



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

Thursday, January 9, 2014

9:00 am

Florida International University  
Modesto A. Maidique Campus  
Graham Center Ballrooms

**Committee Membership:**

Sukrit Agrawal, *Chair*; Robert T. Barlick, Jr., *Vice Chair*; Cesar L. Alvarez; Gerald C. Grant, Jr.; C. Delano Gray

**Liaison:**

Richard Brilliant, *Foundation Board of Directors*

**AGENDA**

- |   |                    |
|---|--------------------|
| 1. Call to Order and Chair's Remarks  | Sukrit Agrawal     |
| 2. Approval of Minutes  | Sukrit Agrawal     |
| 3. Action Items   |                    |
| FA1. FIU Direct Support Organizations Financial Audits,<br>FY 2012-13                                     | Kenneth A. Jessell |
| A. FIU Foundation, Inc.   |                    |
| B. FIU Research Foundation, Inc.  |                    |
| C. FIU Athletics Finance Corporation  |                    |
| D. FIU Academic Health Center Health Care Network Faculty<br>Group Practice, Inc.                         |                    |
| FA2. Approval of the Amendments to the Bylaws of the Florida<br>International University Foundation, Inc. | Richard Brilliant  |
| FA3. Tuition and Fee Refunds Regulation, FIU-1114   | Kenneth A. Jessell |
| 4. Discussion Items ( <i>No Action Required</i> )   |                    |
| 4.1 Review of Operational Audit for Fiscal Year Ended June 30, 2013                                       | Kenneth A. Jessell |
| 4.2 Office of Internal Audit Status Report  | Allen Vann         |
| 4.3 Financial Performance Review – First Quarter 2014   | Kenneth A. Jessell |

**5. Reports** *(For Information Only)*

|   |                          |
|---|--------------------------|
| <b>5.1 Treasury Report</b>                            | <b>Phong Vu</b>          |
| <b>5.2 Business Services Report</b>                   | <b>Aime Martinez</b>     |
| <b>5.3 Athletics Update</b>                           | <b>Pete Garcia</b>       |
| <b>5.4 Emergency Management Status Report</b>         | <b>Ruben D. Almaguer</b> |
| <b>5.5 University Compliance Report</b>               | <b>Joann Bova</b>        |
| <b>5.6 Safety and Environmental Compliance Report</b> | <b>Ruben D. Almaguer</b> |
| <b>5.7 Facilities and Construction Update</b>         | <b>John Cal</b>          |
| <b>5.8 Foundation Report</b>                          | <b>Richard Brilliant</b> |

**6. New Business**

|  |                       |
|--|-----------------------|
| <b>6.1 Senior Management Discussion of Audit Processes</b> | <b>Sukrit Agrawal</b> |
|--|-----------------------|

|  |                       |
|--|-----------------------|
| <b>7. Concluding Remarks and Adjournment</b> | <b>Sukrit Agrawal</b> |
|--|-----------------------|

*Next Finance and Audit Committee Meeting is scheduled for Thursday, March 27, 2014*

**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES**

**Finance and Audit Committee**

January 9, 2014

**Subject: Approval of Minutes of Meeting held September 10, 2013**

---

**Proposed Committee Action:**

Approval of Minutes of the Finance and Audit Committee meeting held on Tuesday, September 10, 2013 at the Biscayne Bay Campus, Kovens Conference Center, Bayview Ballrooms.

---

**Background Information:**

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Tuesday, September 10, 2013 at the Biscayne Bay Campus, Kovens Conference Center, Bayview Ballrooms.

---

**Supporting Documentation:** Finance and Audit Committee Meeting Minutes:  
September 10, 2013

**Facilitator/Presenter:** Committee Chair Sukrit Agrawal

This page intentionally left blank



**FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES  
FINANCE AND AUDIT COMMITTEE  
MINUTES  
SEPTEMBER 10, 2013**

**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 Sukrit Agrawal at 10:18 am on Tuesday, September 10, 2013, at the Biscayne Bay Campus, Kovens Conference Center.

The following attendance was recorded:

***Present***

Sukrit Agrawal, *Chair*  
Robert T. Barlick, Jr., *Vice Chair*  
C. Delano Gray

***Excused***

Cesar L. Alvarez  
Gerald C. Grant, Jr.

Trustee Jorge L. Arrizurieta, Liane M. Sippin and President Mark B. Rosenberg were also in attendance.

Committee Chair Agrawal welcomed all Trustees, faculty and staff to the meeting.

**2. Approval of Minutes**

Committee Chair Agrawal asked that the Committee approve the Minutes of the meeting held on June 5, 2013. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meeting held on Wednesday, June 5, 2013.

