

On December 1, 1999, the Foundation also entered into an operating lease with the Board of Regents on behalf of the University to lease the 75,000 square foot multi-function support complex to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 9, will be secured by the pledged leased payments from the University. The University has agreed to pay the Foundation, as lessor, rent in the amount equal to all amounts due and payable by the Foundation under the letter of credit agreement, if any, and the loan agreement. The payments also include any costs of operating and maintaining the multi-functional support complex, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the multi-function support complex became operational. The lease expires on May 1, 2022 which is the date of maturity of the loan agreement. The cost of the leased asset is \$13,080,435 and the net book value is \$10,849,899 at June 30, 2009. Minimum future rentals as of June 30, 2009 are approximately as follows:

Year ending June 30:	
2010	\$ 1,260,000
2011	1,260,000
2012	1,260,000
2013	1,260,000
2014	1,260,000
Thereafter	<u>10,080,000</u>
	<u>\$16,380,000</u>

NOTE 15. CONTINGENT LIABILITY

The Wolfsonian, Inc. was the owner of the real property located at 2401 Pine Tree Drive and known as the Miami Beach Woman's Club (Woman's Club). The Wolfsonian, Inc. leased the Woman's Club to the Greater Miami Hebrew Academy in July 2004. As the tenant, the Greater Miami Hebrew Academy insured the property under its commercial property policy.

On April 22, 2008 a fire incident occurred at the Miami Beach Women's Club and caused substantial damage to the premises. There then existed an exposure to the Wolfsonian, Inc. and ultimately to the Foundation for costs to repair and restore the Women's Club. Rather than facing that potential exposure, on May 22, 2009 it was considered in the best interest of both the Wolfsonian and the University to donate the property to the University (see Note 5).

NOTE 16. ENDOWMENTS

The Foundation's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 16. ENDOWMENTS (Continued)Interpretation of Relevant Law

The Board of Directors of the endowment has interpreted the Florida Uniform Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in temporary restricted net assets were \$(13,655,735) as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred due to an unforeseen nationwide economic crisis.

As of June 30, 2009, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ 4,752,441	\$ (10,409,606)	\$ 142,571,455	\$ 136,914,289
Board designated quasi-endowment funds	-	-	-	-
	<u>\$ 4,752,441</u>	<u>\$ (10,409,606)</u>	<u>\$ 142,571,455</u>	<u>\$ 136,914,289</u>
Endowment net assets, June 1, 2008	<u>\$ 6,967,488</u>	<u>\$ 12,156,682</u>	<u>\$ 110,230,070</u>	<u>\$ 129,354,240</u>
Endowment investment return:				
Interest and dividends	-	1,966,019	-	1,966,019
Realized and unrealized losses	-	(23,346,810)	-	(23,346,810)
Total endowment investment	-	(21,380,791)	-	(21,380,791)
Contributions	883,078	136,544	33,682,386	34,702,008
Release of restrictions	1,561,766	(1,134,766)	(427,000)	-
Endowment expenses	(4,847,166)	-	(914,001)	(5,761,167)
Appropriation for spending 3%	69,603	(69,603)	-	-
Appropriation of endowment administrative fee 2%	117,671	(117,671)	-	-
Endowment net assets, June 30, 2009	<u>\$ 4,752,441</u>	<u>\$ (10,409,606)</u>	<u>\$ 142,571,455</u>	<u>\$ 136,914,289</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY
(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 16. ENDOWMENTS (Continued)

Return Objectives and Risk Parameters (Continued)

donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time to achieve, at a minimum, a real (inflation adjusted) total return, net of investment management fees, that is consistent with spending requirements.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy states that the Finance and Audit Committee will recommend, subject to approval by the Board of Directors, the annual spending distribution to be made to endowed accounts. The spending distribution is determined as a percentage of the endowment's average yearly market value (gift corpus plus undistributed investment earnings since inception) and is distributed at the close of the Foundation's fiscal year. Spending distributions are dependent on the Foundation's investment returns and are therefore not guaranteed. If in any given year investment losses reduce the endowment's market value below original corpus, future spending distributions are contingent on first restoring the endowment to its original corpus, before any distribution is made for spending. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

SUPPLEMENTARY INFORMATION
(Unaudited)

Exhibit "A"

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

EMINENT SCHOLARS CHAIR PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE I

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	Contribution Amount Received	Interest and Investment Gains/Losses(1)	Expenditures	Transfers	Ending Balance June 30, 2009
1117030 Edna Gene and Jordan Davidson Endowed Chair						
Permanently restricted	\$ 1,000,000	-				\$ 1,000,000
Unrestricted	\$ 836,839		(322,983)	\$ 205,860		\$ 307,996
1139070 George C. Barley Endowed Chair						
Permanently restricted	\$ 1,080,000	-				\$ 1,080,000
Unrestricted	\$ 405,861		(253,860)	\$ 6,765		\$ 145,236
1200220 James L. Knight Endowed Chair in MIS						
Permanently restricted	\$ 1,031,794	-				\$ 1,031,794
Unrestricted	\$ 624,667		(344,229)	\$ 24,966		\$ 255,471
1270040 Knight Ridder Chair in Global Management						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 168,211		(236,006)	\$ 82,213		\$ (150,008)
1270050 Knight Ridder Chair in International Management						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 175,248		(236,007)	\$ 63,285		\$ (124,043)
1270060 Byron Harless Chair in Management Development						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 130,520		(236,007)	\$ 54,878		\$ (160,364)
1270070 James K. Batten Chair in Strategic Management						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 123,061		(236,006)	\$ 41,438		\$ (154,383)
1270080 Alvah Chapman Endowed Chair in Management						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 111,107		(232,446)	\$ 51,994		\$ (173,333)
1280060 Ryder Chair in Management Information Systems						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 223,198		(229,391)	\$ -		\$ (6,193)
1280070 Ryder Business Leadership Chair						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 112,776		(233,972)	\$ 46,572		\$ (167,769)
1280080 Ryder Decision Sciences Chair						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 109,685		(233,972)	\$ -		\$ (124,288)
1280090 Ryder Global						
Permanently restricted	\$ 1,020,000	-				\$ 1,020,000
Unrestricted	\$ 155,235		(233,972)	\$ 73,989		\$ (152,727)
1410020 JLK Chair in Education Reform & Innovation						
Permanently restricted	\$ 1,022,170	-				\$ 1,022,170
Unrestricted	\$ 184,545		(242,806)	\$ 79,454		\$ (137,715)
1410030 Center for Urban Development Endowment						
Permanently restricted	\$ 1,022,171	-				\$ 1,022,171
Unrestricted	\$ 170,588		(242,807)	\$ 65,498		\$ (137,716)
1410040 Center for Urban Development Endowment						
Permanently restricted	\$ 1,022,171	-				\$ 1,022,171
Unrestricted	\$ 167,761		(242,805)	\$ 62,673		\$ (137,716)
1410050 Center for Urban Development Endowment						
Permanently restricted	\$ 1,022,171	-				\$ 1,022,171
Unrestricted	\$ 163,627		(242,806)	\$ 58,538		\$ (137,716)

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

EMINENT SCHOLARS CHAIR PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE I

(Continued)

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	<u>Contribution</u>		Interest and Investment Gains/Losses(1)	<u>Expenditures</u>	<u>Transfers</u>	Ending Balance June 30, 2009
		<u>Amount</u>	<u>Received</u>				
1600170 Coulter Biomedical Eminent Chair							
Permanently restricted	\$ 2,000,000	-					\$ 2,000,000
Unrestricted	\$ 372,762			(479,931)	\$ 100,000		\$ (207,170)
1700090 Paul L. Cejas Endowed Scholarship Chair							
Permanently restricted	\$ 1,020,000	-					\$ 1,020,000
Unrestricted	\$ 53,060			(220,550)	\$ 40,000		\$ (207,490)
2400050 MCH Pediatrics Chair Endowment							
Permanently restricted	\$ 500,000	500,000					\$ 1,000,000
Unrestricted	\$ (15,984)			(131,342)	\$ -		\$ (147,326)
2400060 Leon Med Ctr Geriatrics Chair							
Permanently restricted	\$ 2,000,250	6,425	May-09				\$ 2,006,675
Unrestricted	\$ (21,315)			(427,534)	\$ -		\$ (448,849)
4100190 We Will Rebuild Chair in Hurricane Studies							
Permanently restricted	\$ 1,050,000	-					\$ 1,050,000
Unrestricted	\$ 518,048	-		(286,590)	\$ 4,929		\$ 226,528
	<u>\$27,722,236</u>	<u>\$506,425</u>		<u>\$ (5,546,022)</u>	<u>\$ 1,063,052</u>		<u>\$21,619,588</u>

(1) Represents allocated investment losses. The investment losses were allocated to the unrestricted/temporarily restricted fund as required by donor-imposed restrictions.

Exhibit "A"

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	Contribution		Interest and Investment Gains(1)	Expenditures	Transfers	Ending Balance June 30, 2009
		Amount	Received				
1000030 Madeline Kitts Scholarship:							
Permanently restricted	\$ 457,093	\$ -					\$ 457,093
Temporarily restricted	301,481	-		\$ (135,271)	\$ 76,891		\$ 89,319
1000060 Patricia and Phillip Frost Endowed Professorship:							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	148,317	-		(48,940)	20,389		\$ 78,989
1000140 Perlman Family Faculty Grant Endowment							
Permanently restricted	153,176	-					\$ 153,176
Unrestricted	31,438	-		(34,242)	19,979		\$ (22,783)
1000420 Perry Graduate Scholarship:							
Permanently restricted	254,552	-					\$ 254,552
Temporarily restricted	57,068	-		(59,057)	25,000		\$ (26,989)
1000460 Aventura Marketing:							
Permanently restricted	207,517	-					\$ 207,517
Temporarily restricted	32,036	-		(46,655)	9,500		\$ (24,119)
1000510 Garcia-Zamor Haitian American Endowment:							
Permanently restricted	300,000	-					\$ 300,000
Temporarily restricted	46,264	-		(66,528)	15,000		\$ (35,264)
1000570 Bank of America Scholarship Endowment:							
Permanently restricted	175,000	-					\$ 175,000
Temporarily restricted	40,586	-		(41,583)	12,000		\$ (12,997)
1000610 Lucille E. Snaith Memorial Scholarship Endowment							
Permanently restricted	152,500	-					\$ 152,500
Temporarily restricted	20,483	-		(34,000)	7,000		\$ (20,517)
1000650 Manuel and Mercedes Mosteiro Scholarship Endow							
Permanently restricted	227,645	27,707	Oct-08; May-09				\$ 255,352
Temporarily restricted	21,219	-		(53,232)	10,000		\$ (42,013)
1000710 Sedanos Family First Generation Scholarship							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	2,493	-		(32,335)	2,000		\$ (31,842)
1100090 Judith Evans Parker							
Permanently restricted	100,000	4,915					\$ 104,915
Temporarily restricted	13,911	-	Sep-08	(24,426)	5,400		\$ (15,915)
1111110 Barnes & Noble Creative Writing Endowment:							
Permanently restricted	450,000	-					\$ 450,000
Unrestricted	65,606	-		(100,380)	11,796		\$ (46,569)
1119050 Helen J. Dunnick:							
Permanently restricted	224,521	-					\$ 224,521
Unrestricted	18,153	-		(49,987)	10,482		\$ (42,316)
1119070 Sephardic Oriental Jewish Endowment:							
Permanently restricted	1,020,000	-					\$ 1,020,000
Temporarily restricted	166,101	6,600	Apr-09	(226,194)	69,298		\$ (122,792)
1131050 Stanley Glaser Endowed Professorship in Biological Science							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	88,621	-		(48,447)	6,869		\$ 33,305
1131100 Kelly Tropical Botany Scholarship Endowment							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	18,079	-		(34,850)	3,500		\$ (20,271)
1139040 S.E. Environmental:							
Permanently restricted	1,029,000	-				(427,000)	\$ 602,000
Unrestricted	124,557	-		(203,174)	91,313		\$ (169,930)

Exhibit "A"

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II

(Continued)

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	<u>Contribution</u>		Interest and Investment Gains(1)	<u>Expenditures</u>	<u>Transfers</u>	Ending Balance June 30, 2009
		<u>Amount</u>	<u>Received</u>				
1139080 Miccosukee Indians Everglades Endowment:							
Permanently restricted	1,620,000	-					\$ 1,620,000
Unrestricted	362,511	-		(365,028)	30,000		\$ (32,517)
1139110 JM Hibbard Memorial Lectures							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	6,793	-		(32,492)	3,532	(1,361)	\$ (30,593)
1200040 Business Men's Insurance Marketing Professorship:							
Permanently restricted	134,600	-					\$ 134,600
Unrestricted	90,990	-		(45,126)	18,740		\$ 27,123
1200070 Burdines Professorship:							
Permanently restricted	225,000	-					\$ 225,000
Unrestricted	49,379	-		(49,896)	22,446		\$ (22,963)
1200100 Deloitte & Touche Accounting Scholarship Endowment							
Permanently restricted	137,556	-					\$ 137,556
Temporarily restricted	39,837	-		(31,893)	11,500		\$ (3,556)
1200110 Drexel Burnham Lambert Endowed Scholarship in CBA							
Permanently restricted	142,500	-					\$ 142,500
Temporarily Restricted	93,500	-		(46,532)	10,542		\$ 36,425
1200140 FIBA Professorship:							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	23,839	-		(34,711)	5,093		\$ (15,965)
1200150 Wachovia Business Ethics Scholarship							
Permanently restricted	300,000	-					\$ 300,000
Temporarily restricted	81,448	-		(69,426)	8,000		\$ 4,022
1200180 Herbert Wertheim Professorship in College of Business							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	71,135	-		(40,587)	15,473		\$ 15,076
1200190 Ingersoll-Rand IB Prof Endowment							
Permanently restricted	150,002	-					\$ 150,002
Unrestricted	15,923	-		(33,564)	3,330		\$ (20,971)
1200250 Bank America Business Ethics Scholarship:							
Permanently restricted	300,000	-					\$ 300,000
Temporarily restricted	87,220	-		(70,091)	8,000		\$ 9,129
1200260 Union Planters National Bank:							
Permanently restricted	487,500	-					\$ 487,500
Temporarily restricted	132,540	-		(111,881)	4,000		\$ 16,659
1200280 Suntrust Professorship:							
Permanently restricted	225,000	-					\$ 225,000
Unrestricted	35,994	-		(51,009)	7,105		\$ (22,120)
1200290 AXA Foundation Business Ethics Scholarship:							
Permanently restricted	210,275	-					\$ 210,275
Temporarily restricted	59,581	-		(47,902)	8,000		\$ 3,679
1200330 David Parker:							
Permanently restricted	100,000	-					\$ 100,000
Temporarily restricted	12,421	-		(23,363)	3,958		\$ (14,900)
1200560 Global Entrepreneurship Center (Pino)							
Permanently restricted	2,500,000	-					\$ 2,500,000
Unrestricted	184,182	6,000	Nov-08	(538,948)	58,329		\$ (407,096)
1260020 Jerome Bain Endowed Scholarship:							
Permanently restricted	150,000	-		(44,161)			\$ 105,839
Temporarily restricted	129,881	-			16,413		\$ 113,468

Exhibit "A"

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II

(Continued)

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	Contribution		Interest and Investment Gains(1)	Expenditures	Transfers	Ending Balance June 30, 2009
		Amount	Received				
1260030 Jerome Bain Real Estate Institution:							
Permanently restricted	1,020,000	-					\$ 1,020,000
Unrestricted	255,124	20,000	Oct-08; Feb-09	(234,439)	152,641		\$ (111,957)
1270030 Knight Ridder Center Endowment:							
Permanently restricted	548,707	-					\$ 548,707
Unrestricted	79,561	-		(120,326)	39,152		\$ (79,917)
1280040 Ryder Center for Business Logistics:							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	159,329	52,202	Jun-09	(45,791)	26,627	(1,040)	\$ 138,072
1280050 Ryder System Endowed Professorship:							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	81,542	-		(44,961)	4,328	1,040	\$ 33,292
1300030 Henry Milander:							
Permanently restricted	524,399	-					\$ 524,399
Temporarily restricted	360,805	-		(141,085)	-		\$ 219,720
1400040 Patricia and Phillip Endowed Professorship in Education:							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	87,100	-		(46,868)	3,633		\$ 36,599
1400140 Bellsouth Scholarship Endowment:							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	39,502	-		(35,648)	14,000		\$ (10,146)
1400150 Pat Tornillo Scholarship Endowment:							
Permanently restricted	370,000	-					\$ 370,000
Temporarily restricted	100,909	-		(83,637)	-		\$ 17,272
1400180 Mark Blum Memorial Scholarship Endowment:							
Permanently restricted	227,996	640	Feb-09				\$ 228,636
Temporarily restricted	28,251	-		(49,757)	16,000		\$ (37,506)
1400200 Robert R. Bellany Scholarship Endowment:							
Permanently restricted	682,500	-					\$ 682,500
Temporarily restricted	128,665	-		(153,276)	21,500		\$ (46,111)
1500030 Hospitality Management Minority Endowment:							
Permanently restricted	441,496	-					\$ 441,496
Temporarily restricted	83,207	100	May-09	(97,607)	52,751		\$ (67,051)
1500040 N.A.C. Professorship in Hospitality Management:							
Permanently restricted	155,000	-					\$ 155,000
Unrestricted	145,208	-		(50,153)	5,740		\$ 89,315
1500100 Coca Cola Professorship:							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	70,966	-		(44,922)	2,454		\$ 23,591
1500140 James Bruce Wallace/R. Tuesday Scholarship Fund:							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	78,636	-		(44,855)	14,251		\$ 19,530
1500160 Ernest R. Graham Endowed Professorship:							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	115,734	-		(49,772)	16,101		\$ 49,861
1500180 Metromedia Restaurants Endowed Scholarships:							
Permanently restricted	170,000	-					\$ 170,000
Temporarily restricted	49,567	-		(41,587)	11,215		\$ (3,235)
1500190 Beverage Management Endowment:							
Permanently restricted	454,819	-					\$ 454,819
Unrestricted	65,889	-		(102,418)	-		\$ (36,529)

Exhibit "A"

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II

(Continued)

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	<u>Contribution</u>		Interest and Investment Gains(1)	<u>Expenditures</u>	<u>Transfers</u>	Ending Balance June 30, 2009
		<u>Amount</u>	<u>Received</u>				
1500210 FIU Hospitality Review:							
Permanently restricted	187,500	-					\$ 187,500
Temporarily restricted	39,206	-		(47,028)	6,289		\$ (14,111)
1500220 Hospitality Management Program:							
Permanently restricted	213,152	-					\$ 213,152
Unrestricted	81,400	-		(49,291)	-		\$ 32,109
1500230 John Kluge Endowed Scholarship:							
Permanently restricted	710,000	-					\$ 710,000
Temporarily restricted	180,510	-		(166,329)	36,700		\$ (22,519)
1500240 Hospitality Computer Endowment:							
Permanently restricted	175,637	-					\$ 175,637
Temporarily restricted	43,490	-		(40,797)	-		\$ 2,692
1500290 Hospitality Computer Endowment:							
Permanently restricted	155,469	100	Jan-09				\$ 155,569
Temporarily restricted	55,361	-		(35,614)	7,000		\$ 12,747
1500300 H.R. Chaplin Beverage Management Chair							
Permanently restricted	1,020,000	-					\$ 1,020,000
Temporarily restricted	300,093	-		(238,708)	637		\$ 60,748
1500370 Marriott Scholarship Endowment							
Permanently restricted	300,000	-					\$ 300,000
Temporarily restricted	6,114	-		(64,647)	2,710		\$ (61,243)
1500410 Ocean Waters Hospitality Scholarship							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	3,896	-		(32,043)	1,750		\$ (29,897)
1600020 Endowed Scholarships in Engineering:							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	28,398	2,500	Apr-09	(35,046)	9,720		\$ (13,868)
1600030 Endowed Professorship in Engineering:							
Permanently restricted	100,000	-					\$ 100,000
Unrestricted	82,541	-		(26,097)	1,000		\$ 55,444
1600140 Norman Weldon Biomedical:							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	21,170	-		(34,758)	5,000		\$ (18,588)
1600180 Bioinstrumentation/Biomeasurement Professorship							
Permanently restricted	1,000,000	-					\$ 1,000,000
Temporarily restricted	174,927	-		(237,750)	50,000		\$ (112,823)
1600190 Biomedical Engineering Excellence Endowment:							
Permanently restricted	2,000,000	-					\$ 2,000,000
Unrestricted	332,420	-		(471,504)	95,000		\$ (234,084)
1600210 Cardiovascular Engineering Center:							
Permanently restricted	500,000	-					\$ 500,000
Unrestricted	81,892	-		(117,875)	25,000		\$ (60,983)
1600220 Lucent Technology CALA Dist. Professorship:							
Permanently restricted	450,000	-					\$ 450,000
Unrestricted	100,320	-		(99,792)	906		\$ (377)
1600240 Biomedical Engineering Research Institute:							
Permanently restricted	1,000,000	-					\$ 1,000,000
Unrestricted	159,920	-		(235,750)	50,000		\$ (125,831)
1600250 WH Coulter Biomedical Scholarship:							
Permanently restricted	1,000,000	-					\$ 1,000,000
Unrestricted	158,785	-		(235,751)	50,000		\$ (126,966)

Exhibit "A"

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II

(Continued)

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	Contribution		Interest and Investment Gains(1)	Expenditures	Transfers	Ending Balance June 30, 2009
		Amount	Received				
1600260 WH Coulter Biomedical Scholarships:							
Permanently restricted	500,000	-					\$ 500,000
Unrestricted	81,892	-		(117,875)	25,000		\$ (60,983)
1600270 Coulter Young Inventor Award Endowment							
Permanently restricted	1,500,000	-					\$ 1,500,000
Temporarily Restricted	300,584	-		(363,870)	75,000		\$ (138,286)
1600280 Coulter Biomedical Lecture Series							
Permanently restricted	500,000	-					\$ 500,000
Temporarily Restricted	86,017	-		(117,876)	24,261		\$ (56,120)
1600330 Ware Professorship							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	38,383	-		(34,256)	-		\$ 4,127
1600450 Ware Foundation Research							
Permanently restricted	629,500	70,500	Jan-09				\$ 700,000
Unrestricted	139,462	65,000	Jun-09	(143,288)	80,000		\$ (18,826)
1600480 Kelly Foundation Construction & Engineering							
Permanently restricted	100,000	-					\$ 100,000
Unrestricted	(455)	-		(21,429)	-		\$ (21,884)
1700080 Paul L. Cejas Architecture Endowment							
Permanently restricted	730,009	-					\$ 730,009
Unrestricted	70,294	-		(157,702)	22,133		\$ (109,541)
1740040 Evejyn Spitalny Endowment in Music							
Permanently restricted	153,181	-					\$ 153,181
Unrestricted	44,126	-		(38,927)	12,737		\$ (7,538)
1740060 Wertheim Performing Arts Scholarship							
Permanently restricted	1,020,000	-					\$ 1,020,000
Unrestricted	228,009	-		(247,209)	65,769		\$ (84,969)
1800150 Dresnick Scholars Endowment:							
Permanently restricted	152,297	-					\$ 152,297
Temporarily restricted	22,836	-		(36,403)	6,129		\$ (19,696)
1800170 A. Friedman Health & Nursing Endowment:							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	14,335	-		(34,160)	5,752		\$ (25,577)
1810040 School of Nursing Endowment I:							
Permanently restricted	1,586,152	3,500	Jan-09				\$ 1,589,652
Unrestricted	229,083	-		(437,737)	38,368		\$ (247,023)
1810050 Betty Florman Nursing Scholarship:							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	15,457	-		(34,320)	6,127		\$ (24,990)
1810110 BC/BS Nursing Scholarship Endowment							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	11,809	-		(33,635)	5,663		\$ (27,489)
1810130 North Dade Medical Nursing Lab Equipment							
Permanently restricted	437,500	-					\$ 437,500
Temporarily restricted	60,880	-		(130,695)	2,151		\$ (71,965)
1810140 North Dade Medical Nursing Lab Equipment							
Permanently restricted	1,750,000	-					\$ 1,750,000
Temporarily restricted	175,098	-		(522,783)	96,258		\$ (443,943)
1900050 Janet Chusmir Endowed Scholarship in School of							
Permanently restricted	313,210	-					\$ 313,210
Temporarily restricted	236,599	-		(97,130)	12,807		\$ 126,662

Exhibit "A"

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II

(Continued)

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	Contribution		Interest and Investment Gains(1)	Expenditures	Transfers	Ending Balance June 30, 2009
		Amount	Received				
1900060 W.R. Hearst Professorship:							
Permanently restricted	300,000	-					\$ 300,000
Unrestricted	135,803	-		(78,840)	20,326		\$ 36,637
2000050 Judge Thomas Britton Scholarship Endowment							
Permanently restricted	265,000	-					\$ 265,000
Temporarily restricted	52,351	-		(59,095)	30,233		\$ (36,977)
2000070 Cuban American Bar Scholarship Endowment							
Permanently restricted	111,900	-					\$ 111,900
Temporarily restricted	8,233	-		(24,109)	4,400		\$ (20,276)
2000120 Law Professorship Endowment							
Permanently restricted	1,275,000	-					\$ 1,275,000
Unrestricted	7,625	-		(274,805)	-		\$ (267,180)
2100030 Endowed Professorship in Computer Sciences #1							
Permanently restricted	153,360	-					\$ 153,360
Unrestricted	158,265	-		(49,524)	2,706		\$ 106,035
2100040 Endowed Professorship in Computer Sciences #2							
Permanently restricted	153,360	-					\$ 153,360
Unrestricted	160,746	-		(49,525)	2,706		\$ 108,516
2100050 Endowed Graduate Fellowship in Computer Sciences #1							
Permanently restricted	153,410	-					\$ 153,410
Unrestricted	124,508	-		(49,535)	8,706		\$ 66,267
2100060 Endowed Graduate Fellowship in Computer Sciences #2							
Permanently restricted	153,360	-					\$ 153,360
Unrestricted	188,673	-		(49,524)	43,406		\$ 95,743
2100070 Ryder System endowment Professorship in Computer Sciences							
Permanently restricted	150,000	-					\$ 150,000
Unrestricted	228,802	-		(47,326)	2,586		\$ 178,890
2200030 General Library Purchase Endowment:							
Permanently restricted	632,443	8,000	Aug-08; Feb-09				\$ 640,443
Temporarily restricted	239,867	-		(147,995)	-		\$ 91,872
2200040 Green Library Endowment:							
Permanently restricted	800,500	500	May-09				\$ 801,000
Temporarily restricted	109,165	-		(183,161)	34,608		\$ (108,604)
2300030 Honors College General Endowment							
Permanently restricted	108,683	6,294	Feb-09				\$ 114,977
Temporarily restricted	39,929	25,425	Jul-08	(26,013)	24,647		\$ 14,694
2300060 Harvey L. Young:							
Permanently restricted	150,800	-					\$ 150,800
Temporarily restricted	31,676	-		(35,197)	4,000		\$ (7,521)
2300070 Lucille E Snaith Memorial Scholarship Endowment							
Permanently restricted	500,000	-					\$ 500,000
Temporarily restricted	93,784	-		(114,646)	7,500		\$ (28,362)
2500030 R. Stempel Public Health Scholarship Endowment							
Permanently restricted	3,298,411	-					\$ 3,298,411
Temporarily restricted	730,440	-		(757,658)	67,755		\$ (94,973)
2500060 CV Starr Scholarship							
Permanently restricted	3,341,851	55,000	Apr-09				\$ 3,396,851
Temporarily restricted	542,878	-		(758,260)	16,526		\$ (231,908)
2530040 Bank of America Scholarship Endowment (CUPA):							
Permanently restricted	150,000	-					\$ 150,000
Temporarily restricted	44,195	-		(34,444)	-		\$ 9,751

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II

(Continued)

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	Contribution Amount Received	Interest and Investment Gains(1)	Expenditures	Transfers	Ending Balance June 30, 2009
3000080 Dorothea and Steven Green Endowment						
Permanently restricted	3,200,010	-				\$ 3,200,010
Temporarily restricted	689,472	-	(732,113)	169,358		\$ (211,999)
3100100 Wolfsonian Program Endowment						
Permanently restricted	495,884	-				\$ 495,884
Temporarily restricted	45,483	-	(112,232)	-		\$ (66,749)
4020150 Michael Felsberg Scholarship						
Permanently restricted	100,400	-				\$ 100,400
Temporarily restricted	11,018	-	(21,627)	-		\$ (10,609)
4100030 City of Homestead Campus						
Permanently restricted	250,000	-				\$ 250,000
Temporarily restricted	273,224	-	(73,860)	4,036		\$ 195,328
4100200 Hurricane Center Endowment						
Permanently restricted	700,008	-				\$ 700,008
Unrestricted	431,371	-	(199,042)	176,774		\$ 55,555
4200070 ER & C Gross Scholarship Endowment:						
Permanently restricted	254,755	-				\$ 254,755
Temporarily restricted	61,445	-	(58,986)	3,962		\$ (1,503)
4410020 CAMP for Justice Scholarship Endowment						
Permanently restricted	150,000	-				\$ 150,000
Temporarily restricted	18,233	-	(32,398)	7,000	-	\$ (21,165)
	<u>\$66,858,764</u>	<u>\$354,983</u>	<u>\$ (12,971,008)</u>	<u>\$ 2,462,371</u>	<u>\$ (428,361)</u>	<u>\$51,352,013</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II

YEAR ENDED JUNE 30, 2009

(Unaudited)

	Beginning Balance July 1, 2008	State Match Presented	State Match Received	Write- Offs	Ending Balance June 30, 2009
B. Priority List					
Honors College General Endowment	\$ 51,650	\$ -	\$ -	\$ -	51,650
CV Starr Scholarship Program Endowment	74,531	-	-	-	74,531
Cuban American Bar Scholarship Endowment	50,050	-	-	-	50,050
Ware Foundation Research Endowment	50,000	-	-	-	50,000
Kelly Foundation Construction & Engineering	50,000	-	-	-	50,000
North Dade Medical Foundation FIU					
College of Medicine (E)	5,000,000	-	-	-	5,000,000
Jane Hsiao Asian Art Endowment	751,755	-	-	-	751,755
Wolfsonian Program Endowment	53,000	-	-	-	53,000
MCH Eminent Scholars Chair in Pediatrics (E)	250,000	-	-	-	250,000
C.V. Starr Scholarship Program Endowment*	125,000	-	-	-	125,000
Lennar Corporation Scholarship Endowment	50,000	-	-	-	50,000
R. Kirk Landon General Endowment	-	250,000	-	-	250,000
Pino Global Entrepreneurship Center Endowment - 3	-	230,000	-	-	230,000
Barnes & Noble Creative Writing Endowment	-	75,000	-	-	75,000
Pino Global Entrepreneurship Center Endowment - 2	-	150,000	-	-	150,000
Leon Medical Center Eminent Scholars Chair in Geriatrics	-	2,000,250	-	-	2,000,250
	<u>\$ 6,505,986</u>	<u>\$2,705,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,211,236</u>

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FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
BOARD OF DIRECTORS

OFFICERS AND EXECUTIVE COMMITTEE

Fiscal Year

July 1, 2008 - June 30, 2009

(Unaudited)

Joseph L. Caruncho, '81, *Chairperson*
T. Gene Prescott, *Vice Chairperson*
Noel Guillama-Alvarez, *Treasurer*
Veronica Cervera Goeseseke, *Secretary***

Nelson L. Adams, III	Donald E. Lefton
Michael M. Adler	Jim Mandich*
David F. Alfonso, '96*	Ray E. Marchman
Antonio Argiz	Michael R. Mendez, '03
Richard Brilliant, '74*	Albert Morrison, Jr.
Nicholas G. Bustle, '88*	Eileen Moss, '82*
Carlos B. Castillo, '88	Marcel Navarro, '93*
Thomas Cornish, '85	Ramiro Ortiz
Carlos de Céspedes*	Luis E. Perez, '78
Kathryn G. Dinkin*	Marcos A. Perez, '90, '00
Albert E. Dotson, Sr., <i>Ex-Officio</i>	David L. Perlman
Carlos Duarte, '94, '99*	Justo L. Pozo, '80
Ramon Flores*	Carolina Rendeiro*
Dany Garcia	Laurie Richardson, <i>Ex-Officio</i>
Jorge J. Gonzalez	Carlos A. Sabater, '81
Gerald C. Grant, Jr., '78, '89	Ana Maria Silva, <i>Ex-Officio</i>
Dorothea Green*	Ronald A. Shuffield
John M. Hogan	Theodore Spak*
Morris I. Hollander, <i>Ex-Officio</i>	Jose Perez de Corcho, Jr., <i>Ex-Officio</i>
Peggy M. Hollander	Jose J. Valdes-Fauli*
Jeffrey L. Horstmyer	Mitchell Wolfson, Jr.
Rosa L. Jones, <i>Ex-Officio</i>	Isaac Zelcer
S. Lawrence Kahn, III	Sanford L. Ziff
Christopher G. Korge	

**Did not serve as a Director for the entire fiscal year*

***Did not serve as Officer for the entire fiscal year*



FLORIDA
INTERNATIONAL
UNIVERSITY

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.

BOARD OF DIRECTORS

OFFICERS AND EXECUTIVE COMMITTEE

Fiscal Year

July 1, 2008 - June 30, 2009

(Continued)

JOSEPH L. CARUNCHO, '81, Chairperson for the Board of Directors

Dates of Service: 11.29.06 – 12.31.09

Committee Affiliations:

- > Executive Committee, *Chairperson*
- > Ex-Officio Member of all Committees (non-voting)

T. GENE PRESCOTT, Vice Chairperson for the Board of Directors

Date of Service: 3.26.03– Present

Committee Affiliations:

- > Executive Committee, *Vice Chairperson*
- > Finance & Audit Committee, *Member*
- > Investment Special Committee, *Member*

NOEL J. GUILLAMA-ALVAREZ, Treasurer for the Board of Directors

Dates of Service: 11.27.02 – Present

Committee Affiliations:

- > Executive Committee, *Member*
- > Finance and Audit Committee, *Chairperson*
- > Investment Special Committee, *Chairperson*

VERONICA CERVERA GOESEKE, Secretary for the Board of Directors

Dates of Service: 4.6.06 – Present

Committee Affiliations:

- > Executive Committee, *Member*
- > Development Committee, *Member*

MICHAEL M. ADLER

Dates of Service: 3.24.04 – Present

Committee Affiliations:

- > Executive Committee, *Member*
- > Development Committee, *Chairperson*

ALBERT E. DOTSON, SR.

Dates of Service: 3.26.08- Present

Committee Affiliations:

- > Executive Committee, *Board of Trustees Representative*



FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
BOARD OF DIRECTORS

OFFICERS AND EXECUTIVE COMMITTEE

Fiscal Year

July 1, 2008 - June 30, 2009

(Continued)

GERALD C. GRANT, JR., '78, '89

Dates of Service: 4.6.06 – Present

Committee Affiliations:

- > Executive Committee, *Special Member*
- > Investment Special Committee, *Member*

ROSA L. JONES

Dates of Service: 11.28.01– Present

Committee Affiliations:

- > Executive Committee, *Presidential Designee*

RAY E. MARCHMAN

Dates of Service: 3.29.00– Present

Committee Affiliations:

- > Executive Committee, *Member*
- > University & Community Relations Committee, *Chairperson*

RONALD A. SHUFFIELD

Dates of Service: 11.28.01– Present

Committee Affiliations:

- > Executive Committee, *Member*
- > Recruitment Committee, *Chairperson*

COMPLIANCE REPORT



**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board of Directors and the Finance and Audit Committee
Florida International University Foundation, Inc. and Subsidiary
Miami, Florida

We have audited the consolidated financial statements of Florida International University Foundation, Inc. and Subsidiary (the Foundation) as of and for the year ended June 30, 2009 and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing the assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Foundation's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

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

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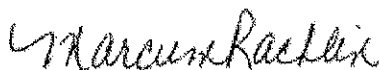
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Members of the Board of Directors and the Finance and Audit Committee
Florida International University Foundation, Inc. and Subsidiary
Page Two

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, the Finance and Audit Committee, management, the State University System of Florida, the Florida Board of Governors, and the Board of Trustees of Florida International University and is not intended to be and should not be used by anyone other than these specified parties.



a division of Marcum LLP
Miami, Florida
January 20, 2010

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

February 5, 2010

Subject: Florida International University Research Foundation, Inc. Financial Audit, 2008-2009

Proposed Committee Action:

Recommend Board adoption of the following Resolution:

WHEREAS, pursuant to Regulation FIU-1502 (2)(f), the Florida International University Research Foundation, Inc. (FIU Research Foundation, Inc.) must submit an independently conducted financial audit of its accounts and records, which has been approved by its governing board and recommended by the University President to the Florida International University Board of Trustees (the BOT) for review and approval; and

WHEREAS, the FIU Research Foundation, Inc. Financial Audit for 2008-2009, attached hereto as Exhibit "B", was approved by the FIU Research Foundation, Inc. Board of Directors Executive Committee on January 8, 2010 and the University President is recommending its approval, pending ratification of the FIU Research Foundation, Inc. Board of Directors Full Board;

THEREFORE, BE IT RESOLVED that the BOT hereby approves the attached FIU Research Foundation, Inc. Financial Audit for 2008-2009 pending ratification of the FIU Research Foundation, Inc. Board of Directors Full Board, and authorizes the Executive Director of the FIU Research Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

BACKGROUND INFORMATION:

LEGAL AUTHORITY:

Regulation FIU-1502 (2)(f), states in relevant part:

(2)(f) Have a financial audit of its accounts and records to be conducted by an independent certified public accountant after the close of each fiscal year.

ARTICLE 4 Section 4 of the Florida International University Research Foundation, Inc. Bylaws, states in relevant part:

(iii) To cause an annual audit to be made by an independent certified public accountant of the corporation's books and records as soon as possible after the close of the fiscal year of the Research Foundation and to have the results reported to the Chairperson of the Research Foundation immediately and to the full Board at its next meeting thereafter.

Exhibits/Supporting Documents:

- Exhibit “B”: Florida International University Research Foundation, Inc. Financial Audit 2008-2009

Facilitator/Presenter:

- Kenneth Jessell

FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

FINANCIAL STATEMENTS

JUNE 30, 2009

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INCORPORATED

(A Direct Support Organization)

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations
Florida International University Research Foundation, Incorporated
Miami, Florida

We have audited the accompanying statement of net assets of Florida International University Research Foundation, Incorporated (the Research Foundation), a direct support organization and component unit of Florida International University, as of June 30, 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Research Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Research Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Research Foundation as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2009 on our consideration of the Research Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations
Florida International University Research Foundation, Incorporated
Page Two

The Research Foundation has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

Marcum Rachlin

Miami, Florida
December 18, 2009

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS

Assets:

Cash	\$ 1,288,669
Due from FIU	<u>2,212,265</u>
Total assets	<u>3,500,934</u>

LIABILITIES

Current Liabilities:

Accounts payable	2,100
Accrued interest payable	20,265
Derivative liability	42,168
Current portion of notes payable	2,030,000
Due to FIU	<u>774,188</u>
Total current liabilities	2,868,721

Noncurrent Liabilities:

Notes payable	<u>515,000</u>
Total liabilities	<u>3,383,721</u>

NET ASSETS

Unrestricted Net Assets	<u>\$ 117,213</u>
-------------------------	-------------------

See notes to financial statements.

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2009

Operating Revenues:	
Miscellaneous revenues	\$ 124,902
Operating Expenses:	
Operating expenses	<u>28,532</u>
Operating Income	<u>96,370</u>
Non-Operating Revenues (Expenses):	
Non-operating revenue	73,345
Interest expense	(105,302)
Unrealized loss on derivative instrument	<u>(1,467)</u>
Total non-operating expenses	<u>(33,424)</u>
Change in Net Assets	62,946
Net Assets, Beginning	<u>54,267</u>
Net Assets, Ending	<u><u>\$ 117,213</u></u>

See notes to financial statements.

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INCORPORATED

(A Direct Support Organization)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

Cash Flows from Operating Activities:

Cash received from FIU	\$ 926,117
Cash paid for program activities	<u>(264,937)</u>
Net cash provided by operating activities	<u>661,180</u>

Cash Flows from Non-Capital Financing Activities:

Receipts from FIU	1,890,572
Interest paid	(120,988)
Repayment of note payable	<u>(1,970,000)</u>
Net cash used by non-capital financing activities	<u>(200,416)</u>

Cash Flows from Investing Activities:

Investment income	<u>508</u>
Net cash provided by investing activities	<u>508</u>

Increase in Cash	461,272
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Cash, Beginning	<u>827,397</u>
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Cash, Ending	<u>\$ 1,288,669</u>
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Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating income	\$ 96,370
Changes in assets and liabilities:	
(Increase) decrease in:	
Due to FIU	566,744
Grant receivable	249,373
Decrease in:	
Accounts payable	<u>(251,307)</u>
Net cash provided by operating activities	<u>\$ 661,180</u>

Non-Cash Investing and Financing Activities:

Unrealized loss on derivative instrument	<u>\$ (1,467)</u>
--	-------------------

See notes to financial statements.

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INCORPORATED

(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Florida International University Research Foundation, Incorporated (the Research Foundation or the Foundation), a Florida not-for-profit corporation, is a direct support organization and a component unit of Florida International University and was organized in the State of Florida on November 25, 1997 for educational and scientific purposes. The articles of incorporation were amended and restated on March 24, 2008.

The Research Foundation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. The Research Foundation provides direct support to Florida International University (FIU or the University) in matters pertaining to research, and has been designated by the FIU Board of Trustees as a University Direct Support Organization pursuant to §1004.28, Florida Statutes.

Basis of Presentation

The financial statements of the Research Foundation have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Research Foundation reports under the GASB standards because as a direct support organization, it meets the criteria regarding the popular election of officers or appointment of a controlling majority of the members of the Organization's governing body by one or more state or local governments. Therefore, the Research Foundation is reported as a governmental entity.

In accordance with GASB Statement No. 34, the Research Foundation met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses when a liability is incurred, regardless of timing of the related cash flow.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Foundation applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INCORPORATED

(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative Financial Instrument

The Research Foundation entered into an interest rate swap agreement to reduce its exposure to market risks from changing interest rates. For interest rate swaps, the differential to be paid or received is accrued and recognized as interest income (expense) and may change as market interest rates change. The fair value of the swap agreement is presented in the statement of net assets. The change in the fair value is presented as an unrealized gain or loss in the statement of revenues, expenses and changes in net assets.

Long-Term Debt

Long-term debt is reported as a liability in the statement of net assets. Issuance costs were not material and were expensed in a prior year.

Flow Assumption for Restricted Assets

If both restricted and unrestricted assets are available for use for a certain purpose, it is the Research Foundation's policy to use restricted assets first, then use unrestricted assets as needed.

NOTE 2. CONCENTRATION OF CREDIT RISK

Cash

The Research Foundation maintains deposit balances with financial institutions that, from time to time, may exceed federally insured limits. At June 30, 2009, the Research Foundation had \$315,658 that was in excess of federally insured limits.

In addition, the Research Foundation maintains a deposit balance in Colombia, South America, to manage its Columbian operations pertaining to a U.S. Agency for International Development (USAID) grant. The balance in this account of \$342,543 as of June 30, 2009 is not FDIC insured and is subject to foreign exchange risk. The Research Foundation maintains its cash balances with high quality financial institutions, which the Research Foundation believes limits these risks.

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INCORPORATED

(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3. DUE FROM/ TO FLORIDA INTERNATIONAL UNIVERSITY

The \$2,212,265 reported as due from FIU consists primarily of amounts owed by the University to the FIU Research Foundation to fund the principal payments of the note payable to Regions Bank. The amount due to the University totaling \$774,188 represents funds that were sent to Colombia as part of a federal grant. This liability will be reduced as vendors are paid in Columbia. The funds for grant operations in Colombia are repaid to the University once the reimbursements are received from the grantor.

NOTE 4. RELATED PARTY TRANSACTIONS

On February 10, 2005, the FIU Board of Trustees approved a Settlement Agreement with various agencies of the United States government, including the Department of Justice related to the Hemispheric Center for Environmental Technology whereby all audit claims were settled and the University agreed to repay \$11,500,000 in grants to the Federal Government.

On May 3, 2005, the University entered into an agreement with the FIU Research Foundation, Incorporated whereas the Research Foundation authorized the issuance of a promissory note in an aggregate principal amount not to exceed \$10,000,000, plus interest, to finance the payment of amounts due under the Settlement Agreement dated February 10, 2005 and certain costs relating to the financing.

To assist the University, the Research Foundation issued on June 30, 2005 two series of notes, one for \$7,955,000 (tax exempt) and one for \$1,670,000 (taxable) for a total of \$9,625,000 (see note 5), and forwarded \$9,591,096 to the Federal Government. The Taxable Note totaling \$1,670,000 was paid off on October 1, 2006.

The University is obligated to fund the issuance costs and both the principal and interest payments on the obligations of the Research Foundation. The Research Foundation made principal payments on the remaining note in the amount of \$1,970,000 during the year. The University is expected to fund the remaining principal balance on the note.

NOTE 5. LONG-TERM DEBT

The debt activity for the year ended June 30, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Tax Exempt Note	<u>\$4,515,000</u>	<u>\$ -</u>	<u>\$1,970,000</u>	<u>\$2,545,000</u>	<u>\$2,030,000</u>

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INCORPORATED*(A Direct Support Organization)***NOTES TO FINANCIAL STATEMENTS**
(Continued)**NOTE 5. LONG-TERM DEBT (Continued)**

\$7,955,000 Florida International University Research Foundation, Incorporated Tax-Exempt Note, Series 2005, dated June 30, 2005; interest at 65% of three month LIBOR plus 39.23 basis points; interest and principal payable on a quarterly basis with a final principal payment of \$515,000 on July 1, 2010.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2010	\$2,030,000	\$36,970	\$2,066,970
2011	<u>515,000</u>	<u>4,100</u>	<u>519,100</u>
	<u>\$2,545,000</u>	<u>\$41,070</u>	<u>\$2,586,070</u>

NOTE 6. DERIVATIVE FINANCIAL INSTRUMENTS

On June 30, 2005, the Research Foundation entered into an interest rate swap agreement with a commercial bank on a notional amount of \$7,955,000 (see debt terms in Note 5). Under the swap agreement, the Research Foundation agrees to pay a fixed rate of 3.15% and receive a variable rate based on 65% of 3 month LIBOR rate plus 0.3923%. As of June 30, 2009, the Research Foundation reported a derivative liability of \$42,168 in the statement of net assets and an unrealized loss of \$1,467 in the statement of revenues, expenses and changes in net assets. The difference is due to the negative derivative's value of \$40,701 in prior year. The swap agreement has a maturity date of July 1, 2010.

NOTE 7. CHANGE IN ACCOUNTING POLICY

Revenues and expenses relating to its grant activities in Colombia are now being reported at the University level. Formerly, operating revenues and expenses related to the grant activities in Colombia were solely reflected in the Research Foundation. The Research Foundation and the University will continue to record the corresponding transfer of funds to Colombia as a due to/from component unit. This change had no effect on the net assets of the Research Foundation.

COMPLIANCE SECTION



**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations
Florida International University Research Foundation, Incorporated
Miami, Florida

We have audited the financial statements of Florida International University Research Foundation, Incorporated (the Research Foundation or the Foundation) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing the assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Research Foundation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Research Foundation's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

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

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Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations
Florida International University Research Foundation, Incorporated
Page Two

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, the State University System of Florida and the Florida Board of Governors and the Board of Trustees of Florida International University and is not intended to be and should not be used by anyone other than these specified parties.

Marcum Rachlin

Miami, Florida
December 18, 2009

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

February 5, 2010

Subject: Florida International University Athletics Finance Corporation, Financial Audit, 2008-2009

Proposed Committee Action:

Recommend Board adoption of the following Resolution:

WHEREAS, pursuant to Regulation FIU-1502 (2)(f), the Florida International University Athletics Finance Corporation (FIU Athletics Finance Corp.) must submit an independently conducted financial audit of its accounts and records, which has been approved by its governing board and recommended by the University President to the Florida International University Board of Trustees (the BOT) for review and approval; and

WHEREAS, the FIU Athletics Finance Corp. Financial Audit for 2008-2009, attached hereto as Exhibit "C", has been submitted and approved by the FIU Athletics Finance Corp. Board of Directors on January 15, 2010 and the University President is recommending its approval;

THEREFORE, BE IT RESOLVED that the BOT hereby approves the attached FIU Athletics Finance Corp. Financial Audit for 2008-2009 and authorizes the Executive Director of the FIU Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

BACKGROUND INFORMATION:

LEGAL AUTHORITY:

Regulation FIU-1502 (2)(f), states in relevant part:

(2)(f) Have a financial audit of its accounts and records to be conducted by an independent certified public accountant after the close of each fiscal year.

ARTICLE 5 Section 4 of the Florida International University Athletics Finance Corp, Inc. Bylaws, states in relevant part:

(d) To cause an annual audit to be made by an independent certified public accountant of the Corporation's books and records as soon as possible after the close of the fiscal year of the Corporation and to have the results reported to the Chairperson of the Corporation immediately and to the full Board at its next meeting thereafter.

Exhibits/Supporting Documents:

- Exhibit “C”: Florida International University Athletics Finance Corporation, Financial Audit 2008-2009

Facilitator/Presenter:

- Kenneth Jessell

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

FINANCIAL STATEMENTS

JUNE 30, 2009

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations
FIU Athletics Finance Corporation
Miami, Florida

We have audited the accompanying statement of net assets of FIU Athletics Finance Corporation (the Athletics Finance Corporation), a direct support organization and component unit of Florida International University, as of June 30, 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Athletics Finance Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Athletics Finance Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Athletics Finance Corporation as of June 30, 2009, and the respective changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2009 on our consideration of the Athletics Finance Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations
FIU Athletics Finance Corporation
Page Two

The Athletics Finance Corporation has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

Marcum Rachlin

Miami, Florida
December 18, 2009

FFU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS

Current Assets:

Cash	\$ 566,668
Investments	4,827,268
Suites and ticket sales receivable	419,765
Interest receivable	4,798
Prepaid rent and other	1,184,366
Due from FIU	90,410
Total current assets	<u>7,093,275</u>

Noncurrent Assets:

Restricted cash	3,500,000
Restricted investments	1,957,792
Suites and ticket sales receivable	420,000
Bond issuance costs	443,481
Prepaid rent	25,965,333
Total noncurrent assets	<u>32,286,606</u>
Total assets	<u>39,379,881</u>

LIABILITIES

Current Liabilities:

Accounts payable	1,884
Bonds payable	730,000
Accrued interest payable	144,968
Derivative liability	1,756,577
Deferred revenue	963,606
Due to FIU	498,084
Total current liabilities	<u>4,095,119</u>

Noncurrent Liabilities:

Due to FIU	3,500,000
Bonds payable	34,270,000
Total noncurrent liabilities	<u>37,770,000</u>
Total liabilities	<u>41,865,119</u>

NET ASSETS

Unrestricted Net Assets (Deficit)	<u>\$ (2,485,238)</u>
-----------------------------------	-----------------------

See notes to financial statements.

FIU ATHLETICS FINANCE CORPORATION*(A Direct Support Organization)*

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2009

Operating Revenue:	
Athletic support	\$ 873,333
Ticket sales	649,189
Sky suite revenues	557,200
Contributions	380,600
NCAA and conference payments	300,000
Rental income	118,797
General concessions and vending commissions	29,997
Total operating revenues	<u>2,909,116</u>
Operating Expenses:	
Amortization of prepaid rent	970,338
Professional fees	293,453
Utilities	108,812
Materials and supplies	45,095
Banking fees	7,258
Other operating expenses	394
Total operating expenses	<u>1,425,350</u>
Operating income	<u>1,483,766</u>
Non-Operating Revenues (Expenses):	
Interest income	125,837
Interest expense and fiscal charges	(1,445,395)
Unrealized loss on investments	(1,175,948)
Other non-operating expenses	(4,552)
Total non-operating expenses	<u>(2,500,058)</u>
Change in Net Assets	(1,016,292)
Net Assets (Deficit), Beginning	<u>(1,468,946)</u>
Net Assets (Deficit), Ending	<u>\$ (2,485,238)</u>

See notes to financial statements.

FIU ATHLETICS FINANCE CORPORATION

(A Direct Support Organization)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:	
Operating receipts	\$ 2,908,898
Payments to vendors	<u>(16,377,080)</u>
Net cash used by operating activities	<u>(13,468,182)</u>
Cash flow from capital and related financing activities:	
Interest paid	<u>(1,445,395)</u>
Net cash used by capital and related financing activities	<u>(1,445,395)</u>
Cash Flows from Investing Activities:	
Proceeds from sales and maturities of investments	14,869,094
Interest income	<u>142,745</u>
Net cash provided by financing activities	<u>15,011,839</u>
Increase in Cash	98,262
Cash, Beginning (Includes Restricted Cash)	<u>3,968,406</u>
Cash, Ending (Includes Restricted Cash)	<u>\$ 4,066,668</u>
Reconciliation of Operating Income to Net Cash	
Used by operating activities:	
Operating income	\$ 1,483,766
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(421,670)
Prepaid rent and other	<u>(12,566,126)</u>
Increase (decrease) in:	
Accounts payable	(27,676)
Accrued interest payable	365
Due to FIU	(1,959,961)
Miscellaneous	(4,552)
Deferred revenue	<u>27,672</u>
Net cash used by operating activities:	<u>\$ (13,468,182)</u>
Non-Cash Investing and Financing Activities:	
Unrealized loss on derivative instrument	<u>\$ 748,747</u>
Increase in Prepaid Rent for Construction Draw	<u>\$ 12,546,165</u>

See notes to financial statements.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The FIU Athletics Finance Corporation (the Athletics Finance Corporation or the Organization), a Florida not-for-profit corporation, is a direct support organization and a component unit of Florida International University and was organized in the State of Florida on November 20, 2006 to facilitate the financing of projects related to the FIU football stadium.

The Athletics Finance Corporation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. The Athletics Finance Corporation provides direct support to Florida International University (FIU or the University) in matters pertaining to the financing of the FIU football stadium and subsequently managing and operating the facility and has been designated by the FIU Board of Trustees as a University Direct Support Organization pursuant to §1004.28, Florida Statutes.

Basis of Presentation

The financial statements of the Athletics Finance Corporation have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Athletics Finance Corporation reports under the GASB standards because as a direct support organization it meets the criteria regarding the popular election of officers or appointment of a controlling majority of the members of the Organization's governing body by one or more state or local governments. Therefore, the Athletics Finance Corporation is reported as a governmental entity.

In accordance with GASB Statement No. 34, the Athletics Finance Corporation met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses when a liability is incurred, regardless of timing of the related cash flow.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Athletics Finance Corporation applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Investments

The Athletics Finance Corporation participates in investment pools through the State Board of Administration in accordance with the provisions of §17.61 and §215.49, Florida Statutes. These investment pools operate under investment guidelines established by §215.47, Florida Statutes. The Organization also invests in SEC Rule 2a-7 eligible money market funds.

Derivative Financial Instrument

The Athletics Finance Corporation entered into an interest rate swap agreement to reduce its exposure to market risks from changing interest rates. For interest rate swaps, the differential to be paid or received is accrued and recognized in interest expense and may change as market interest rates change. The fair value of the swap agreement is presented in the statement of financial position. The change in the fair value is presented as an unrealized gain or loss in the statement of revenues, expenses and changes in net assets.

Long-Term Debt

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Issuance costs are presented in the financial statements as a noncurrent asset and are being amortized over the life of the bonds.

Prepaid Rent

Pursuant to two (2) ground sublease agreements, the Organization prepaid a portion of their rent obligation to the University. The prepaid lease payments will be amortized on a straight-line basis over the life of the sublease, commencing in fiscal year ending June 30, 2009.

Flow Assumption for Restricted Assets

If both restricted and unrestricted assets are available for use for a certain purpose, it is the Athletics Finance Corporation's policy to use restricted assets first, and then use unrestricted assets as needed.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 2. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Athletics Finance Corporation to concentrations of credit risk consist principally of cash in banks and investments.

Deposits

The Athletics Finance Corporation places substantially all of its cash with high quality financial institutions which the Athletics Finance Corporation believes limits these risks. At June 30, 2009, \$3,823,934 was in excess of the Federal Depository Insurance Company (FDIC) limits.

Investments

In addition, the Athletics Finance Corporation maintains investment accounts with financial institutions that are not insured by the FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. At June 30, 2009, \$6,785,060 was held in these accounts. The Athletics Finance Corporation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

NOTE 3. INVESTMENTS

Investments are made in accordance with the trust indenture dated April 1, 2007. The Athletics Finance Corporation's investments at June 30, 2009, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
Florida State Board of Administration:	
Local Government Surplus Funds Trust Fund:	
LGIP	\$ -
Fund B	705,057
Money Market Mutual Funds	6,080,003
Total investments (includes restricted investments)	<u>\$ 6,785,060</u>

The Athletics Finance Corporation reported investments at fair value totaling \$705,057 at June 30, 2009, in the Fund B Surplus Funds Trust Fund. The Local Government Surplus Funds Trust Fund (LGIP) and the Fund B are administered by State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The State Board of Administration governs the LGIP under Ch. 19-7 of the Florida Administrative Code. LGIP is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a SEC 2a7- like fund. The SBA has reported that LGIP is a "2a-7 like" pool and, therefore, these investments are valued using the pooled share price. Fund B is

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 3. INVESTMENTS (Continued)

accounted for as a fluctuating net asset value (NAV) pool. The fair value factor for June 30, 2009 was .5137094. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effective by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP. The investments in the LGIP and Fund B are not insured by FDIC or any other government agency. Subsequent to June 30, 2009, the LGIP will now be known as Florida PRIME.

The Organization also invests in money market mutual funds that only invest in U.S. Government issues and other AAA rated issues with a maturity of 397 days or less. The fund maintains an average maturity of less than 60 days and is rated AAA by Standard and Poor's. The fund complies with the requirements of Rule 2a-7 under the 1940 Act, which sets forth portfolio quality and diversification restrictions for money market mutual funds. The fair market value of these funds was \$6,080,003 at June 30, 2009.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2009, LGIP Fund A and the money market mutual fund investments were rated AAAM by Standard and Poor's. Fund B is not rated by any nationally recognized statistical rating agency.

Concentration Credit Risk

GASB Statement 40 requires disclosure when 5% or more of the portfolio is invested in any one issuer. Investments held in the Fund B administered by State Board of Administration (SBA) consist of approximately 10% of total investments. Approximately 90% of the investments are held with Regions Morgan Keegan money market mutual funds. According to the bond indenture, the organization can invest the bond proceeds in these investment vehicles; there are no stated limitations on the amount that can be invested in any one issuer. The short term nature of the investments is due to liquidity needs, since those funds are being used for construction costs, operating expenses and debt service payments. The Organization does not view the excess concentration over 5% to be an additional risk.

Interest Rate Risk

A portfolio's weighted average days to maturity (WAM) reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes.

The weighted average life (WAL) of Fund B at June 30, 2009 was 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates for Fund B as of June 30, 2009.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 4. BOND ISSUANCE COSTS

As of June 30, 2009, issuance costs related to both the tax exempt and taxable bonds (FIU Athletics Finance Corporation Capital Improvement Revenue Bonds Series 2007A and 2007B) totaled \$443,481, net of amortization. The bond issuance costs will be amortized over the term of the bonds which mature in March 2033.

Bond issuance costs	\$ 560,146
Less adjustment for reduction of closing costs	56,561
Less accumulated amortization	<u>60,104</u>
Bond issuance costs, net	<u>\$ 443,481</u>

NOTE 5. LONG-TERM DEBT

The debt activity for the year ended June 30, 2009 is as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Tax Exempt Capital Improvement					
Revenue Bonds	\$ 28,000,000	\$ -	\$ -	\$ 28,000,000	\$ -
Taxable Capital Improvement					
Revenue Bonds	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>7,000,000</u>	<u>730,000</u>
	<u>\$ 35,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,000,000</u>	<u>\$ 730,000</u>

On April 20, 2007, the Athletics Finance Corporation issued \$28,000,000 of its Capital Improvement Revenue Bonds (Football Stadium Project) Series 2007A and \$7,000,000 of its Taxable Capital Improvement Revenue Bonds (Football Stadium Project) Series 2007B. These bonds were issued and secured under and pursuant to a Trust Indenture, dated April 1, 2007, between the Athletics Finance Corporation and a commercial bank, as trustee, and shall be payable from pledged revenues. The bond proceeds will be used to (i) finance certain football stadium improvements, (ii) fund capitalized interest through March 1, 2009, (iii) fund a deposit to a debt service reserve fund, and (iv) pay costs related to the issuance of the bonds. The bonds shall be secured by operating and non-operating revenues of the facility and of the University athletic fees. The bonds are scheduled to mature on March 1, 2033.

The Athletics Finance Corporation has funded a debt service reserve fund in an amount equal to the maximum allowable debt service on the bond in the current and any future fiscal year. This debt service reserve fund currently totals \$1,957,792 and is presented in restricted investments.

The interest rate on these bonds is both fixed and variable and is subject to a hedge agreement that was entered into to try to reduce the exposure to market risks from changing interest rates. Interest is computed on the basis of the actual number of days elapsed over a year of 365 or 366 days.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 5. LONG-TERM DEBT (Continued)

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 730,000	\$ 1,585,156	\$ 2,315,156
2011	775,000	1,540,675	2,315,675
2012	825,000	1,495,516	2,320,516
2013	880,000	1,441,092	2,321,092
2014	940,000	1,389,380	2,329,380
2015-2019	5,655,000	6,057,645	11,712,645
2020-2024	7,225,000	4,637,735	11,862,735
2025-2029	9,070,000	2,951,071	12,021,071
2030-2033	8,900,000	862,804	9,762,804
	<u>\$35,000,000</u>	<u>\$21,961,074</u>	<u>\$56,961,074</u>

NOTE 6. LETTER OF CREDIT AGREEMENT

On April 1, 2007, Regions Bank issued a letter of credit to serve as security for the payments of the bonds. The Letter of Credit will be in effect until April 15, 2012, and will automatically extend equal to the remaining balance of the bonds payable for a period of one year, subject to approval of Regions Bank but not to extend beyond April 15, 2033. Athletics Finance Corporation agrees to repay any draws against the Letter of Credit plus annual interest equal to the Three Month LIBOR plus two percent (2%). Construction draws to date as of June 30, 2009 were \$28,100,076.

The Athletics Finance Corporation is required under the terms of the letter of credit agreement dated April 1, 2007 to have deposited with Regions Bank \$3,500,000 in an interest-bearing reserve fund and is presented in restricted cash.

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

On May 30, 2007, Athletics Finance Corporation entered into an interest rate swap agreement with a commercial bank with a notational amount of \$21,000,000 which represents the fixed portion of the bonds payable mentioned in Note 5 above. Under the swap agreement, the Athletics Finance Corporation agrees to pay a fixed rate of 4.1451% and receive a variable rate based on the SIFMA index (tax-exempt variable demand bond index maintained by the Bond Marketing Association). As of June 30, 2009, the Athletics Finance Corporation reported a derivative liability of \$1,756,577 in the statement of net assets and an unrealized loss on derivative instrument of \$748,747 in the statement of revenues, expenses and changes in net assets. The swap agreement has a maturity date of March 1, 2033.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 8. DEFERRED REVENUES

The Athletics Finance Corporation and the University have pledged future revenues in order to meet certain minimum bond requirements under the issue of bond-related debt to finance the stadium project. Non-operating revenues may include athletic fees collected by the University, fund raising revenues, conference payments, naming rights revenues, capital gifts and investment revenues related to any of the above. Operating revenues related to the sale of football stadium suites and club seats have been deferred. Revenues are deferred until the year they are earned. Suite sales will be recognized annually based on their corresponding contracts.

The following schedule presents sales commitments under suite agreements and ticket sales that expire on June 30, 2014:

Year Ending June 30:	
2010	\$ 513,606
2011	330,000
2012	40,000
2013	40,000
2014	40,000
	<u>\$ 963,606</u>

NOTE 9. LEASE COMMITMENTS

Florida International University and the FIU Athletics Finance Corporation entered into two 25-year ground sublease agreements dated April 1, 2007 rendering the rights to the FIU Athletics Finance Corporation to issue a series of capital improvement bonds of which a portion of the proceeds, along with contributions from the University, is to finance a stadium improvement project located on University premises. Under this agreement the FIU Athletics Finance Corporation shall prepay to the University for rental of the premises in the sum of \$28,819,024. The following schedule by years represents management's best estimate of future minimum rental expense that will be recognized for these sublease agreements:

Year Ending June 30:	
2010	\$ 1,164,405
2011	1,164,405
2012	1,164,405
2013	1,164,405
2014	1,164,405
2014 - 2018	5,822,025
2019 - 2023	5,822,025
2024 - 2028	5,822,025
2029 - 2033	4,560,586
	<u>\$27,848,686</u>

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE 9. LEASE COMMITMENTS (Continued)

Reconciliation of the Statement of Net Assets to the Lease Commitment:

Current prepaid rent and other	\$ 1,184,366
Non current prepaid rent	25,965,333
Less other prepaids	(19,961)
Construction payments to be made during fiscal year ended June 30, 2010	<u>718,948</u>
	<u>\$27,848,686</u>

As of June 30, 2009, construction draws amounting to \$28,100,076 have been paid by the University to various contractors. The balance of \$718,948 is expected to be paid during fiscal year ended June 30, 2010. The prepaid rent has been amortized by \$970,338 in the current year. This represents 10 months of amortization since the stadium opened September 1, 2008.

COMPLIANCE SECTION



**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations
FIU Athletics Finance Corporation
Miami, Florida

We have audited the financial statements of FIU Athletics Finance Corporation (the Athletics Finance Corporation or the Organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing the assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Athletics Finance Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Athletics Finance Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

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

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Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations
FIU Athletics Finance Corporation
Page Two

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, the State University System of Florida and the Florida Board of Governors and the Board of Trustees of Florida International University and is not intended to be and should not be used by anyone other than these specified parties.



Miami, Florida
December 18, 2009

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
February 5, 2010

Subject: Foundation Report

Proposed Committee Action:

None. Discussion item.

Exhibits/Supporting Documents:

- FIU FOUNDATION, INC. – Preliminary Financial Statements Recap & Investment Summaries, December 31, 2009

Facilitator/Presenter:

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

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FIU FOUNDATION, INC.

**PRELIMINARY
FINANCIAL STATEMENTS RECAP
& INVESTMENT SUMMARIES**

December 31, 2009

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FIU FOUNDATION, INC.
Preliminary Recap of Statement of Activities
Through the Period Ended December 31, 2009

(In Thousands of Dollars)

	2009-10 6-Month Budget	2009-10 6-Month Actuals	Variance		2009-10 Annual Budget	2008-09 6-Month Actuals	2008-09 Total Year Actuals
REVENUES:							
<u>Contributions:</u>							
Endowments	\$ 1,913	\$ 3,882	\$ 1,968	[1]	\$ 4,273	\$ 1,268	\$ 3,169
Non-Endowed Funds:							
Scholarship & Programs	\$ 1,957	\$ 4,027	\$ 2,070	[2]	\$ 4,100	\$ 3,928	\$ 6,984
Building Funds	\$ 82	\$ 294	\$ 213	[3]	\$ 184	\$ 555	\$ 1,803
Annual Fund	\$ 261	\$ 259	\$ (2)		\$ 365	\$ 305	\$ 432
Pledged Revenue	\$ 11,515	\$ (1,643)	\$ (13,158)	[4]	\$ 11,200	\$ 4,840	\$ 4,362
TOTAL CONTRIBUTIONS	\$ 15,728	\$ 6,818	\$ (8,909)		\$ 20,121	\$ 10,896	\$ 16,750
<u>Other Revenues:</u>							
MARC Building - Rental Income	\$ 666	\$ 666	\$ 1		\$ 1,331	\$ 320	\$ 1,031
Estimated Investment Returns	\$ 2,364	\$ 14,586	\$ 12,222	[5]	\$ 4,729	\$ (29,068)	\$ (37,487)
Administrative Fee	\$ -	\$ -	\$ -		\$ 1,387	\$ -	\$ -
TOTAL OTHER REVENUES	\$ 3,030	\$ 15,252	\$ 12,222		\$ 7,447	\$ (28,749)	\$ (36,455)
TOTAL REVENUES	\$ 18,758	\$ 22,071	\$ 3,313		\$ 27,569	\$ (17,853)	\$ (19,705)
EXPENSES:							
<u>University Programs:</u>							
Scholarships & Programs	\$ 3,581	\$ 2,247	\$ 1,334	[6]	\$ 6,263	\$ 3,491	\$ 9,252
Building Funds	\$ 1,342	\$ -	\$ 1,342	[7]	\$ 1,342	\$ 1,398	\$ 1,449
Annual Fund	\$ 146	\$ 84	\$ 62	[8]	\$ 207	\$ 242	\$ 345
TOTAL UNIVERSITY PROGRAMS EXPENSES	\$ 5,069	\$ 2,331	\$ 2,738		\$ 7,812	\$ 5,131	\$ 11,046
<u>Operational:</u>							
MARC Building	\$ 403	\$ 330	\$ 73	[9]	\$ 1,306	\$ 293	\$ 990
Administrative Reserve	\$ 743	\$ 626	\$ 116	[10]	\$ 1,387	\$ 746	\$ 1,495
General Reserve	\$ 640	\$ 635	\$ 5		\$ 1,490	\$ 1,140	\$ 1,555
Administrative Fee	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
TOTAL OPERATIONAL EXPENSES	\$ 1,786	\$ 1,592	\$ 194		\$ 4,183	\$ 2,179	\$ 4,040
TOTAL EXPENSES	\$ 6,855	\$ 3,922	\$ 2,932		\$ 11,994	\$ 7,310	\$ 15,086
EXCESS REVENUES OVER EXPENSES	\$ 11,903	\$ 18,148	\$ 6,245		\$ 15,574	\$ (25,162)	\$ (34,791)

*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.

Florida International University Foundation, Inc.
Preliminary Performance Summary as of
December 31, 2009

<i><u>Fund/Manager/Inception Date</u></i>	Market Value	% Allocation	Target Allocation	Current Month 12/1/2009 12/31/2009	Calendar YTD 2009 12/31/2008 12/31/2009	Fiscal YTD 6/30/2009 12/31/2009	Trailing 1 Year 12/31/2008 12/31/2009	Trailing 3 Year 12/31/2006 12/31/2009	Trailing 5 Year 12/31/2004 12/31/2009	Since Investment Inception
Total Fund (6/30/00)	\$120,887,426	100.0%	100.0%	1.4%	19.7%	14.5%	19.7%	-2.2%	2.3%	2.1%
Total Fund Composite				1.4%	20.9%	15.5%	20.9%	-1.5%	2.6%	1.5%
+/- Benchmark				0.0%	-1.2%	-1.0%	-1.2%	-0.8%	-0.3%	0.6%
Total Equity Accounts (6/30/00)	\$63,112,673	52.2%	55.0%	2.8%	24.4%	20.7%	24.4%	-5.0%	1.8%	0.9%
Total Equity Composite				3.3%	31.5%	23.4%	31.5%	-6.7%	0.9%	-1.4%
+/- Benchmark				-0.5%	-7.1%	-2.7%	-7.1%	1.7%	0.9%	2.3%
Total Fixed Income Accounts (6/30/00)	\$27,361,007	22.6%	22.0%	-1.8%	13.7%	7.1%	13.7%	6.8%	5.5%	6.3%
Total Fixed Income Composite				-1.7%	5.8%	4.9%	5.8%	5.6%	4.8%	5.7%
+/- Benchmark				-0.1%	7.9%	2.2%	7.9%	1.2%	0.7%	0.6%
Total Alternative Investments (3/1/02)	\$30,413,746	25.2%	23.0%	1.4%	16.2%	9.9%	16.2%	-3.0%	1.6%	3.9%
Total Alternative Composite				0.4%	15.8%	12.6%	15.8%	0.6%	2.5%	3.6%
+/- Benchmark				0.9%	0.4%	-2.8%	0.4%	-3.6%	-0.9%	0.3%

Florida International University Foundation, Inc.
Preliminary Performance Summary as of
December 31, 2009

<i>Fund/Manager/Inception Date</i>	Market Value	% Alloc.	Target Alloc.	Current Month 12/1/2009 12/31/2009	Calendar YTD 2009 12/31/2009	Fiscal YTD 6/30/2009 12/31/2009	Trailing 1 Year 12/31/2008 12/31/2009	Trailing 3 Year 12/31/2006 12/31/2009	Trailing 5 Year 12/31/2004 12/31/2009	Since Investment Inception
<u>Domestic Equity Managed Accounts</u>										
Atalanta Sosnoff Large Cap Growth (3/1/06)	\$16,137,715	13.3%	12.5%	1.7%	33.0%	23.0%	33.0%	-1.1%	N/A	1.9%
Russell 1000 Growth Index				3.1%	37.2%	23.0%	37.2%	-1.9%	1.6%	0.4%
Wedge Capital Large Cap Value QVM (12/29/06)	\$16,285,377	13.5%	12.5%	3.8%	25.8%	22.6%	25.8%	-7.7%	N/A	-7.7%
Russell 1000 Value Index				1.8%	19.7%	23.2%	19.7%	-9.0%	-0.3%	-9.0%
Advisory Research Small Cap Value (6/1/01)	\$6,406,728	5.3%	5.0%	5.2%	9.7%	14.9%	9.7%	-6.4%	2.5%	8.5%
Russell 2000 Value Index				7.6%	20.6%	27.2%	20.6%	-8.2%	0.0%	6.1%
IronBridge Small Cap Core Equity (12/2/03)	\$6,536,044	5.4%	5.0%	6.8%	24.1%	19.5%	24.1%	-2.2%	2.1%	4.9%
Russell 2000 Small Cap Index				8.1%	27.2%	23.9%	27.2%	-6.1%	0.5%	3.4%
Student Investment Management Fund (3/31/09)	\$205,352	0.2%		0.3%	N/A	2.3%	N/A	N/A	N/A	2.7%
<u>International Equity Managed Accounts</u>										
Artio International Equity Fund (12/2/03)	\$9,520,572	7.9%	12.5%	1.2%	23.9%	22.0%	23.9%	-6.1%	5.1%	8.9%
MSCI EAFE Index				1.5%	32.5%	22.2%	32.5%	-5.6%	4.0%	7.5%
Brandes International Equity Fund (6/1/01)	\$8,020,886	6.6%	7.5%	0.4%	19.5%	16.5%	19.5%	-7.2%	2.5%	5.2%
MSCI EAFE Index				1.5%	32.5%	22.2%	32.5%	-5.6%	4.0%	5.0%
TOTAL EQUITY INVESTMENTS	\$63,112,673	52.2%	55.0%							
<u>Core Fixed Income Managed Accounts</u>										
SCM Advisors Enhanced Core Fixed (6/1/01)	\$11,750,860	9.7%	9.0%	-0.6%	15.6%	8.6%	15.6%	7.6%	5.9%	6.3%
Barclays Aggregate Index				-0.8%	11.7%	9.6%	11.7%	7.9%	6.1%	6.3%
Hillswick Asset Management (6/1/01)	\$9,615,019	8.0%	8.0%	-2.9%	3.0%	1.7%	3.0%	8.1%	6.1%	6.7%
Barclays Aggregate Index				-1.6%	5.9%	4.0%	5.9%	6.0%	5.0%	5.7%
Brandywine Global Opp Bond (1/1/08)	\$5,495,571	4.5%	5.0%	-2.5%	20.4%	9.7%	20.4%	N/A	N/A	4.7%
Citigroup World Gov't Bond Index				-5.0%	2.6%	4.1%	2.6%	8.1%	4.5%	6.6%
SunTrust Balanced Annuity Account (10/22/03)	\$499,557	0.4%	N/A	1.3%	22.3%	14.3%	22.3%	2.8%	3.4%	4.7%
70% Barclays Aggregate / 30% S&P 500				-0.5%	12.2%	9.3%	12.2%	2.8%	3.9%	4.7%
TOTAL FIXED INCOME INVESTMENTS	\$27,361,007	22.6%	22.0%							
<u>Alternative Investments</u>										
Ironwood Partners (3/1/04)¹	\$9,004,503	7.4%	6.5%	1.3%	16.3%	7.7%	16.3%	-3.2%	1.5%	2.4%
Barclays Aggregate Index				-1.6%	5.9%	4.0%	5.9%	6.0%	5.0%	4.8%
Collins Capital (3/1/07)	\$6,379,666	5.3%	0.0%	0.8%	16.0%	9.6%	16.0%	N/A	N/A	-1.1%
50% S&P 500/ 50% Barclays Agg				0.2%	16.3%	13.0%	16.3%	0.5%	3.0%	0.4%
Titan Advisors (3/1/07)	\$6,896,026	5.7%	6.5%	1.3%	18.3%	9.1%	18.3%	N/A	N/A	4.6%
50% S&P 500/ 50% Barclays Agg				0.2%	16.3%	13.0%	16.3%	0.5%	3.0%	0.4%
DTC Private Equity (\$5 Million)¹ (12/15/05)	\$2,467,100	2.0%	5.0%							-6.5%
DTC Private Equity III (\$2.5 Million)² (07/10/08)	\$184,027	0.2%								-23.3%
Montagu Newhall Partners IV (\$2.5 Million)¹ (8/8/08)	\$419,602	0.3%								-11.7%
Cohen and Steers Realty (12/16/08)	\$2,229,385	1.8%	2.5%	7.2%	32.7%	47.9%	32.7%	N/A	N/A	33.6%
NAREIT US REIT Index				7.2%	28.0%	45.8%	28.0%	-12.4%	0.4%	28.0%
Deutsche Bank Liquid Comm. Fund (1/1/08)	\$2,833,438	2.3%	2.5%	-0.2%	12.5%	4.0%	12.5%	N/A	N/A	-13.8%
TOTAL ALTERNATIVE INVESTMENTS	\$30,413,746	25.2%	23.0%							
TOTAL FUND	\$120,887,426	100.0%	100.0%							

*These are short-term liquid funds

¹ In December 2009, proceeds of the Ironwood NDM account were transferred into the existing FIU Foundation Ironwood Account.

² Since Inception return represents the internal rate of return since the initial capital call of the investment.

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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 Geriatrics Chair in the College of Medicine expected in the previous fiscal year and the early collection of a \$500,000 pledge payment in support of Hospitality Management. The positive variance was offset by the non-collection of a \$375,000 pledge payment due in December in support of a Pediatrics Chair in the College of Medicine and a \$200,000 pledge payment also due in December in support of the CAMP for Justice Scholarship in the College of Law. Receipt of the pledge payment supporting the College of Medicine is expected to be collected in the third quarter, and half of the pledge payment supporting the College of Law was received in January; the donor has deferred the other half until the end of the calendar year.

[2] Due to the negative state of the economy last year, non-endowed revenues were budgeted conservatively in anticipation of decreased donations. The positive variance for non-endowed revenues is a result of the collection of various new gifts as well as the early collection of several expected donations. In addition, the contractually mandated distributions to two endowments totaling \$610,034 were transferred out of the General Reserve and into those accounts.

[3] The positive variance for building fund revenues is a result of a new gift for \$80,500 in support of the Astrophysics Center. There has also been an early collection of payments related to pledges for the College of Business Administration, College of Nursing & Health Sciences, and Alumni Center buildings.

[4] The budgeted change in contributions receivable for the 6-month period ended December 31, 2009 was \$11.5 million versus the actual change in contributions receivable for this period, which totaled (\$1.6) million. A portion of the negative variance is related to expected new contracts that have not yet been signed, but are expected to be finalized by June 2010, for the following major endowed gifts: \$5 million for the College of Medicine, \$2 million for the College of Arts & Sciences, \$2 million for the College of Business Administration, \$2 million for the College of Nursing & Health Sciences, and \$500,000 for the School of Journalism and Mass Communication. The remaining variance is due to timing associated with past due pledge payments that have not yet been received but expect to be collected over the next few months.

Below is an aging schedule of all Foundation contributions receivable, net of a 1% allowance as of 12/31/09:

	Current Year	1-2 years**	3-4 years	5+ years	TOTAL
ENDOWED*	\$11,015,438	\$30,275,834	\$2,120,969	\$3,455,430	\$46,867,672
NON-ENDOWED*	\$4,415,268	\$2,805,000	\$576,943	\$693,114	\$8,490,326
TOTAL*	\$15,430,706	\$33,080,834	\$2,697,913	\$4,148,544	\$55,357,998

**Total Receivables on the statement of financial position total \$52.8M because contributions receivable are discounted to their present value (the total discount is \$2.9M). The total also includes \$111,492 of dues receivables, \$138,871 of workman's compensation receivables, and \$81,629 of other account receivables.*

[5] 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 14.5%, or \$14.6 million, which exceed expected returns. The biggest contributor to the returns were equities, with fiscal year-to-date returns of 20.7%, followed by alternative investments and fixed income at 9.9% and 7.1%, respectively.

[6] For 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, units have been able to use University Contracts & Grants (C&G) and carry-forward Educational (E&G) funds to cover some expenses originally budgeted in the Foundation.

[7] 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 status, the funding of the Alec Courtelis matching funds program (as well as all other matching programs with the exception of First Generation scholarships) has been delayed. As such, the \$1.3 million will not be transferred to the university this fiscal year since the State funds need to be received in order for the donated funds to be transferred to the university.

[8] Two annual giving mail campaigns were expected to drop in the first quarter, however only one was sent out. The revenues for that campaign exceeded expectations. The second mail-out will drop in February. Consequently, projected expenses are less than budgeted but will be actualized by the end of the third quarter.

[9] Due to the low interest rate environment, there have been interest savings on the variable component of the MARC building loan. There have also been savings in MARC Building utilities and repairs & maintenance expenses of approximately \$20,000.

[10] The positive expense variance in Administrative Expenses is a result of timing. There were changes in the scope and schedule of planned donor events contribute funded for the Capital Campaign account, and lobbying invoices for the month of December have not yet been received. In addition, several expenses related to the President's Entertainment & Special Events allowance have been funded by concession funds thus far. As the concession budget is nearly depleted, there will be a shift to Foundation funds in the second half of the year. Finally, Presidential travel has been less than anticipated thus far but is expected to accelerate in the second half of the year, particularly in the fourth quarter when several business trips are scheduled.

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

February 5, 2010

Subject: Office of Internal Audit Status Report

Proposed Committee Action:

None. Discussion item.

Exhibits/Supporting Documents:

- **Office of Internal Audit Status Report/**
Office of Internal Audit Policy &
Charter

Facilitator/Presenter:

- Allen Vann

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Office of Internal Audit Status Report

BOARD OF TRUSTEES

February 5, 2010

Date: January 13, 2010

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 November 19, 2009 we completed the following projects:

- 1. University Asset Management Accounting Observations** – Based on recent audits and investigations and additional observations, we highlighted in this review a number of issues relating to University personal property accounting that requires the attention of the Controller's Office. We reported the need to further strengthen surplus media procedures so as to ensure that sensitive data are properly removed to avoid a data breach. Also, before donating surplus property to nonprofit organizations better communication to the University community might identify internal needs and when donating property staff needs to ensure that organizations legitimately qualify as nonprofits.

There also needs to be greater accountability over attractive property items that fall under the \$1,000 property recording threshold. Our inventory records also have to more accurately reflect personal property locations. Management has implemented or is in the process of implementing the ten recommendations resulting from this review.

- 2. Investigation of Improper Procurement Card Use and Questionable Payroll Transactions in the College of Education** – This report summarized the results of three investigations relating to Procurement card use in the College of Education. Based on a complaint we initiated an investigation to determine whether the University was defrauded as a result of the questionable procurement activity. Based on our investigation, we concluded that an Administrative Assistant misused the procurement card provided to her by the University by purchasing personal and unallowable items. The Administrative Assistant also made procurement card transactions at the direction of the former Interim Dean to reward certain employees.

The current Interim Dean of the College of Education Business in consultation with the Provost, Human Resources, and Office of the General Counsel took appropriate disciplinary action resulting in the separation from employment of the Administrative Assistant and the Office Assistant responsible for approving her credit card transactions. The Office of Internal Audits also referred this matter to FIU Police. An active criminal case is pending in the State Attorney's Office.

- 3. Investigation of Improper Procurement Card Use at the College of Education – Former Interim Dean** – This report represents the second of three investigations of procurement card use at the College of Education. This investigation focuses on the former Interim Dean of the College, who subsequently returned to his responsibilities as a Professor at the College. Based on our investigation, we concluded that the former Interim Dean misused the procurement card provided to him by the University by purchasing personal and unallowable items. In addition, the former Interim Dean instructed the Information Technology Director and the former Administrative Assistant to purchase numerous personal and unallowable items for him and others using their procurement cards. We also noted other instances of inappropriate and wasteful spending made at the former Interim Dean's direction. These expenditures included payment of indiscriminate bonuses, payroll/timekeeping manipulation for an OPS employee, and wasteful travel costs.

The current Interim Dean of the College of Education in consultation with the Provost, Human Resources, and Office of the General Counsel is in the process of taking appropriate disciplinary action resulting in the separation from employment of the Professor and monetary restitution.

- 4. Investigation into Allegations Against a Professor at the College of Medicine** – This investigation was based on a complaint forwarded to us through the Division of Human Resources alleging that a Professor at the College of Medicine had misused grant funds. Other allegations were investigated by the Division of Human Resources, the Office of Sponsored Research Administration (OSRA) and the College of Medicine (College).

Based on our investigation, we concluded that the Professor had several business relationships outside the University that he should have reported. In addition, there were purchases of computers which should not have been made using the University procurement card. Finally, our review disclosed a weakness in the manner in which the College accounted for FedEx transactions to ensure that shipments were business related. Otherwise the allegations were not sustained, i.e., there was insufficient evidence to prove or disprove the allegation(s).

We made six recommendations that the College of Medicine agreed to implement.

WORK IN PROGRESS

Audits/Investigations	Status
Investigation of ProCard use at the College of Education	Fieldwork in progress
Investigation of ProCard use at the College of Medicine	Fieldwork in progress
Audit of the University Purchasing Card Program	Fieldwork on hold
Audit of the University's IT Governance	Fieldwork in progress
Audit of Financial Controls Over College of Medicine Expenditures	Fieldwork on hold
Audit of the University's Information System Continuity Plan	Fieldwork in progress
Audit of the Federal Stimulus Funds	Fieldwork in progress
Review of PeopleSoft Upgrade Implementation	Fieldwork in progress

CONSULTING ACTIVITIES

In conjunction with our Interim Controller, I have designed and am providing training to University staff on *Understanding Fraud in University Credit Card Programs*. This course provides fraud awareness training to staff and an overview of related policies and required procedures.

RESULTS OF QUALITY ASSESSMENT OF THE OFFICE OF INTERNAL AUDITS

At our last Finance and Audit Committee meeting, I provided a detailed report of a *Quality Self-Assessment* I performed of the Office of Internal Audit. Attached is an independent validation of our assessment. I am pleased to inform you that the independent validator concluded that FIU's internal audit department conforms to the International Standards for the Professional Practice of Internal Auditing,

FOLLOW-UP STATUS REPORTS

Due to time constraints and the short lead time between meetings we will update the Finance and Audit Committee on the implementation status of audit recommendations at our next scheduled meeting.

Attachment

**INDEPENDENT VALIDATION
QUALITY ASSESSMENT OF
FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT**

Drummond Kahn, MS, CIA, CGFM, CGAP

January 10, 2010

Mr. Allen Vann
Audit Director
Office of Internal Audit
Florida International University
University Park, CSC 446
11555 SW 17th Street
Miami, Florida 33199

Dear Mr. Vann:

I conducted an independent validation of your internal Quality Assessment of Florida International University's internal audit function – FIU's Office of Internal Audit. This letter and its attachments summarize the results of my independent validation, and contain additional documentation explaining the scope of the independent validation, as well as additional comments and suggestions to further bolster the quality of FIU's internal audit function.

I appreciated the courtesies and assistance that you and your office extended to me during my on-site work, as well as the input from the many other individuals and offices involved in my review, including the Chair of the Finance and Audit Committee of FIU's Board of Trustees, the Chief of Staff to the President of FIU, the Chief Financial Officer and the Chief Information Officer.

FIU has a vibrant and strong internal audit function, and attention to quality assessment is one key ingredient in further bolstering this important function.

Thank you for the opportunity to perform this independent validation of your Quality Assessment of FIU's audit function. Please feel free to contact me if you have questions or comments about my validation or the additional documentation.

Sincerely,



Drummond Kahn, M.S., CIA, CGFM, CGAP
9535 SW Washington Street
Portland, Oregon 97225
(503) 784-5749 (Mobile)
drummondk@aol.com (e-mail)

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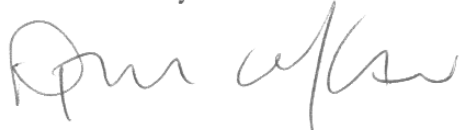
**RESULTS OF INDEPENDENT VALIDATION
INDEPENDENT VALIDATOR STATEMENT**

The validator was engaged to conduct an independent validation of the Florida International University (FIU) internal audit activity's self-assessment. The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the internal audit activity and its conformity to The Institute of Internal Auditors' (The IIA's) *International Standards for the Professional Practice of Internal Auditing* (Standards). Other matters that might have been covered in a full independent assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the Audit Director.

In acting as validator, I am fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. This validation, conducted between November 2009 and January 2010, consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with the President's Chief of Staff, the Chief Financial Officer, the Chief Information Officer, the audit committee chair, and members of the internal audit function.

I concur fully with the internal audit activity's conclusion in its self-assessment report.

Implementation of the recommendations contained in the self-assessment report will improve the effectiveness and enhance the value of the internal audit activity and ensure its full conformity to the Standards.



Drummond Kahn, M.S., CIA, CGFM, CGAP
Independent Validator

January 10, 2010

OBJECTIVE, SCOPE AND METHODOLOGY

In November, 2009, I was engaged to conduct an independent validation of Florida International University's self-assessment (Quality Assessment) of its internal audit function.

The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the internal audit activity and its conformity to The Institute of Internal Auditors' (The IIA's) *International Standards for the Professional Practice of Internal Auditing* (Standards). Other matters that might have been covered in a full independent assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the Audit Director.

The internal audit self-assessment, and my independent validation, used the Quality Assessment Manual for the Internal Audit Activity (6th Edition) by the Institute of Internal Auditors' Research Foundation (2009).

The University's internal audit function prepared an extensive self-assessment report, and provided this report and its supporting documentation to me in November. I reviewed this information and conducted a site visit in December. During the site visit, I met with each internal auditor on the staff, and conducted interviews of each auditor, the Chief of Staff to the President, the Chief Financial Officer, the Chief Information Officer, and the Finance and Audit Committee Chair, using IIA guidance for interview topics and questions, as well as follow-up questions as I deemed appropriate.

I had full access to internal audit documentation during my visit in December. I reviewed workpapers from two audit engagements I selected, as well as many recently-issued audit reports. I observed operating procedures in the office, discussed my questions from the self-assessment with audit staff and the Audit Director, and reviewed resumes and the professional and academic background of each auditor on the staff. In addition, I reviewed the format for and two recent examples of the office's "Audit Review Checklist", which appeared complete and appropriate and consistent with professional practices to document assignment reviews.

I also reviewed survey responses from two surveys administered before and during the site visit – a survey of auditees and university management, and a second survey of audit staff members.

During my site visit, I had the full cooperation of all staff members and with the individuals outside the audit function I interviewed. All offered frank and direct feedback on the audit activity, and fully participated in the validation process.

I reviewed office processes and manuals/guidance, including the 2006 operations manual (now under revision). I reviewed the audit function's authority, process, charter; the Board structure for management and the audit committee; the office's status reporting process to the audit committee and executive management; the followup process and process for describing followup to management and the audit committee; and position descriptions for audit staff.

After my site visit, I reviewed the self-assessment documentation again, as well as the notes from my interviews and the IIA Quality Assessment Manual, prior to preparing this final summary document. My notes and this document will be stored with the self-assessment working papers at Florida International University.

I conducted my work from November 2009 to January 2010 based on my knowledge and experience in auditing (since 1990) and my experience leading and participating in external quality reviews of several audit offices, as well as with the guidance from the IIA Quality Assessment Manual described above.

I prepared the final documentation for this report in December 2009 and January 2010.

OBSERVED STRENGTHS

Florida International University's audit function is strong, and complies with almost all of the professional standards, per its self-assessment and this independent validation. FIU's Office of Internal Audit is effective in providing internal audit services to the Trustees, senior management, and other interested parties. Especially notable are:

- **Auditors' high level of skills, experience, and professionalism** – The team of auditors at FIU is highly trained and experienced. Those members new to FIU still have considerable auditing experience outside of the organization, and all share a positive attitude toward the office, to continuing professional development, and to the audit function at the University. Teamwork is apparent in the written records supporting audits (meetings, interview participation, and workpaper review), and was apparent during the site visit. Informal and formal meetings and discussions are common in the office, and the quality and scope of supervision appeared appropriate – both from the Audit Director and from several experienced team members, two of whom served leadership roles in the organization during a recent transition.
- **Strong and direct reporting to the audit committee** – The Audit and Finance Committee is a subset of the Trustees, and meets regularly. Agendas and meeting minutes are shared among all trustees, and meetings are public. Based on my review of public documents and in meetings including an interview with the Chair of the Finance and Audit Committee, I was impressed with the high level of oversight by the Trustees generally and the Committee specifically. Additional features to increase transparency included sharing quarterly updates on the audit function, private time with the audit function in Finance and Audit Committee meetings, and the fact that all contents of Trustee meeting packets are shared with each Trustee – not only those Trustees on the Finance and Audit Committee. Since FIU is a public institution, the presence of public observers and media members in meetings of the Committee serve to further increase public transparency and oversight of FIU and audit office operations. The Audit Director also has direct communication with the Finance and Audit Committee Chair, both through scheduled updates, Committee meetings, and the potential for ad-hoc or emergency communication.
- **Strong communication with executive management** – The Office of the President is clearly involved with and interested in the reports and operations of the audit function. This regular communication and support – including financial support and organization-wide commitment to implement audit recommendations – was apparent through reviewing recent audit reports, management responses, interviews, and the organization's support for internal auditing through a recent series of controversial investigations which resulted in public and media attention.

- **Appropriate reporting authority** – The internal audit function used to report administratively through the General Counsel’s office. This placed reporting at least two layers below the top layer of executive management (the Office of the President). Now, internal audit reports through the President’s Chief of Staff, rather than through the legal department. With the direct-line of communication with the Office of the President, and the strong audit committee involvement discussed above, this reporting relationship appears appropriate and is placed at a higher organizational level than past practices.
- **Clear and convincing reporting** – The audit reports and working papers I reviewed were well-structured, clear, concise, and supported the recommendations made in the reports. In addition, the audit reports have withstood scrutiny from public, media, and management attention. Reports and office information are posted on the organization’s web site, further enhancing transparency and accountability.
- **Well-supported reports with extensive working papers** – The working papers I reviewed were clear and complete, and contained evidence of appropriate review. Reports and details were well-supported with audit evidence, including specific evidence for several recent investigative reports I reviewed.
- **Commitment to specific areas of auditing, including fraud auditing, information technology auditing** – The audit activity is committed to completing the audit work planned for in its annual risk assessment, as well as to a highly-responsive process to answer current calls for investigative work. In addition, the office has bolstered its capacity to conduct information technology auditing through its hiring of a highly-experienced IT professional to conduct IT audits. Audit office management, as well as University management, are committed to selecting high-risk topics and to completing and releasing value-added audit reports on these topics. The high level of communication with the Finance and Audit Committee (discussed above) serves as both a catalyst for good topic selection and appropriate reporting, as well as a safeguard for good audit reports following standards to be well-supported in the organizations. In some organizations, focus on critical and important areas can bring criticism of the audit function. Here, though, with management and Finance and Audit Committee involvement, the audit function appears well-supported to conduct important and sensitive work.
- **Commitment to professional development and participation in professional associations and training** – The internal audit office is clearly committed to professional development for its staff and to participation in professional associations. Further enhancement of the budget process that allows the office to identify and fund training and memberships throughout the year is appropriate, as is the office’s focus on external training, where appropriate, to bolster staff skills.

- **Commitment to quality improvement, including this self-assessment and independent validation** – Quality efforts like self-assessments with independent validation and up to a full external quality control review are important under the IIA’s Standards, as well as to organizational improvement generally, and sustaining the high view the organization places on the audit function.
- **Commitment to risk assessment by the audit function and risk reduction by the organization** – Management and the Finance and Audit Committee seem both aware of and highly interested in risk assessment and risk reduction in the organization – and are convinced of the important role internal audit plays in identifying and auditing to the risks that face the organization. The university “sees the value of and understands this role of internal audit,” according to an executive manager.

POTENTIAL CHALLENGES

Florida International University's internal audit function is a well-managed and well-staffed professional audit office, with excellent access to senior management and to the audit committee. The following areas for consideration are possible challenges to the internal audit function, and also result in specific suggestions for improvement:

- The IIA Attribute Standard for Purpose, Authority, and Responsibility requires that the **nature and definition of internal auditing services must be included in the Charter for internal auditing** – specifically, the proposed language in the self-assessment could be amended to the Charter (see p. 2 of the October 2009 Self-Assessment). This language could formally document the purpose, authority and responsibility for FIU's audit function in the charter.
- IIA Standards require **quality assurance** – this current effort is appropriate (to conduct a self-assessment with independent validation) – and can be more fully linked to the Standards with a full external quality assurance review every five years.
- In conclusion, the only areas where the self-assessment found non-compliance with Standards are in two key areas (linked to the points above) – First, a need for clearer definitions enshrined in the Charter; Second, a more frequent and robust quality assurance review. Implementation of the Charter change, and an organizational commitment to provide more frequent quality assurance reviews, will also help the internal audit function with a third area – allowing it to continue to **use the statement that the office “conforms with the *International Standards for the Professional Practice of Internal Auditing*” in each of its written reports.**

OPPORTUNITIES FOR IMPROVEMENT AND RECOMMENDED ACTION ITEMS

From Above (Potential Challenges, p. 9) – two main opportunities for improvement from the self-assessment:

- Effect **change in Charter language** as described above and in the self-assessment.
- Commit to **more regular quality assurance activities**.
- As Charter is clarified, **use reporting language to indicate conformance with Standards**.

Additional opportunities:

- **Clarity/Responsibility for Budget and Resources** – FIU management clearly supports the internal audit function, and has provided specific financial support for office equipment, quality assurance activities, and training. Recent support, pending an adequate budget, has been “ad-hoc” and on a case-by-case basis, rather than stemming from an initial budget directed by the audit activity. In future fiscal years, an initial budget amount, directed by the audit activity, could bolster the independent decisions of the audit function rather than requesting funds on a case-by-case basis from other FIU offices.
- **Revise Operations Manual** – The existing 2006 Operations Manual for the internal audit function appears appropriate, but due to recent leadership transitions and a new reporting authority, the Manual should be revised to reflect current operations. This revision is underway.
- **Specific Software Needs** – The capacity to perform database queries independently is an important one, since auditors would not need to request data from management, but can directly query databases. The office may have additional needs now and in the future, and the first opportunity on “Clarity/Responsibility for Budget and Resources” could help the audit office quickly and nimbly respond to its needs within an approved budget as situations warrant in the future.

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FLORIDA INTERNATIONAL UNIVERSITY

OFFICIAL UNIVERSITY POLICY

University Community (faculty, staff and students)

SUBJECT (R*)	EFFECTIVE DATE (R)	POLICY NUMBER
OFFICE OF INTERNAL AUDIT POLICY & CHARTER	March 2006	
RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R)	RESPONSIBLE UNIVERSITY OFFICER (R)	
Office of the President Florida International University	Modesto A. Maidique University President	

POLICY STATEMENT (R)

Introduction

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.

Reporting, Independence

The Director of Internal Audit has direct reporting responsibilities to the Board of Trustees' Finance and Audit Committee.

Authority

The Office of Internal Audit (OIA) has unrestricted access to all records, data, information and personnel of the University deemed necessary to carry out its duties and responsibilities; however, the OIA has no direct responsibility or authority over the activities it reviews.

Professional Standards

The activities of the OIA shall be conducted in accordance with the standards for the Professional Practice of Internal Auditing. Staff members should demonstrate qualities of integrity, honesty, loyalty, morality, dignity and confidentiality, consistent with the Institute of Internal Auditors Code of Ethics.

Duties and Responsibilities

- Through its audits, provide independent and objective appraisals regarding risk management and controls. Audit activities will be based primarily on the yearly work plan derived from a comprehensive risk assessment by the Audit Director and approved by the Finance and Audit Committee.
- Periodically follow-up and report on the status of managements' implementation of recommendations resulting from these activities. Significant observations that are not implemented will be highlighted and closely monitored.
- Investigate allegations of financial fraud, waste, abuse, wrongdoing, and any whistleblower complaints.
- Ensure effective coordination and cooperation with external auditors.

REASON FOR POLICY (O*)

The purpose of the Florida International University's OIA is to provide independent and objective appraisals regarding risk management and controls on financial matters within the University.

Administrative Office's Address	Telephone Number	Fax Number
Allen Vann Audit Director Office of Internal Audit Florida International University 11200 S.W. Eighth Street Miami, Florida 33199	305-348-2465	305-348-6421

***R = Required *O = Optional**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

February 5, 2010

Subject: Office of Sponsored Research Report, July 1, 2009 – November 30, 2009

Proposed Committee Action:

None. Discussion item.

Exhibits/Supporting Documents:

- **Office of Sponsored Research Report, July 1, 2009 – November 30, 2009**

Facilitator/Presenter:

- Andres Gil

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

OFFICE OF RESEARCH

OFFICE OF SPONSORED RESEARCH ADMINISTRATION

JULY 1, 2009 THROUGH NOVEMBER 30, 2009¹

I. Introduction

This document reports on the first five months in Fiscal Year 2009-2010 (FY 2010). It is important to note that since the timing of renewals and continuation of grants can vary from year to year, the “snapshot” of similar time periods within two fiscal years has to be interpreted with caution. For example, a given multiple-year grant may receive its funding in May on its first year and, due to delays, received it in July the subsequent year.

In [Section II](#), we present an overview of performance regarding research awards, and research grant applications. We provide a brief report on applications and awards related to the American Recovery and Reinvestment Act (ARRA) in [Section III](#). In [Section IV](#), we provide an update and summary of ongoing initiatives being undertaken by the Office of Research.

II. Overview of Awards, Applications, F&A and Expenditures

[Table 1](#) presents data comparing new awards for the first five months of FY 2008-2009 (FY 2009) and FY 2009-2010 (FY 2010) by unit (academic and/or administrative). Grant awards through November 2009 totaled \$45.1M, a 5.6% decrease from the same period last year. It is important to note that during the first five months of FY 2009, \$4.8M from the State Center of Excellence funding for the International Hurricane Research Center had been received. If the funding from that specific State grant is excluded from the calculations, funding for the first five months of FY 2010 has increased by 4.9%. We expect a Federal grant larger than the State Center of Excellence by the end of this fiscal year; thus our expectations are still for an increase in funding by the end of the FY. Finally, thus far the overall F&A rate for new awards has increased from 18.1% in FY 2009 to 21.3% in FY 2010.

[Figure 1](#) graphically presents the changes in new awards for each of the colleges. The highest increases in awards for this period were for the Herbert Wertheim College of Medicine (CoM) and the College of Nursing and Health Sciences (CNHS). The CoM experienced a notable increase of 298.2% and the CNHS experienced an increase of 126.5%. In addition, the College of Education (CoE) increased its awards during this period by

¹ At the time of report preparation, the month of December 2009 had not been closed. A verbal update through December 2009 will be provided at the meeting.

27.6%. The increases for the CNHS and CoE are notable given that both colleges experienced decreases in sponsored research between FY 2008 and 2009.

[Table 2](#) presents data on new awards for FY 2009 and FY 2010 for centers and institutes. Note that these units are either within colleges or within Academic Affairs. There are centers and institutes that are not included in this table because they are not managed or set-up financially independent from their respective departments and/or colleges, and thus, we are unable to track their awards and expenditures. Grant awards to centers and institutes have decreased by 31.45% when compared to the same period last year. However, since the State Center of Excellence was funded to the International Hurricane Research Center (IHRC), if that funding is excluded from the calculation, the overall decrease is 8.9%. Among the centers with significant funding, ARC experienced the highest increase (32.21%).

[Table 3](#) illustrates the distribution of new research awards by three categories: Federal, State, and Private/Other.

[Table 4](#) presents the funding value of applications submitted by colleges. The amount of funding requested in FY 2010, when compared with the same period in FY 2009, increased by 94.8%, and the number of applications increased by 13.2%. The large increase in the School of Journalism and Mass Communication was due to a \$6.65M application to the NSF for a proposal titled “Decision Making for Coastal Communities: Integrating Science, Society and Solutions for Climate Change.” Furthermore, the increase reflected by Academic Affairs includes \$21.73 M in ARRA applications for renovation projects – see Section III.

[Table 5](#) presents the funding value of applications submitted by centers and institutes. The values of applications submitted increased by 121%, which is higher than the total for the University 94.8% (see Table 4).

III. Applications and Awards Associated with the American Recovery and Reinvestment Act (ARRA)

Through November 30, 2009, ARRA applications totaled 92, with a value of \$395.23M. Since February 2009, we have received 21 awards, totaling \$5.26M.

As previously noted, the increase in applications experienced by Academic Affairs, include the following ARRA proposals:

1. Application to expand the Animal Care Facility for the new Graduate Classroom and Life Sciences Building. The application was submitted to the National Institutes of Health (NIH), for the amount of \$6.92M.
2. Application to expand the new Hurricane Center Building. The application was submitted to the National Institute of Standards and Technology (NIST), for the amount of \$5.56M.

3. Application for the renovation of the nano laboratory at the College of Engineering, in collaboration with the University of Miami, for the amount of \$9.25M.

On these applications, we received a score of 37 for the first one and 20 for the third. The scoring for NIH is from 10 to 90, where lower values are better. For example, a score of 10 indicates “Exceptional” with no weaknesses; 20 indicates “Outstanding” with negligible weaknesses, and 30 indicates “Excellent” with minor weaknesses. We have been informed by NIH that the application with the score of 20 is within the funding range (10-22), and the one with the 37 is above the funding range (10-27). We will know the final resolution on both of these sometime prior to July 2010.

IV. Initiatives Update

The Office of Research is engaged in an ongoing series of initiatives, all geared towards improving systems and services to FIU’s research community. Some of the initiatives are in response to the results of the two annual surveys of the research community conducted during each of the past two years (described in the prior report to the BOT). Below we summarize some of the key initiatives.

Clinical Trials Office

President Rosenberg has identified the establishment of “a framework for conducting clinical trials with appropriate human subjects (IRB) approval” as a major goal of the Office of Research for FY 2009-2010. The University has made significant strides during the past five years in establishing procedures and policies regarding research compliance in areas pertaining to research involving human subjects (IRB Committee), animal subjects (IACUC Committee), Biosafety and Recombinant DNA (IBC Committee), Responsible Conduct of Research Training, as well as financial management of grants and contracts through the adoption of People Soft Grants Module. To accomplish the President’s goal, we have initiated a University-wide task group that will develop the framework for a: 1) Clinical Trials Office (CTO) within the Office of Research, and 2) a Biomedical IRB, which will be managed using the existing University structure for the current IRB. We will report on progress of this task group in subsequent BOT reports.

Cluster Hiring Initiatives

Last year a Cluster Hiring initiative was started, which resulted in the successful recruitment of William Pelham and colleagues from SUNY Buffalo. This group’s research will focus in areas of attention deficit hyperactivity disorder. This year we are continuing working with deans to identify other opportunities that will enhance the research capabilities of the University.

There are several ongoing specific projects addressing research support and infrastructure. We will report to the BOT periodically on the following:

1. *F&A and Fringe Benefits Negotiations with Federal Government* – We negotiated a new F&A rate three years ago, which set the rates from 40% to 42% in FY 2009, 44% in FY 2010, and 45% for FY 2011. The rate of 45% will remain until a new proposal is negotiated in FY 2012. We are presently working on negotiating an extension, which would increase the rate after FY 2011 and would provide a full fringe benefit rate. This would provide an increase and allow for re-negotiations to take place after new research buildings come into place after 2012, thus providing for the opportunity of higher F&A rates.
2. *Effort Reporting*- We are presently working on integrating the Effort Reporting system with the new People Soft Grants Module.
3. *Research Development Activities* – We have dedicated personnel within the Office of Research to sponsored research activities focusing on: a) infrastructure grant applications to Federal agencies (see Section III), b) coordinated collaboration with the office of the Vice President for Government Relations to assist faculty, colleges and centers in pursuing research funding, and c) direct support to faculty in preparation of competitive sponsored research applications.

Table 1: Comparison of Awards Received FY 2009 and FY 2010

College/School/Division	July 2008 – November 2008			July 2009 - November 2009			% change
	Direct	F&A	Total	Direct	F&A	Total	
Academic Affairs (AA)	\$8,073,503	\$782,175	\$8,855,678	\$3,635,070	\$1,171,574	\$4,806,644	-45.7%
College of Architecture & the Arts (CARTA)	\$38,503	\$0	\$38,503	\$0	\$0	\$0	-100.0%
College of Arts & Sciences (CAS)	\$13,014,983	\$2,535,909	\$15,550,892	\$13,335,147	\$2,423,490	\$15,758,637	1.3%
College of Business Administration (CBA)	\$391,374	\$25,926	\$417,300	\$87,509	\$33,768	\$121,277	-70.9%
College of Education (CoE)	\$2,355,046	\$228,027	\$2,583,073	\$3,053,890	\$243,344	\$3,297,234	27.6%
College of Engineering & Computing (CEC)	\$9,158,752	\$1,924,668	\$11,083,420	\$6,673,517	\$1,260,293	\$7,933,810	-28.4%
College of Law (CoL)	\$107,268	\$0	\$107,268	\$0	\$0	\$0	-100.0%
College of Nursing & Health Sciences (CNHS)	\$662,952	\$147,956	\$810,908	\$1,657,935	\$178,583	\$1,836,518	126.5%
Division of Student Affairs (SA)	\$932,842	\$67,720	\$1,000,562	\$894,343	\$68,736	\$963,079	-3.7%
Herbert Wertheim College of Medicine (CoM)	\$489,303	\$168,204	\$657,507	\$1,938,776	\$679,563	\$2,618,339	298.2%
Robert Stempel College of Public Health & Social Work (PH&SW)	\$5,115,470	\$1,409,885	\$6,525,355	\$5,858,621	\$1,835,370	\$7,693,991	17.9%
School of Journalism & Mass Communication (SJMC)	\$20,755	\$3,632	\$24,387	\$5,551	\$1,443	\$6,994	-71.3%
University Technology Services (UTS)	\$71,638	\$30,243	\$101,881	\$24,000	\$6,000	\$30,000	-70.6%
TOTAL	\$40,432,389	\$7,324,345	\$47,756,734	\$37,164,359	\$7,902,164	\$45,066,523	-5.6%
The effective/average F&A rate	18.12%			21.26%			

Figure 1: Comparison of Awards Received by College/School/Division (\$M)

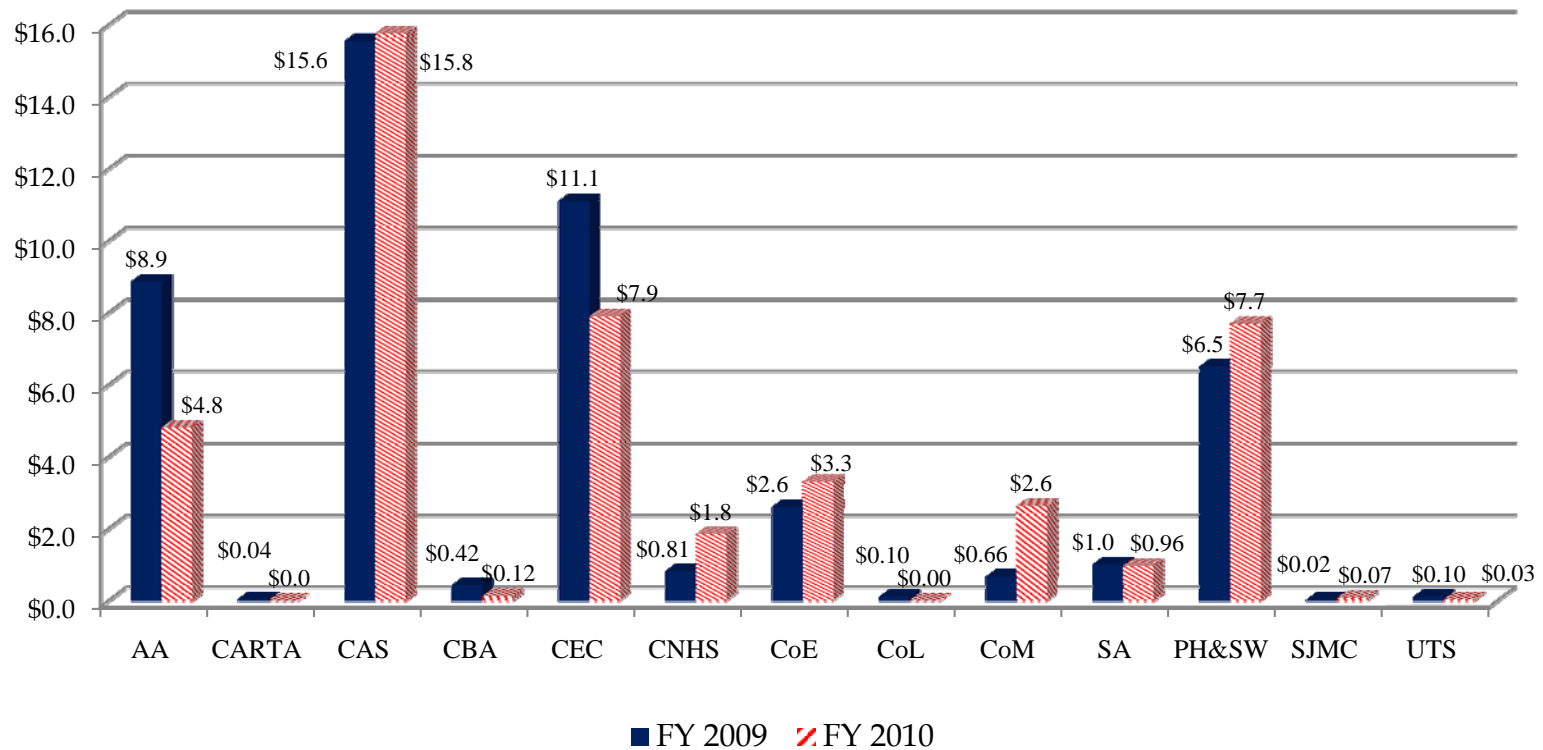


Figure 2: Average Award F&A Rate by College/School/Division

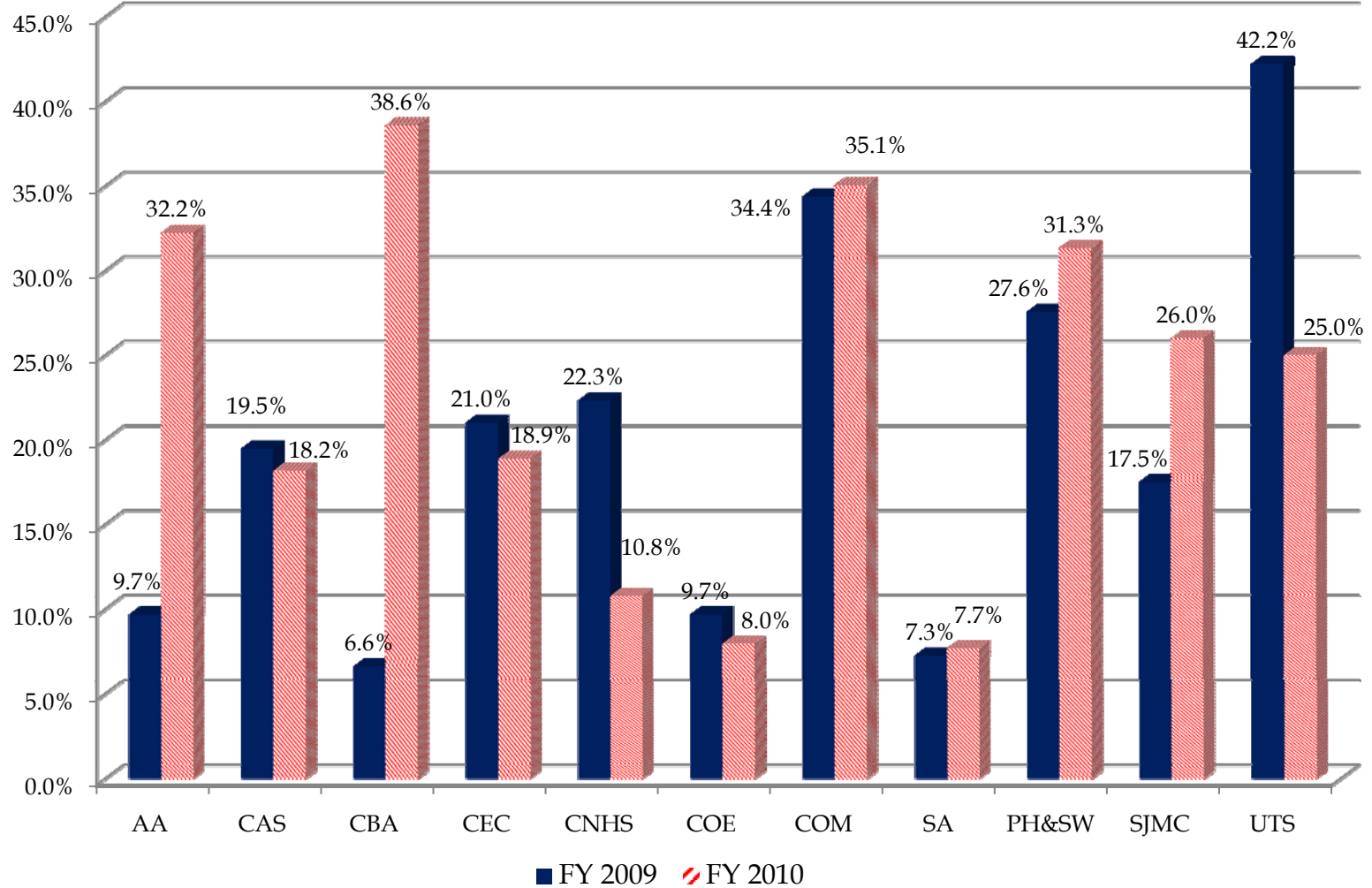


Table 2: Comparison of Awards Received by Centers/Institutes FY 2009 and FY 2010

College/Division	July 2008 - November 2008			July 2009 - November 2009			% change
	Direct	F&A	Total	Direct	F&A	Total	
Academic Affairs							
Applied Research Center (ARC)	\$1,898,782	\$637,660	\$2,536,442	\$2,508,327	\$845,042	\$3,353,369	32.21%
CRUSADA: Center for Research on US Latino AIDS/HIV/Drug Abuse	\$0	\$0	\$0	\$434,090	\$166,114	\$600,204	n/a
Frost Art Museum	\$153,425	\$0	\$153,425	\$26,100	\$0	\$26,100	-82.99%
International Hurricane Research Center (IHRC)	\$5,445,674	\$128,468	\$5,574,142	\$459,148	\$148,752	\$607,900	-89.09%
MBRS: Minority Biomedical Research Support Program	\$100,832	\$8,066	\$108,898	\$89,017	\$7,121	\$96,138	-11.72%
The Wolfsonian	\$429,186	\$0	\$429,186	\$26,644	\$0	\$26,644	-93.79%
College of Arts & Sciences							
Center for Administration of Justice	\$1,015,042	\$184,958	\$1,200,000	\$0	\$0	\$0	n/a
Center for Labor Research and Studies (CLRS)	\$75,861	\$8,139	\$84,000	\$90,760	\$15,240	\$106,000	26.19%
Center for Transnational & Comparative Studies	\$158,125	\$9,249	\$167,374	\$131,045	\$9,173	\$140,218	-16.22%
Institute for Public Management and Community Service	\$98,913	\$14,837	\$113,750	\$231,481	\$18,519	\$250,000	119.78%
International Forensic Research Institute (IFRI)	\$144,197	\$25,700	\$169,897	\$105,174	\$29,118	\$134,292	-20.96%
Jack D. Gordon Institute for Public Policy & Citizenship Studies	\$13,889	\$1,111	\$15,000	\$21,337	\$907	\$22,244	48.29%
Latin American and Caribbean Center (LACC)	\$2,142,620	\$257,885	\$2,400,505	\$2,076,144	\$183,868	\$2,260,012	-5.85%
Metropolitan Center	\$64,271	\$16,709	\$80,980	\$91,374	\$15,451	\$106,825	31.92%
Southeast Environmental Research Center (SERC)	\$3,624,967	\$728,350	\$4,353,317	\$3,318,536	\$731,569	\$4,050,105	-6.97%
Women's Studies Center	\$263,886	\$26,389	\$290,275	\$0	\$0	\$0	n/a

Table 2: Comparison of Awards Received by Centers/Institutes FY 2009 and FY 2010

College/Division	July 2008 - November 2008			July 2009 - November 2009			% change
	Direct	F&A	Total	Direct	F&A	Total	
College of Engineering & Computing							
Center for Diversity in Engineering & Computing	\$712,177	\$69,862	\$782,039	\$644,739	\$71,910	\$716,649	-8.36%
Telecommunications & Information Technology Institute	\$109,753	\$40,248	\$150,001	\$0	\$0	\$0	n/a
College of Education							
Center for Urban Education and Innovation (CUEI)	\$431,310	\$58,692	\$490,002	\$126,133	\$32,164	\$158,297	-67.69%
Division of Student Affairs							
Children's Creative Learning Center (CCLC)	\$223,529	\$17,530	\$241,059	\$0	\$0	\$0	n/a
Robert Stempel College of Public Health & Social Work							
Community Based Intervention Research Group (C-BIRG) Total	\$0	\$0	\$0	\$455,942	\$192,795	\$648,737	n/a
School of Journalism & Mass Communication							
Institute for Public Opinion Research (IPOR)	\$20,755	\$3,632	\$24,387	\$0	\$0	\$0	n/a
International Media Center (IMC)	\$0	\$0	\$0	\$5,551	\$1,443	\$6,994	n/a
University Technology Services							
CIARA: Center for Internet Augmented Research	\$68,067	\$28,814	\$96,881	\$24,000	\$6,000	\$30,000	-69.03%
Total	\$17,195,261	\$2,266,299	\$19,461,560	\$10,865,542	\$2,475,186	\$13,340,728	-31.45%
Effective F&A rate	13.18%			22.78%			

Table 3: Awards by Sponsor Type

July 2008 – November 2008 (FY 2009)				
Funding Source	Awarded Direct Costs	Awarded F&A	Awarded Total	Percent
Federal Government	\$26,807,610	\$6,376,911	\$33,184,521	69.49%
State & Local Government*	\$9,483,519	\$592,946	\$10,076,465	21.10%
Private / Other Sources	\$4,141,260	\$354,488	\$4,495,748	9.41%
TOTAL	\$40,432,389	\$7,324,345	\$47,756,734	100.00%
July 2009 – November 2009 (FY 2010)				
Federal Government	\$31,521,949	\$7,173,073	\$38,695,022	85.86%
State & Local Government	\$1,347,566	\$192,589	\$1,540,155	3.42%
Private / Other Sources	\$4,294,844	\$536,502	\$4,831,346	10.72%
TOTAL	\$37,164,359	\$7,902,164	\$45,066,523	100.00%

* It is important to note that during the first five months of FY 2009, \$4.8M from the State Center of Excellence funding for the International Hurricane Research Center had been received.

Table 4: Comparison of Applications Submitted FY 2009 and FY 2010

College/School/Center/Division	July 2008 - November 2008			July 2009 - November 2009			% change
	Direct	F&A	Total	Direct	F&A	Total	
Academic Affairs	\$4,671,159	\$820,837	\$5,491,996	\$41,576,639	\$7,660,396	\$49,237,035	796.5%
College of Architecture & the Arts	\$48,453	\$1,235	\$49,688	\$116,548	\$8,099	\$124,647	150.9%
College of Arts and Sciences	\$22,934,394	\$6,311,245	\$29,245,639	\$41,858,147	\$7,598,428	\$49,456,575	69.1%
College of Business Administration	\$115,686	\$38,566	\$154,252	\$157,964	\$41,071	\$199,035	29.0%
College of Education	\$4,359,420	\$484,273	\$4,843,693	\$7,551,613	\$831,736	\$8,383,349	73.1%
College of Engineering & Computing	\$29,740,450	\$8,205,189	\$37,945,639	\$68,801,186	\$15,838,783	\$84,639,969	123.1%
College of Law	\$102,268	\$0	\$102,268	\$25,000	\$0	\$25,000	-75.6%
College of Nursing & Health Sciences	\$3,480,320	\$1,047,540	\$4,527,860	\$1,736,012	\$535,469	\$2,271,481	-49.8%
Division of Student Affairs	\$119,300	\$14,700	\$134,000	\$36,000	\$0	\$36,000	-73.1%
Herbert Wertheim College of Medicine	\$2,937,256	\$1,105,095	\$4,042,351	\$4,013,558	\$1,575,743	\$5,589,301	38.3%
Robert Stempel College of Public Health & Social Work	\$19,225,223	\$6,346,605	\$25,572,022	\$13,474,202	\$4,897,433	\$18,371,635	-28.2%
School of Hospitality & Tourism Management	\$80,000	\$0	\$80,000	\$70,000	\$0	\$70,000	-12.5%
School of Journalism & Mass Communication	\$20,755	\$3,632	\$24,387	\$6,071,612	\$1,507,374	\$7,578,986	30978.0%
University Technology Services	\$6,405,055	\$1,739,948	\$8,145,003	\$7,780,910	\$656,921	\$8,437,831	3.6%
TOTAL	\$94,239,739	\$26,118,865	\$120,358,798	\$193,269,391	\$41,151,453	\$234,420,844	94.8%
Effective/average F&A rate	27.7%			21.3%			
Number of Applications	273			309			

Table 5: Comparison of Applications Submitted by Centers/Institutes FY 2009 and FY 2010

Center/Institute	July 2008 - November 2008			July 2009 - November 2009			% change
	Direct	F&A	Total	Direct	F&A	Total	
Academic Affairs							
Applied Research Center (ARC)	\$2,936,501	\$765,619	\$3,702,120	\$17,701,659	\$7,191,906	\$24,893,565	572%
Center for Research on US Latino AIDS/HIV/Drug Abuse (CRUSADA)	\$41,778	\$0	\$41,778	\$62,302	\$0	\$62,302	49%
Frost Art Museum	\$25,000	\$0	\$25,000	\$220,725	\$13,858	\$234,583	838%
International Hurricane Research Center (IHRC)	\$668,421	\$31,563	\$699,984	\$862,233	\$257,995	\$1,120,228	60%
Minority Biomedical Research Support Program (MBRS)	\$0	\$0	\$0	\$300,000	\$135,000	\$435,000	n/a
The Wolfsonian	\$999,459	\$23,655	\$1,023,114	\$265,970	\$19,494	\$285,464	-72%
College of Arts & Sciences							
Center for Administration of Justice (CAJ)	\$1,058,044	\$443,112	\$1,501,156	\$0	\$0	\$0	n/a
Center for Labor Research and Studies (CLRS)	\$75,861	\$8,139	\$84,000	\$98,892	\$5,108	\$104,000	24%
Institute for Asian Studies (IAS)	\$0	\$0	\$0	\$72,431	\$7,243	\$79,674	n/a
Institute for Judaic Studies & Near Eastern Studies	\$49,961	\$0	\$49,961	\$0	\$0	\$0	n/a
Institute for Public Management and Community Service	\$113,313	\$14,837	\$128,150	\$244,400	\$18,400	\$262,800	105%
International Forensic Research Institute (IFRI)	\$0	\$0	\$0	\$132,799	\$52,701	\$185,500	n/a
Jack D. Gordon Institute for Public Policy & Citizenship Studies	\$0	\$0	\$0	\$494,459	\$45,541	\$540,000	n/a
Latin American and Caribbean Center (LACC)	\$63,147	\$0	\$63,147	\$0	\$0	\$0	n/a
Metropolitan Center	\$268,790	\$67,869	\$336,659	\$743,071	\$234,943	\$978,014	191%
Southeast Environmental Research Center (SERC)	\$3,503,967	\$912,745	\$4,416,712	\$4,025,549	\$689,297	\$4,714,846	7%

Table 5: Comparison of Applications Submitted by Centers/Institutes FY 2009 and FY 2010

Center/Institute	July 2008 - November 2008			July 2009 - November 2009			% change
	Direct	F&A	Total	Direct	F&A	Total	
College of Education							
Center for Urban Education and Innovation (CUEI)	\$446,388	\$53,250	\$499,638	\$0	\$0	\$0	n/a
College of Engineering & Computing							
Center for Diversity in Engineering & Computing	\$145,585	\$11,501	\$157,086	\$674,912	\$59,704	\$734,616	368%
Telecommunications & Information Technology Institute	\$1,519,920	\$386,146	\$1,906,066	\$0	\$0	\$0	n/a
Division of Student Affairs							
Disability Research Center (DRC)	\$83,300	\$14,700	\$98,000	\$0	\$0	\$0	n/a
Robert Stempel College of Public Health & Social Work							
Community Based Intervention Research Group (C-BIRG)	\$906,097	\$392,692	\$1,298,789	\$2,614,384	\$914,580	\$3,528,964	172%
School of Journalism & Mass Communication							
Institute for Public Opinion Research (IPOR)	\$20,755	\$3,632	\$24,387	\$5,243,430	\$1,409,126	\$6,652,556	27179%
International Media Center (IMC)	\$0	\$0	\$0	\$146,364	\$30,066	\$176,430	n/a
UTS							
Center for Internet Augmented Research (CIARA)	\$6,380,054	\$1,739,948	\$8,120,002	\$7,780,910	\$656,921	\$8,437,831	4%
Total	\$19,306,341	\$4,869,408	\$24,175,749	\$41,684,490	\$11,741,883	\$53,426,373	121%
Effective F&A rate	25.22%			28.17%			

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
February 5, 2010

Subject: Finance & Administration Update

Proposed Committee Action:

None. Discussion Item.

Exhibits/Supporting Documents:

- **Finance & Administration Update**
 - Budget Variance Analysis – Second Quarter 2009
 - State Budget Update
 - Construction Status Report
 - Auxiliary Enterprises

Facilitator/Presenter:

- Kenneth Jessell

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PRELIMINARY	Year To Date December 2009			
	Budget	Current Year Actual	Variance	
			\$	%
(\$ in millions)				
Revenue / Receipts⁶				
University				
Educational and General (net) ²	204.3	208.2	3.8	2%
University	188.8	191.5	2.7	1%
College of Medicine	11.7	11.9	0.2	2%
State Fiscal Stabilization Fund ⁵	3.8	4.7	0.9	25%
FIU Self-Insurance Program	0.0	0.0	0.0	0%
Auxiliary Enterprises	79.4	85.8	6.4	8%
Sponsored Research	43.6	40.9	(2.7)	-6%
Student Scholarships	63.7	62.3	(1.4)	-2%
Concessions	0.3	0.2	(0.2)	-46%
Intercollegiate Athletics	12.9	13.6	0.6	5%
Activities and Service	9.1	9.4	0.4	4%
Technology Fee	4.5	4.6	0.1	3%
Direct Support Organizations				
FIU Athletic Finance Corp	2.3	2.1	(0.2)	-8%
FIU Research Foundation	0.0	0.0	0.0	0%
FIU Foundation Inc	16.4	7.5	(8.9)	-54%
FIU Health Care Network	0.1	0.0	(0.1)	-96%
Interfund Adjustments ³	(7.4)	(6.4)	1.0	-13%
Total Operating Revenues	429.2	428.1	(1.1)	0%
University Treasury (net)	4.2	17.1	12.9	306%
FIU Foundation Inc	2.4	14.6	12.2	517%
Total Investment Revenues	6.6	31.7	25.1	382%
Total Revenues / Receipts	435.8	459.8	24.0	6%
Expenses				
University				
Educational and General (net)	181.0	151.7	29.4	16%
University	162.0	138.0	24.1	15%
College of Medicine	11.1	7.9	3.1	28%
State Fiscal Stabilization Fund ⁵	8.0	5.8	2.2	27%
FIU Self-Insurance Program	0.0	0.0	0.0	0%
Auxiliary Enterprises	50.3	48.9	1.5	3%
Sponsored Research	41.2	40.1	1.1	3%
Student Scholarships	42.9	48.9	(5.9)	-14%
Concessions	0.2	0.2	(0.0)	-17%
Intercollegiate Athletics	10.9	10.6	0.3	3%
Activities and Service	8.6	8.2	0.4	5%
Technology Fee	2.6	0.0	2.6	100%
Direct Support Organizations				
FIU Athletic Finance Corp	0.5	0.3	0.2	39%
FIU Research Foundation	0.0	0.0	0.0	18%
FIU Foundation Inc	6.9	3.9	2.9	43%
FIU Health Care Network	0.1	0.0	0.1	85%
Interfund Adjustments	(7.4)	(6.4)	(1.0)	13%
Total Expenses	337.7	306.3	31.4	9%
Principal Payment of Debt ⁴	0.4	0.4	(0.0)	-7%
Change in Net Assets (incl. Investments)	97.7	153.1	55.4	57%
Change in Net Assets (excl. Investments)	91.1	121.4	30.3	33%

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*
- ⁶ *At the time of this report, Bad Debt entry is pending to be recorded and as such is not reflected in Actuals*

STATE BUDGET UPDATE

The latest State Revenue Estimating Conference held on December 4, 2009 revised the state revenue projections upward, 1.6% for FY 2009-10 and 1.4% for FY 2010-11. Total collections for the state have been running slightly above expectations. In particular, economist revised estimates for sales tax, corporate income tax, documentary stamp tax, and intangibles. The expectations are for the state to end FY 2009-10 with a surplus of roughly \$1.0 billion, and revenue collections to experience sustained growth of 6.6% in FY 2010-11.

Outlook figures for state expenditures were released in September, 2009. The outlook includes additional expenditures categorized as either "Critical Needs" or "Other High Priority Needs". In FY 2010-11 the available revenues, including the \$1.0 billion surplus, will be sufficient to support anticipated spending in Critical Needs. When Other High Priority Needs are included, the expenditures exceed available revenues by \$1.6 billion.

FIU's revenue assumptions for FY 2010-11 are in line with these estimates, we currently do not foresee changes to the Three Year Budget Reduction Plan approved by the Board of Trustees last year.

FACILITIES & CONSTRUCTION

The following is an update of major construction projects:

Projects Completed:

- **College of Nursing and Health Sciences (CNHS)** - \$46.9M project cost. Project finished ahead of schedule (1 month) and under budget (\$1.6 million). College of Nursing moved into the new building on December 1st and classes commenced on January 4th. Punch list items will be completed by end of January; final landscaping will be delayed due to the unusual two week cold snap. Project has been awarded 18 design credits for LEED accreditation. Project has entered the construction phase verification of credits. Goal of Silver LEED certification is within reach. Project is in financial close out process with external audit to follow. The close out is projected for late March.

Projects Under Construction

- **School of International and Public Affairs (SIPA)** - \$22.8M project cost. On schedule and on budget (assuming receipt of supplemental appropriations). Construction is on schedule for completion in October 2010 with a move in date prior to Spring 2011. Furniture options will be reviewed by Users at Football Stadium Club on January 25th through the 27th where full

size office mock-ups from the short listed group of manufacturers/local dealers will be reviewed. This will allow the project to develop hard cost numbers for faculty offices and manage budgets and expectations. Design LEED items will be ready for submittal end of February. Construction LEED items will be submitted at end of construction. 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. Design & construction are on hold pending decisions on locations & boundary layer wind tunnel. CM at Risk contract was executed on December 23, 2009. FIU has asked the CM to assist in developing a boundary layer wind tunnel budget to facilitate University decision. Relocation of the building to the actual NOAA site is favorable to all parties but no firm commitment has been made. Delivery date: June 2011. Delivery date has been impacted since a site has not been chosen.
- **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. A/E has presented final draft of program to the University's Program Committee for review and approval. A/E is in progress and should be ready for University approval by February 2010. The University applied for additional funding from NIH Grants in support of the vivarium. Initial scoring was sufficiently high to proceed with a projected expansion of the program. In anticipation of these funds, the A/E was instructed to plan an expansion (shell space only) of the vivarium. The final CM interviews selection were conducted January 12, 2010. At this point, the critical next step is the University's approval of the program. Project Delivery date: July 2012

Projects in Planning Stage

- **Stempel Complex** - 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 \$23.30M 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; Facilities Program is under final review, and needs to be approved before the A/E contract can be finalized.
 - The College of Medicine's **Ambulatory Care Center (ACC)**, a \$10.0 M 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 M bond does not cover the equipment required to operate the clinic. Detailed Facilities Program will be developed with the selected AE firm.

- The third component of this triad, the **Miami-Dade County Health Department (MDCHD)** component, currently estimated at \$27.3M in construction cost, 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. MDCHD and FIU faculty & students will work cooperatively in the MDCHD laboratory and clinical spaces. Funding for the MDCHD element is still an open question; the lack of funding puts this portion of the Project at severe risk. Design will proceed on the two funded components: the Stempel College & the ACC.
- The Architect/Engineer and Construction Manager selections are completed. The selected A/E firm is **Perkins + Will**. **SKANSKA** is the selected CM on the project. Contract negotiations with both firms are on the basis of the two funded components. In the event funding for the MDCHD portion of the project is secured, this third component will be added to the Project scope, as noted in the public advertisement for the project. Completion is slated for Spring 2012.
- **Student Academic Support Center (SASC)** - \$30.9M project cost. Draft program was submitted internally to User group representatives for feedback in December 2009. Location and funding questions are arising at this time. Site location will be reviewed to determine if football stadium location is the best for students to receive services. Construction funding allocations are being delayed due to current budget situation at the State level. Conceptual design phase will not to continue until the project site location and funding are finalized. Project will be placed on hold.
- **U.S. Century Bank Arena (USCB)** - \$4.5M project cost - CITF. A/E selection short list will be held on January 26th with final interviews on February 19, 2010. Additional scope was added to the project to include the soccer/volleyball team restrooms and locker rooms. This portion of the project will be handled together with the Basketball locker room project in order to achieve economy of scale and accelerate the needed completion date of July 2010. Major expansion project will be completed on December 2011.
- **Satellite Chiller Plant** - \$7.1M project cost. Evaluation of campus wide chilled water system actual capacity vs. needs for UP campus growth indicates that the current chiller plants with additional equipment will support growth through 2013. The project scope will include not only the Chiller Plant itself but the phased related site work inclusive of domestic water mains, chilled water distribution, storm drainage, telecom and electrical ductbank

installation as well as road widening of SW 10th Street servicing the development of the Academic Health Sciences Complex (AHSC). Additional funding for this effort has been identified for this project from impact funds set aside on the Science Classroom Complex, Stempel Complex and PECO Infrastructure funds. Different plant options are being evaluated such as pre-packaged chiller plant and emergency operations capability for DRU (Disaster Resistant University) requirements to assure chilled water distribution for critical research facilities. This new plant is intended to meet the requirements past 2013. This project is now in programming.

- **GC Expansions** - \$700K project cost – CITF. Phase I, Ballroom restoration, will begin construction during the summer months in order to allow for a change in scope and “shut down” scheduling. Phase I GMP to be delivered by end of January 2010. Phase II, Ballroom Expansion Master Plan, has been divided into two separate projects to allow for long range expansion planning while permitting short term expansion as well. Planning study will 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: A new functional layout has been completed and will be presented to the university’s space committee for approval. Once Space committee has reviewed and approved schematic designs, construction budget and schedule will be developed and finalized. Completion is scheduled for December 2010.
- **HM Dining & Kitchen Expansion Improvements** - \$2.0M - Auxiliary. Beverage Management Center. Kitchen and Dining Room expansion. Program was completed in September 2009 but with the change in HM administration, the state of the facility was reviewed and it was determined that a building Master Plan effort be conducted to address their long range needs. This was brought up since so many projects are ongoing in the facility that a cohesive look and functionality of the building would benefit from a building master planning effort. The expansion of the dining room, and other projects, will delivered via the Minor Project vehicle, with CM method and AE ongoing contracts.

Projects Under Construction – Bonded

- **Parking Garage 5/Public Safety/Retail** – Project budget \$40.8M, on schedule and on budget. University was successful in obtaining bonding for Phase III in the amount of \$28M. Construction Phase III Notice to Proceed was granted to the contractor on December 2, 2009. Design is being finalized for the retail “mall” and 3 new classrooms, to be added in uncommitted shell space. Approximate classroom capacity will be 96, 120 and 144 seats. Schedule is still on target for garage delivery in August 2010. Classroom and complete retail mall is targeting August 2010 as well. Public Safety will be delivered early September 2010.

AUXILIARY ENTERPRISES

FIU has reached an agreement with Pepsi Bottling Group (PBG), the world's largest manufacturer and distributor of Pepsi-Cola beverages. The agreement makes Pepsi the official beverage at FIU and gives Pepsi exclusivity of pouring and marketing rights. With the change, the University benefits from Pepsi's leading customer service and their robust line of products which include Pepsi, Mountain Dew, Sierra Mist, Lipton Iced Tea, Sobe Lifewater, Gatorade, Propel, Aquafina, Muscle Milk, Amp Energy, ROCKSTAR Energy Drink, and Starbucks Frappuccino. The transition from Coke to Pepsi was completed over the holiday break and announced to the FIU community on January 4th in conjunction with FIU's Welcome week. The news was announced through a comprehensive campaign which included new signage across campus cobranded with FIU and Pepsi logos, a press release and video, 5 sampling and giveaway events and promotional t-shirts worn by all food service staff members. The week culminated with a tailgate party and Meet and Greet between Pepsi executives and members of FIU's administration hosted by the President at the men's and women's basketball games versus Troy.

Parking Garage V is the first multi-use parking facility constructed at FIU. This large structure will have approximately 2000 parking spaces and will meet the parking needs for this underserved area and the parking demand for future development of the Academic Health Science Complex. On the first floor, PG V will house the future home of Public Safety with approximately 11,136 sq. ft. of office space and Parking and Transportation with approximately 7,630 sq. ft. of space. The southeast corner will contain 29,000 sq. ft. retail, food and classroom space which is on schedule to open in August 2010. Plans for the area call for 6 new food service outlets which will likely include Dunkin Donuts, Chick-fil-A, Moe's Southwest Grill, Papa John's Pizza, Salad Creations and Pink Berry frozen yogurt. These venues will all be adjacent to approximately 6000 sq. ft. of open seating, lounging and gathering space. In addition, there will be 4,400 sq. ft. of retail space and three classrooms which will hold 120 students, 144 students and 96 students respectively. The entire project is currently on schedule and on budget.

Business Services also continues its expansion of additional retail and food venues across campus. Two new convenience stores have opened, one in the Green library and one in the new College of Nursing and Health Sciences building. Construction has also begun on a new Chili's in the Graham Center which will feature inside and outside casual dining. Chili's is on schedule to open in the summer of 2010."

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
February 5, 2010

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: January 15, 2010

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 October 22, 2009.

I. Executive Summary:

Initiatives to strengthen institutional compliance have taken place in diverse areas such as enrollment management services, environmental health and safety, human resources, information technology security and research. By way of illustration,

- Efforts are underway in connection with the development of the compliance infrastructure to support the conduct of clinical trials at Florida International University. A work group, led by Associate Vice President for Research Joseph Barabino, is tasked to recommend the structure of an effective and efficient Clinical Trials Office.
- A Fraud Prevention and Mitigation Policy was developed, reviewed and approved by the University's senior leadership on November 18, 2009.
- A work group addressing the University's proper and secure use of social networking sites continues to meet regularly and has developed a number of policies, procedures and guidelines which are currently under review.

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

1. Clinical Trials Office Work Group: This work group will recommend the structure and functions of a Clinical Trials Office (CTO) within the Office of Research at Florida International University. The CTO will serve to facilitate the various scientific, financial and regulatory aspects of a clinical trial from its inception (*e.g.* protocol development) through close out (*e.g.* billing compliance).

The work group is scheduled to meet on a regular basis to develop the framework for the CTO. The work group expects to complete its recommendations and initiate implementation efforts by the beginning of FY 2010-2011.

2. Clinical Trial Agreements Review: In order to further highlight the significance of the initiative described in paragraph one above, the University has received two clinical trial agreements for protocols that are subject to oversight by the Food and Drug Administration. These agreements are under review by the Office of Research, Office of the General Counsel and the University Compliance Office as the University proceeds to define and develop the robust infrastructure that must be in place to appropriately support clinical trials.
3. Fraud Prevention and Mitigation/University Responsibility and Response Policy: Working in close collaboration with, and under the leadership of, Senior Vice President of Finance and Administration and Chief Financial Officer Kenneth Jessell, the University Compliance Officer drafted and presented to the Operations Committee the University's fraud prevention policy. This is a key policy to the promotion of fiscal responsibility, accountability and stewardship within the University Community as well as to evidence our commitment to compliance with all applicable laws in the conduct of the University's operations. The policy was adopted effective November 18, 2009. Awareness regarding the existence and content of this policy is being disseminated through various means such as education and training offered by the University Compliance Office, the Office of the Controller and the Office of Internal Audit, and as part of the communication plan for the official roll out of the University's ethics hotline through the Office of the President.
4. Compliance Education and Training: Since the last report, the University Compliance Office's education and training efforts include:
 - a. Compliance and Ethics Education and Training for New Employees: The University Compliance Office continues to provide education and training on compliance and ethics to new employees during orientation.
 - b. Identity Theft Prevention: On October 29, 2009, education and training on identity theft prevention was provided to Enrollment Management Services. This education and training initiative is provided in conjunction with the Information Technology Security Office and the Division of Human Resources in order to comply with the Federal Trade Commission's Red Flags Rule. Please note that, at the request of Members of Congress, the Federal Trade Commission has delayed enforcement of the Red Flags Rule until June 1, 2010.
 - c. HIPAA Education and Training: The University Compliance Office is working closely with the Office of Media and Technology Support,

University Technology Services, in order to develop on-line modules to train the University community on the University's HIPAA Privacy and Security policies and procedures. This project is ongoing, with an estimated completion date of August 31, 2010.

5. E-Verify Program: A work group comprised of representatives from Academic Affairs, Human Resources, Research, General Counsel and University Compliance met on several occasions to discuss the implementation of the E-Verify Program at the University. Guidelines were initially developed by the Division of Human Resources, and are currently being expanded to include university-wide considerations such as specific requirements that apply to contracts that contain the E-Verify clause, early notification requirements and assurances that project leaders and investigators will sign if their project or contract is subject to the E-Verify Program. These more comprehensive guidelines are in the final stages of review by the work group and will be presented to senior leadership for approval. Information regarding the implications of the E-Verify clause in a University contract has been disseminated to the various human resources liaisons during their regularly scheduled meetings.
6. H1N1 Special Assignment Group: In connection with the H1N1 Special Assignment Group, the University Compliance Officer provided assistance in reviewing informed consent forms and memorandum of law regarding employment considerations for University employees who are assisting in the vaccination distribution and dispensation efforts. Vaccination efforts have been underway at both the Modesto Maidique and Biscayne Bay campuses since November 30, 2009. An operational sub-group of the H1N1 Special Assignment Group, (co-chaired by the Assistant Director of Emergency Management Dorothy Miller and Interim Director of University Health Services Oscar Loynaz), has been responsible for following up on the vaccination efforts on behalf of the University community.
7. Environmental Health and Safety (EHS): At the request of representatives from EHS, the University Compliance Officer continues to provide guidance and assistance in connection with environmental health and safety matters. Assistance is provided as requested, with the goal of ensuring that all University environmental health and safety programs continue without interruption.
8. University Web Policies and Procedures: This work group, consisting of representatives from Academic Affairs, Information Technology, External Affairs and Media Relations, General Counsel and University Compliance, continues to meet regularly. The work group has developed a number of policies, procedures and guidelines to be used in connection with University Web sites and social networking media. The efforts of the work group are ongoing, and it is estimated that the documents and supporting

recommendations will be ready for presentation to senior leadership within the next 60 days.

9. Compliance with the Higher Education Opportunity Act: The Office of the General Counsel and University Compliance Office are developing a work plan to address the various areas impacted by the proposed regulations issued under the Higher Education Opportunity Act and implement any necessary changes.
10. Academic Affairs Policies and Procedures: Most of the Academic Affairs policies and procedures have transitioned to the University Policies and Procedures Library. Since the last report to this Committee, 34 policies for Undergraduate Education have transitioned. There are additional Academic Affairs policies and procedures that are currently undergoing review and finalization. The University Compliance Office continues to work in close collaboration with the Office of the Provost throughout this transition process.
11. 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. The work group will reconvene during the month of January in order to finalize recommendations. The goal is to present the policies and procedures to senior leadership for review and approval with an estimated completion date of February 28, 2010.
12. E-commerce and Payment Card Industry Data Security Standard (PCI DSS): A draft policy that addresses e-commerce and the PCI DSS has undergone review by senior leadership and will be presented to the Operations Committee for its review and approval. The project to develop the institutional framework for compliance with PCI DSS is ongoing, with an estimated completion date as of the end of the current fiscal year.
13. University Policies and Procedures Library: By the end of February 2010, the University Compliance Office will complete the project of transitioning 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:
 - Division of Human Resources (All Faculty & Staff, AFSCME, Non-Bargaining, PBA, PBA Lieutenants, and SEIU)
 - Division of Student Affairs (Career Services and Disability Resource Center)
 - Enrollment Management Services
 - Office of Sponsored Research Administration

In order to continue to improve the University Policies and Procedures Library, the University Compliance Office is developing a formal process designed to ensure that policies and procedures are always kept current. In addition to this

formal review process, the policies and procedures are updated regularly upon request.

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 February 5, 2010. As always, I welcome your questions, comments and concerns.

Thank you for your kind attention and consideration.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
February 5, 2010

Subject: Treasury Report

Proposed Committee Action:

None. Information item.

Exhibits/Supporting Documents:

- **Treasury Report** – Investment Performance for Quarter Ending December 31, 2009

Facilitator/Presenter:

- Tony Vu

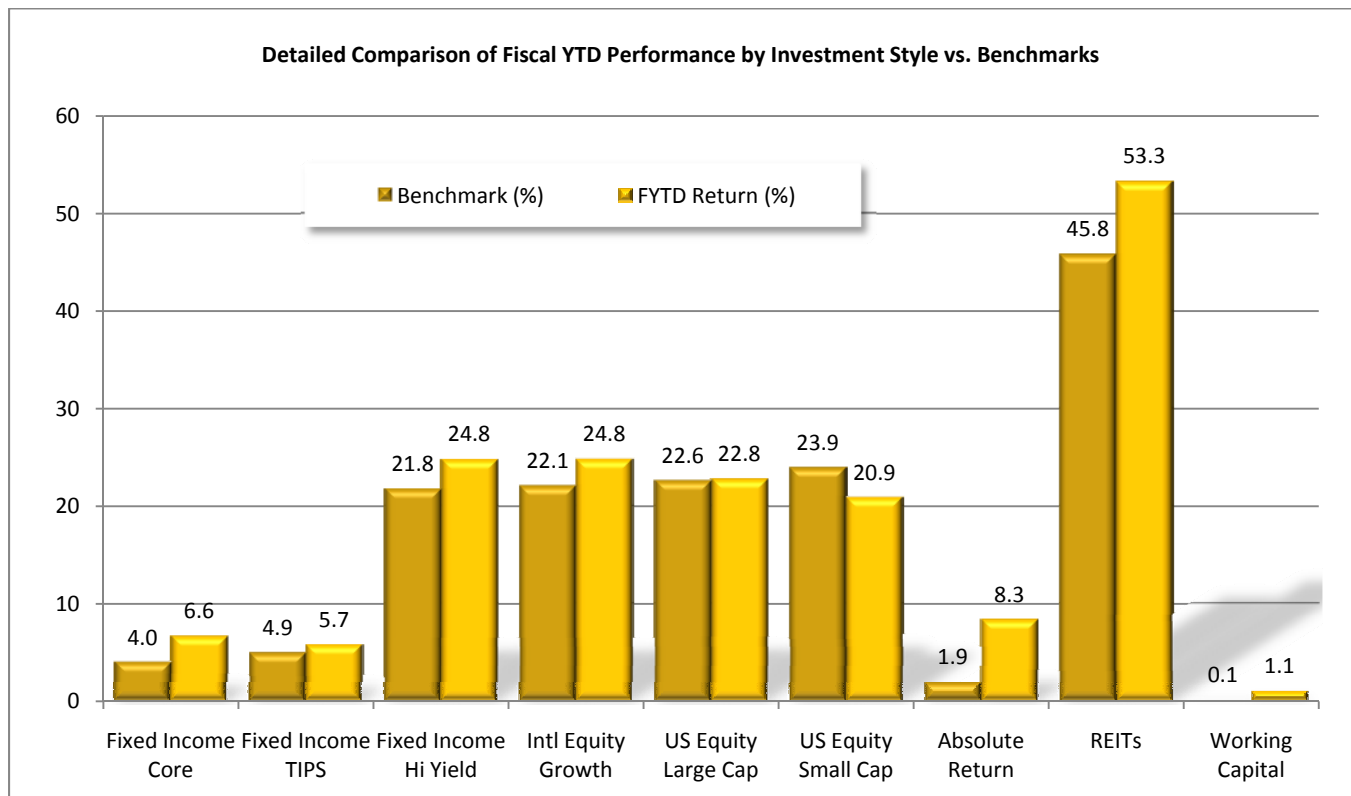
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Board of Trustees
Treasury Report of Investment Portfolio Performance and Composition
February 5, 2010

Investment Performance for Quarter Ending December 31, 2009

Fiscal YTD Performance

The gamut of asset classes continued their strong performance through the final quarter of 2009. The university's operating portfolio benefited from its diversified allocation. Overall, fiscal YTD return for the portfolio was **7.7%** with the Strategic/ Reserve Pools gaining **13.2%** and the Working Capital Pool gaining **1.1%** for the quarter. The following chart details the fiscal year to date returns by investment class.

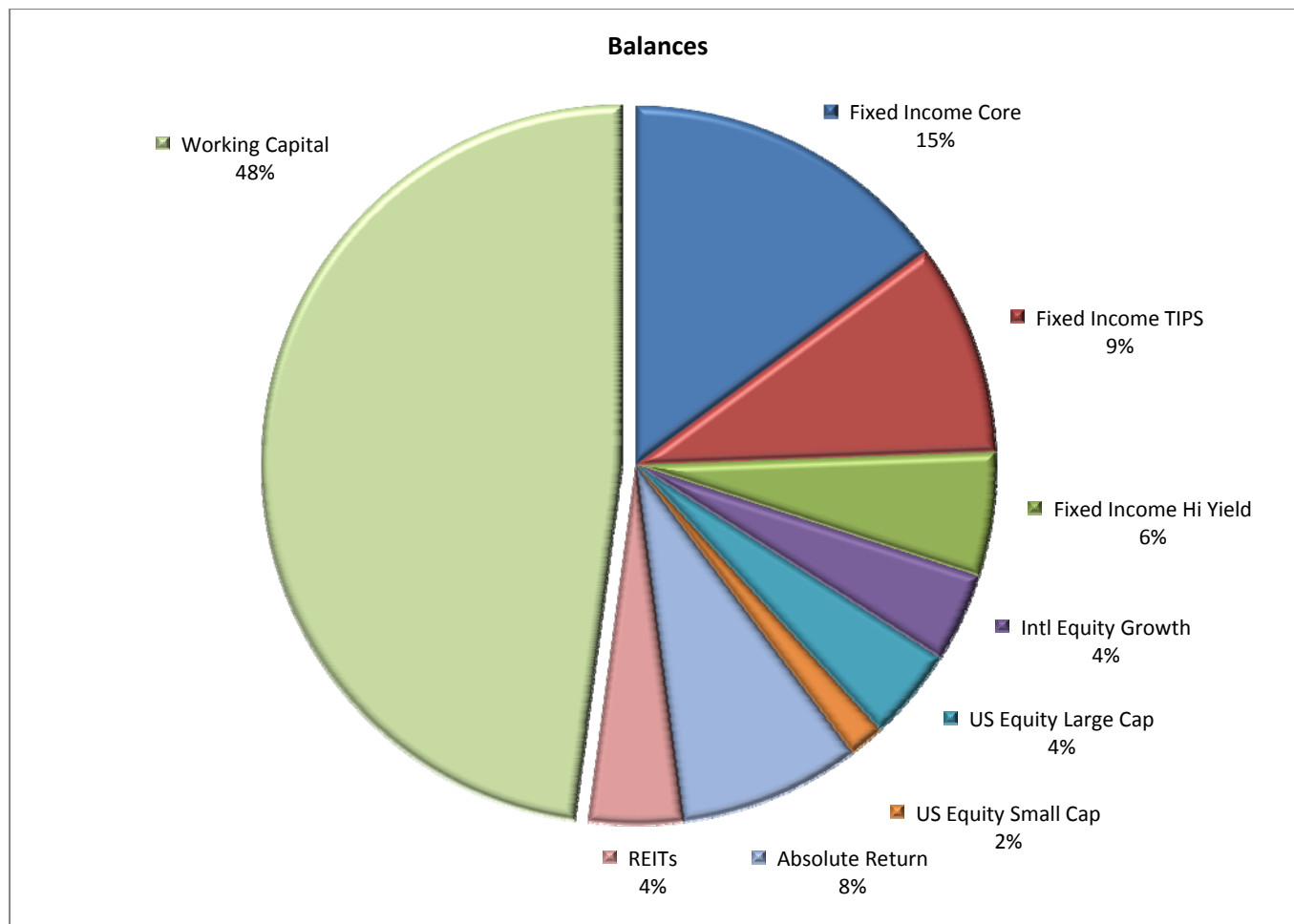


As shown above, every investment manager met or exceeded benchmarks with the exception of U.S. Equity Small Cap manager, who still gained 21% versus the benchmark return of 24%.

A detailed schedule of the portfolio's performance overall and versus benchmarks, for the month, quarter and fiscal year to date is attached at the end of this report.

Quarter Ending Composition

Asset allocations remain within policy guidelines. The quarter-end investment market value of the university's operating investment portfolio totaled \$278.1 million. This was a \$37.4 million, or 16%, increase over the previous quarter's ending balance of \$240.7 million and \$45.1 million, or 19%, more than the same time last year. The following chart details the allocation of investments within the university's operating investment portfolio.



Investment Committee Meeting

The Investment Committee plans to meet at the end of February to discuss possible adjustments to asset allocations targets and year to date performance. The investment committee consists of the following:

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

Dr. William Welch
Retired
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
December 31, 2009**

OPERATING FUNDS PORTFOLIO								
Fund / Manager (Inception Date) Benchmark	<u>Market Value</u> (000's)	<u>Allocation</u> (%)	<u>Current</u> Month	<u>Fiscal</u> YTD	<u>1 Year</u>	<u>Trailing</u> 2 Years	<u>3 Years</u>	<u>Since</u> Inception
Working Capital Pool (03/31/06) 91-Day Treasury Bill	\$ 133,158	48% 30%	0.2% 0.0%	1.1% 0.1%	1.8% 0.2%	2.3% 1.1%	3.1% 2.4%	3.5% 2.9%
Strategic / Reserve Capital Pool (03/31/06) Weighted Average Benchmark Index	144,922	52% 70%	0.7% 0.1%	13.2% 10.1%	20.2% 15.8%	1.5% 1.8%	2.7% 3.1%	4.1% 4.4%
TOTAL COMBINED POOL (03/31/06) Weighted Average Benchmark Index	\$ 278,081	100% 100%	0.5% 0.1%	7.7% 7.0%	11.3% 11.0%	2.6% 1.7%	3.3% 2.9%	4.0% 3.9%

WORKING CAPITAL POOL								
Fund / Manager (Inception Date) Benchmark	<u>Market Value</u> (000's)	<u>Allocation</u> (%)	<u>Current</u> Month	<u>Fiscal</u> YTD	<u>1 Year</u>	<u>Trailing</u> 2 Years	<u>3 Years</u>	<u>Since</u> Inception
WORKING CAPITAL POOL								
SPIA Account (03/31/06) 91-Day Treasury Bill	\$ 108,129	39%	0.3% 0.0%	1.4% 0.1%	2.2% 0.2%	2.4% 1.1%	3.3% 2.4%	3.7% 2.9%
MS Institutional Liquid Funds Account (08/07/09) 91-Day Treasury Bill	20,012	7%	0.0% 0.0%	0.1% 0.1%	0.0% 0.0%	0.0% 0.0%	0.0% 0.0%	0.1% 0.0%
BoA Columbia Account (09/30/07) 91-Day Treasury Bill	5,000	2%	0.0% 0.0%	0.0% 0.0%	0.0% 0.0%	0.0% 0.0%	0.0% 0.0%	0.0% 0.0%
WORKING CAPITAL POOL COMPOSITE (3/31/06) Target Allocation / 91-Day Treasury Bill	\$ 133,158	48% 30%	0.2% 0.0%	1.1% 0.1%	1.8% 0.2%	2.3% 1.1%	3.1% 2.4%	3.5% 2.9%
STRATEGIC / RESERVE CAPITAL POOL								
Prudential Core Fixed (11/30/07) Barclays Aggregate	\$ 41,340	15% 21%	-1.2% -1.6%	6.6% 4.0%	12.0% 5.9%	6.5% 5.6%	0.0% 0.0%	6.4% 5.5%
Northern Trust TIPS (6/30/06) Barclays U.S. TIPS	26,558	10% 14%	-2.0% -2.2%	5.7% 4.9%	11.0% 11.4%	4.5% 4.3%	6.8% 6.7%	6.5% 6.4%
BlackRock HY Bond (3/31/06) ML High Yield Master II	15,559	6% 7%	3.5% 3.1%	24.8% 21.8%	52.9% 57.5%	5.1% 7.7%	4.4% 5.8%	5.8% 7.0%
FIXED INCOME COMPOSITE (3/31/06) Fixed Income Benchmark Index	83,457	30% 42%	-0.6% -1.4%	9.1% 5.8%	16.6% 12.0%	6.1% 5.5%	6.2% 6.2%	6.3% 6.4%
Northern Trust S&P 500 (6/30/06) S&P 500	11,535	4% 5%	1.9% 1.9%	22.8% 22.6%	26.8% 26.5%	-10.6% -10.8%	-5.5% -5.6%	-1.4% -1.5%
CS McKee Small Cap (6/30/08) Russell 2000	4,445	2% 2%	6.4% 8.1%	20.9% 23.9%	25.6% 27.2%	0.0% 0.0%	0.0% 0.0%	0.1% -9.3%
U.S. EQUITY COMPOSITE (3/31/06) Wilshire 5000	15,980	6% 7%	3.1% 2.7%	22.3% 22.8%	26.2% 28.3%	-10.2% -10.3%	-6.3% -5.3%	-4.3% -1.8%
Alliance Bernstein (6/30/08) MSCI EAFE Index (N)	11,154	4% 5%	1.2% 1.4%	24.8% 22.1%	37.5% 31.8%	0.0% 0.0%	0.0% 0.0%	-11.0% -15.3%
INTERNATIONAL EQUITY COMPOSITE (3/31/06) MSCI EAFE Index (N)	11,154	4% 5%	1.2% 1.4%	24.8% 22.1%	37.5% 31.8%	-15.6% -13.6%	-8.6% -6.0%	-2.9% -1.1%
Aetos Alternatives Mgmt. (4/31/06) CPI + 3.25%	22,570	8% 11%	0.7% 0.3%	8.3% 1.9%	11.8% 6.3%	-2.2% 4.8%	1.3% 5.7%	2.2% 5.3%
ABSOLUTE RETURN COMPOSITE (3/31/06) CPI + 3.25%	22,570	8% 11%	0.7% 0.3%	8.3% 1.9%	11.8% 6.3%	-2.2% 4.8%	1.3% 5.7%	2.2% 5.3%
Urdang REIT (6/30/06) NAREIT Equity	11,761	4% 5%	7.2% 7.2%	53.3% 45.8%	41.1% 28.0%	-5.0% -10.7%	-8.1% -12.4%	-2.1% -6.1%
REITs COMPOSITE (6/30/06) NAREIT Equity	\$ 11,761	4% 5%	7.2% 7.2%	53.3% 45.8%	41.1% 28.0%	-5.0% -10.7%	-8.1% -12.4%	-2.1% -6.1%

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
February 5, 2010

Subject: Environmental – Regulatory & Compliance

Proposed Committee Action:

None. Information item.

Exhibits/Supporting Documents:

- Safety & Environmental Compliance Status Report

Facilitator/Presenter:

- William Youngblut

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SAFETY & ENVIRONMENTAL COMPLIANCE STATUS REPORT

Agency: Department of Environmental Resources Management (DERM)

Florida Department of Environmental Protection (FDEP)

United States Environmental Protection Agency (USEPA)

Issue: Petroleum Products Storage Tank compliance

Status: Underground fuel storage tanks (UST) are being replaced by aboveground storage tanks (AST). A contract for removing and for replacement of tanks has been awarded and the replacement project is scheduled to begin during the third week of January 2010. The project will be completed before the due date of March 31, 2010.

1. Well monitoring. Wells are being tested every month by the Environmental Health & Safety (EH&S). Wells at the Green Library are monitored monthly to ensure no pollution or contamination is present. The Department of Environmental Resources Management (DERM) conducts periodically soil sampling analysis on areas where the spill occurred. Prior sample analysis results showed no indication of pollution.

All registrations with FDEP for petroleum products storage tanks are current through 2010.

2. Aboveground fuel storage tanks are being inspected in a monthly basis. Environmental Health and Safety developed and established a monthly monitoring program for AST. Tanks are inspected for leaks, rust control, and alarm devices are tested for proper function, and preventive maintenance is provided

Agency: Florida Department of Environmental Protection (FDEP)

United States Environmental Protection Agency (USEPA)

Issue: Storm-water Permit Compliance

Status: A Storm-water policy has been developed to implement programs with the ultimate goal of preventing pollutant runoff from University operations into the storm sewer system.

1. Lakes/ponds monitoring. Environmental Health and Safety developed and implemented a scheduled quarterly visual inspection of lakes and ponds with the solo purpose of identifying and prevent pollution or contamination. The program includes weed control and treatment of lakes when required.

EH&S established a training program for employees. Training is conducted through pamphlets, classroom sessions, and in required information on safety inspection reports. In addition, storm-water compliance has been included in the Safety/Hazards inspection system.

2. Photography Labs. Procedures to discharge photographic waste products from the Photographic laboratories to the sewer system were reviewed. New procedures for water discharge from photographic equipment were implemented and are enforced to prevent silver contamination. Silver recovery units were updated and serviced every six months and water samples analysis are conducted to ensure compliance.

Agency: Department of Environmental Resource Management (DERM)

Issue: Hazardous Waste Management

Status: In October 2009, DERM conducted inspections of laboratory facilities in the Primera Casa (PC), Health and Life Sciences I and II, and Engineering and Computer Sciences (ECS) Buildings. No violations were found. Anticipated completion of DERM inspections of the Madique Modesto Campus is expected during the first quarter of 2010.

Agency: Department of Homeland Security (DHS)

Florida Department of Environmental Protection (FDEP)

Department of Environmental Resources Management (DERM)

Issue: Chemical Inventory Management

Status: There are no outstanding issues pertinent to this issue. As of January 2010, 90% of the over 300 research and academic teaching labs are registered users of the Chemical Inventory Management System. CIMS user names and passwords will be distributed to the registered locations before January 31, 2010. The web-based CIMS, which will facilitate chemical inventory management, particularly for research and teaching laboratories, is scheduled for deployment March 30, 2010.

Agency: Florida Department of Health (FDOH)

Issue: BioMedical Waste Program Annual Operating Permit

Status: There are no outstanding violations under these permits (*one per campus*). There are currently 21 biomedical waste generation sites between the three FIU campuses. EH&S monitors compliance in these locations during scheduled safety inspections (labs) and monthly storage site inspections. EH&S expects the volume of waste, the number of generation sites, as well as the need for required training to continue to increase over the next six months.

Agency: Florida Department of Health (FDOH)

US Nuclear Regulatory Commission (USNRC)

Radiation Machine Registration Renewal

Radioactive Material Broadscope License Renewal

Issue: Radioactive Materials Use Compliance

Status: Recently, FIU was subject a comprehensive inspection of records and laboratories involved in the use of radioactive materials. Because of the ongoing support of an active Radiation Control Committee (RCC), consisting of researchers who use radioactive materials and the efforts diligence of the EH&S Radiation Safety Officer, all documents and operations were found to be in order and no violations were issued. Given that the broadscope license permits FIU to “self-regulate” for day-to-day operations this was a significant accomplishment. The license is due for renewal on March 31st, 2010.

Issue: X-ray Machine Registration and Use Compliance

Status: DOH conducted an inspection of all X-ray machines in use or in storage registered under the two FIU registrations (one for MMC and one for Engineering Center). There were no violations issued and no outstanding violations under these registrations. The registrations are due for renewal October 28, 2010.

Issue: Laser Device Registration and Use Compliance

Status: No formal inspection has been conducted by the Bureau of Radiation Control, and FIU is in compliance with regulation requirements. As of January 2010, ninety Class 3B and Class 4 laser devices are registered, with the Bureau. EH&S continues to assure that all high power (class 3B and Class 4) laser devices are registered and any changes in registration (i.e.location, user, etc.), are reported to the Bureau.

Agency: United States Drug Enforcement Administration (USDEA)

Issue: Controlled Substance Use Compliance

Status: DEA conducted security evaluations of two FIU registrations in reference to the relocation of registered materials (Miami Children’s Research Center to FIU Health & Life Sciences Bldg) and a new registration (FIU Health & Life Sciences Bldg). All requirements were met, no violations were issued, and the new registration will be issued in January 2010.

Agency: State Fire Marshal

Issue: Life Safety Code Compliance Repeat Violations

Status: Due to a reduction in agency staff, the State Fire Marshal assigned to FIU is now responsible for inspections covering three counties. Therefore Life Safety Code inspections by the State Fire Marshal have been delayed until the schedule can be revised.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
February 5, 2010

Subject: Athletics Update

Proposed Committee Action:

None. Information item.

Exhibits/Supporting Documents:

- Athletics Update

Facilitator/Presenter:

- Pete Garcia

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ATHLETICS UPDATE
February 05, 2010

Reports (*For Information Only – no action required*)

Pete Garcia, Athletics Director

Fundraising Report

Fundraising revenues as reported are unfavorable on a year to date basis as of December 31, 2009.

- This variance is primarily driven by a timing delay in the recognition of the US Century Bank Arena naming rights payment in the amount of \$200k.
- Bank of America Affinity Card revenues are unfavorable to budget for Q1 by \$25k and have not been recorded for Q2.
- Net favorable variance including the above two items is due to timing of actual collections vs. budget

FIU Foundation, Inc.
Preliminary Recap of Statement of Activities
Through the Period Ended December 31, 2009

	Actual	Budget	Variance
Revenues	\$277	\$430	(\$153)

ATHLETICS UPDATE

February 5, 2010

Athletics Finance Corporation (AFC) Report

This Direct Support Organization has recently refinanced the bond issuance used for the construction of the Football Stadium. The refinancing was due to downgrade actions by credit rating agencies covering Regions Bank which increased the all-in interest rates to the DSO. Interest cost would have been considerably higher if the refinancing would not have taken place, although the refinancing has created an **increase in the annual debt service payment** of approximately \$155k in year 1 than budgeted.

Financial results as of December 31, 2009 (unaudited)

FIU Athletics Finance Corporation YTD (as of 12.31.09)

	Budget	Actual	Variance
Operating Revenue	661,599	650,980	(10,620)
Premium Seating	634,250	594,800	(39,450)
Sponsorship	50,000	-	(50,000)
Naming Rights - Net	-	2,000	2,000
Conference Revenue	150,000	325,000	175,000
Fundraising - Contracted Commitments	341,550	239,655	(101,895)
Athletic Support	436,666	436,666	-
Total Revenues	\$ 2,274,065	2,249,101	\$ (24,964)
Operating Expenses	\$ 452,175	\$ 429,881	\$ (22,294)
Net Unrealized gains/(losses) on investments	-	154,551	154,551
Total Expenses net of gains/(losses)	\$ 452,175	\$ 275,331	\$ (176,844)
Net Income (excluding debt service)	\$ 1,821,890	\$ 1,973,771	\$ 151,880

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

February 5, 2010

**Subject: The Florida International University Herbert Wertheim College of
Medicine Self-Insurance Program Investment Policy**

Proposed Committee Action:

Recommend Board Adoption of the following Resolution:

BE IT RESOLVED, that the Florida International University Board of Trustees (the BOT) approves the Florida International University Self Insurance Program (FIU-SIP) Investment Policy FIU-SIP adopted in accordance with Board of Governors Regulation 10.001 on February 3, 2010 as stated in the FIU-SIP Resolution attached hereto and incorporated herein as Exhibit “D;” and

BE IT FURTHER RESOLVED, that the BOT delegates to the University President the authority to forward the proposed FIU-SIP Investment Policy to the Board of Governors and to request that the Board of Governors take the necessary action to approve the FIU-SIP Investment Policy as provided in Board of Governors Regulation 10.001(1)(d)13 ; and

BE IT FURTHER RESOLVED, that the FIU-SIP Council may approve any subsequent amendments to the proposed revisions in response to comments received from the Board of Governors;

AND BE IT FURTHER RESOLVED, that the President report to the BOT at its next regularly scheduled meeting on any substantive changes made to the proposed FIU-SIP Investment Policy as a result of comments received by the Board of Governors.

BACKGROUND INFORMATION:

LEGAL AUTHORITY:

Section 7(d), Art. IX establishing the Board of Governors as a Constitutional body and empowering the Board of Governors to “operate, regulate, control, and be fully responsible for the management of the whole university system.”

Section 1004.24, Florida Statutes authorizes the Board of Governors to establish self insurance programs (“SIP”) to provide comprehensive general liability coverage, including professional liability coverage for health care coverage for:

- a) The Board of Governors and its officers and members.
- b) A university board of trustees and its officers and members.
- c) The faculty and other employees and agents of a university board of trustees.
- d) The students of a state university.
- e) A state university or any college, school, institute, center, or program thereof.
- f) Any not-for-profit corporation organized pursuant to chapter 617, and the directors, officers, employees, and agents thereof, which is affiliated with a state university, if the corporation is operated for the benefit of the state university in a manner consistent with the best interests of the state, and if such participation is approved by a self-insurance program council, the university president, and the board of trustees.

Board of Governors Regulation 10.001(1)(d)13, mandates that the FIU-SIP establish an investment policy in accordance with Section 215.47, Florida Statutes, and mandates that the Board of Governors approve the investment policy.

Exhibits/Supporting Documents:

- EXHIBIT “D”: FIU Self-Insurance Program Investment Policy and FIU Self Insurance Program Resolution

Facilitator/Presenter:

- John A. Rock, M.D.



**FLORIDA INTERNATIONAL UNIVERSITY
HERBERT WERTHEIM COLLEGE OF MEDICINE
SELF-INSURANCE PROGRAM
INVESTMENT POLICY**

APPROVED AS OF FEBRUARY 3, 2010

The Florida International University Self-Insurance Program Council ("Council") is responsible for the oversight and approval of the overall investment policy and investment portfolio of the Florida International University Self-Insurance Program ("FIUSIP"). The intent of this policy is to define the management process for capturing investment opportunities as they may occur and to set forth reasonable parameters to ensure prudence and care in the execution of the investment program, in accordance with applicable law.

I. Governance; Definition of the Fund

- A. Investment of assets of the FIUSIP shall be governed by a SIP Investment Committee (the "Investment Committee") of the Council which shall have responsibility for FIUSIP investments and the allocation thereof. The Council may, in its discretion, serve as the Investment Committee until such time as the Council deems it prudent to constitute an Investment Committee.
- B. The Investment Committee shall consist of no less than three members appointed by the Council. The Council shall select the Chairperson of the Investment Committee. In addition to the appointed Investment Committee members, the University Chief Financial Officer, University Treasurer, and Executive Associate Dean for Finance & Administration, Wertheim College of Medicine shall be ex officio members of the Investment Committee. Investment Committee members need not be members of the Council, provided that such members have demonstrable knowledge, experience and familiarity with financial investments and portfolio management.
- C. For purposes of this Investment Policy document, monies available for investment (hereinafter referred to as the "Fund") means an amount equal to the sum derived when, at any given time, the amount of cash in FIUSIP's investment custody account is added to an amount equal to the fair market value of all securities held in the investment custody account of the FIUSIP on behalf of the FIUSIP.

II. Investment Committee Responsibilities and Procedures:

- A. The Investment Committee, with the guidance and recommendations of its advisors and consultants, shall be responsible for:
1. Meeting as needed, but no less than once per fiscal year, at the discretion of the Chair of the Council or Chair of the Investment Committee, to review the manner in which the Fund is invested, with outcomes of said meetings to be reported to the Council;
 2. Reviewing the implementation of this Investment Policy at least once each fiscal year and recommending to the Council any changes in investment strategy;
 3. Investing the Fund in conformance with this Investment Policy as approved by the Council. The Investment Committee shall have no power in any way to modify, alter, add to, or subtract from any provisions of this Investment Policy as approved by the Council;
 4. Ensuring that the objectives stated in the Investment Policy are practical and reflect the mission of the FIUSIP;
 5. Recommending the engagement of investment advisors, consultants, managers, and/or custodians for the approval of the Council and/or recommending the termination of such advisors, consultants, managers or custodians that fail to maintain acceptable quantitative (e.g. risk/return profile) and/or qualitative (e.g. organizational changes) standards;
 6. Implementing and monitoring the asset allocation targets;
 7. Determining whether the investment objectives set forth herein are being met and whether the investment guidelines and applicable law are being followed;
 8. Providing regular performance reports to the Council.
- B. The staff, as assigned by the Council in consultation with the University, is an integral part of the day to day requirements of the operating portfolio. The staff has the responsibility of administering and coordinating the implementation decisions made by the Investment Committee and the Council. The staff is responsible for:
1. Administering the investments of the Fund at the lowest possible cost, being careful to avoid sacrificing quality;
 2. Executing the rebalancing procedures, as necessary;

3. Maintaining day-to-day interaction with the investment advisors, consultants, managers, and custodians.
- C. No member of the Investment Committee shall have or appear to have a material personal interest, either directly or indirectly, in conflict with the interests of FIUSIP, unless such interest is disclosed and approved as provided herein. In the event any member of the Investment Committee should have any conflict of interest, he or she shall disclose such conflict to the Council and, if so directed by the Council, shall abstain from voting or acting on matters involving the conflict. The Council shall decide what action, if any, to take in light of the conflict of interest. Such action may, but is not required to, include accepting the individual's abstention, requiring the individual to terminate the conflict of interest, or causing the individual's appointment to the Investment Committee to be terminated.

A member of the Investment Committee shall be deemed to have a possible or actual conflict if he or she has a substantial existing or potential personal interest in a matter which impairs or might appear to impair the member's ability to exercise independent and unbiased judgment in the good faith discharge of his or her duties to FIUSIP.

In addition to limitation on conflicts of interest, no member of the Investment Committee, nor a business entity of which the member is also an officer, director, employee, or substantial owner, shall enter into a transaction with the FIUSIP unless such transaction is disclosed fully to the Council. The Council must approve the transaction by a vote of three-fourths (3/4) of all Council members. The Council's determination regarding any transaction that may constitute a conflict of interest must be consistent with applicable Florida law including Chapter 112 of the Florida Statutes.

The mere employment by an officer or employee of FIUSIP or member of the Investment Committee by the Florida International University Board of Trustees or any of its component or supporting organizations, or by an insured entity of the FIUSIP, shall not constitute a conflict of interest.

- D. The Council will, to the extent legally permissible indemnify and hold harmless each member of the Investment Committee from all actions, proceedings, claims, or demands by any persons, corporations, associations, or entities whatsoever in which such person may be involved by reason of his or her service on the Investment Committee, and will indemnify and hold harmless each member of the Investment Committee against all costs, damages, or expenses which the Investment Committee member may pay, sustain, or incur by reason or in consequence of such service; provided, however, such member was exercising due care and diligence in the performance of his or her duties on behalf of the FIUSIP, and provided that no settlement shall be entered into without the prior consultation and approval of the Council.

- E. The investment advisors, consultants, managers, and custodians shall:
1. Recommend to the Investment Committee changes in investment objectives, policies, and procedures;
 2. Make purchases and sales of securities in accordance with the Investment Policy; and
 3. Report their respective activities to the Investment Committee and in such manner and in such frequency as may be requested, from time to time, by the Investment Committee.

III. Investment Objectives

The overall investment objective of the Fund is to achieve a favorable rate of return, in combination with preservation of principal and liquidity, subject to the quality, diversification, and maturity restrictions imposed by the investment guidelines contained in this Investment Policy and all Florida Statutes cited herein.

IV. Investment Guidelines

- A. Investment of the Fund shall be governed by the following investment guidelines, consistent with Chapter 215.47:
1. The Fund may be invested with no limitation in any security described in Section 215.47(1), Florida Statutes.
 2. Subject to the investment percentage limitations described therein, the Fund may be invested in the securities described in Section 215.47(2), (3), (4), (5), and (6).
 3. All holdings of investment will be of sufficient size in issues actively traded to ensure marketability and liquidity to facilitate transactions at minimum cost and to permit accurate market valuation.
 4. All purchases and sales of securities will be executed by the Investment Committee or its agent(s) at the most advantageous price to the Fund with principal dealers in the particular securities being purchased or sold.
 5. The investment performance of the Fund shall be measured in terms of total return against appropriate benchmarks or market indices having the same investment characteristics and guidelines as the Fund. In the evaluation of performance no distinction shall be made between realized and unrealized returns or between the income and capital components of total return of the Fund.

6. Consistent with the foregoing, the Investment Committee may adopt any such additional guidelines and/or objectives it may deem necessary or appropriate to fulfill its fiduciary responsibilities.

**THE FLORIDA INTERNATIONAL UNIVERSITY
HERBERT WERTHEIM COLLEGE OF MEDICINE
SELF INSURANCE PROGRAM COUNCIL
RESOLUTION**

3 FEBRUARY 2010

**SUBJECT: THE FLORIDA INTERNATIONAL UNIVERSITY HERBERT WERTHEIM
COLLEGE OF MEDICINE SELF INSURANCE PROGRAM INVESTMENT POLICY**

**PROPOSED THE FLORIDA INTERNATIONAL UNIVERSITY HERBERT WERTHEIM
COLLEGE OF MEDICINE SELF INSURANCE COUNCIL ACTION:**

WHEREAS, the Florida Board of Governors has established a Florida International University Herbert Wertheim College of Medicine Self Insurance Program known as the Florida International University Self Insurance Program ("FIU-SIP") pursuant to Section 1004.24, Florida Statutes and Board of Governors Regulation, 10.001 (the "SIP Regulation");

WHEREAS, the SIP Regulation mandates that the FIU-SIP adopt an investment policy which meets the requirements and limitations of Section 215.47, Florida Statutes;

WHEREAS, the SIP Regulation allows the FIU-SIP Council to invest its funds pursuant to Section 215.47, Florida Statutes

WHEREAS, the SIP Council believes it to be in the best interest of the FIU-SIP to adopt the FIU-SIP Investment Policy attached as Exhibit "A" hereto and to invest its fiscal assets pursuant to a prudent investor standard and in accordance with all applicable laws, rules and regulations;

THEREFORE, BE IT RESOLVED that the Council hereby approves the FIU-SIP Council Investment Policy approved herein and attached to this Resolution as Exhibit "A," and recommends its adoption to the Florida International University Board of Trustees and the Florida Board of Governors.

EXHIBITS/SUPPORTING DOCUMENTS:

- EXHIBIT "A" – SELF INSURANCE
PROGRAM INVESTMENT POLICY

FACILITATOR/PRESENTER:

JOHN A. ROCK, M.D., SELF INSURANCE
PROGRAM COUNCIL MEMBER

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