**3. Action Items**

**FA1. Amendment to Signature Authority – Authorization to Sign Checks for the West African Water Research Program and Account**

Sr. VP and CFO Jessell presented the Amendment to Signature Authority – Authorization to Sign Checks for the West African Water Research Program and Account for Committee review, noting that the FIU Board of Trustees is updating its official records to reflect University officers and employees authorized to sign checks to pay legal obligations on behalf of the University.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Board of Trustees amend the Signature Authority - Authorization to Sign Checks for the West African Water Research Program and Account to reflect the following changes:

For the West African Water, Sanitation Hygiene Program:

Remove: Ms. Emeline Bereziat, Deputy West African Program Director

Approve: Ms. Sara Miner, Deputy West African Program Director

## **FA2. Investment Policy Amendment**

Sr. VP and CFO Jessell presented the Investment Policy Amendment for Committee review. He noted that the Board's University Investment Committee, an advisory committee created by the Board to make recommendations to the Board and University administration regarding university investments, met on August 22, 2013 and is recommending approval of the proposed revisions to the Investment Policy.

Sr. VP and CFO Jessell stated that the first proposed change would require committee members responsible for making investment decisions for the University to complete eight hours of continuing education annually in subjects related to investment practices and products. He noted that, in accordance with Florida Statute 218.415 (14). Florida Statute 218.415 (14), Local Government Investment Policies – Continuing Education states that the investment policy shall provide for the continuing education of the unit of local government's officials responsible for making investment decisions or chief financial officer. Such officials must annually complete 8 hours of continuing education in subjects or courses of study related to investment practices and products. He added that though members of University administration in the investment areas have been completing eight hours of continuing education annually as a standard practice, state auditors recommended that the continuing education requirement be formally included in the University's Investment Policy. Sr. VP and CFO Jessell stated that the second proposed change would amend the Asset Allocation Ranges to provide for a lower minimum allowable range for fixed income investment classes (Core, High Yield and TIPS) as part of strategic positioning in anticipation of a rising interest rate environment. He added that the third proposed change was an annual update to the expected returns by asset class reference.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that Board of Trustees' adopt the proposed revisions to the University's Investment Policy.

## **FA3. Regulation – FIU-1101 Tuition and Fees Schedule**

Sr. VP and CFO Jessell presented the proposed amendment to the Regulation – FIU-1101 Tuition and Fees Schedule. He noted that the regulation was amended at the June 12, 2013 Board of Trustees meeting in order to establish the tuition and fees for the 2013-14 academic year, but an additional amendment was needed in order to delete references to parking fees for College of Medicine students, which are covered by another regulation on that subject.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that Board of Trustees approve the Regulation – FIU-1101 Tuition and Fees Schedule.

#### **4. Discussion Items**

##### **4.1 Campus Master Plan 2010-2020 Update**

Sr. VP and CFO Jessell noted that pursuant to subsection 1013.30 of the Florida Statutes, each university Board of Trustees is required to adopt a Campus Master Plan for the university, to be updated at least every five years. He reported that the University's Master Plan Steering Committee has been working on a draft Master Plan based on input from numerous focus groups, local government agencies and public workshops, and noted that the final Master Plan would be presented to the Board of Trustees for review and approval in March 2014. Sr. VP and CFO Jessell reported that the University shared the draft Master Plan at public hearings on July 15, 2013 at the Biscayne Bay Campus, and on July 16, 2013 at the Modesto A. Maidique Campus for public feedback. He added that a second round of public hearings would take place in January 2014, during which a final draft would be presented incorporating feedback from the July 2013 public hearings as well as local government agencies.

Sr. VP and CFO Jessell introduced Higher Education Market Leader of Miami of Perkins & Will and member of the Campus Master Plan Steering Committee Gene Kluesner, who presented the draft Master Plan in further detail. Mr. Kluesner outlined the key goals and vision of the drafted Master Plan – to optimize development within land use constraints, establish greater connectivity with neighboring communities, and develop better options for transportation and access. Mr. Kluesner noted that the University was in the formal public review period of 90 days that would end in mid-October. He added that the final comprehensive Master Plan was set to be completed by December 2013, after which the final draft would be presented at the public hearings scheduled for January 2014.

##### **4.2 Financial Performance Review – FY 2012-13**

Sr. VP and CFO Jessell presented the Financial Performance Review for the fourth quarter of the fiscal year 2012-13 and provided a summary of University revenues and expenditures. He reported that the University and direct support organizations' operating revenues were above estimates by \$3.6M (or four percent) which can be primarily attributed to an increase in IT Performance funding, higher differential tuition revenue, an increase in AFC fund transfers and fundraising in Intercollegiate Athletics, and higher grant revenue in Contracts and Grants. He further reported that Student Financial Aid was below estimates by \$16.5M, as a result of lower awards due to lower enrollments and changes in Pell grant eligibility requirements. Sr. VP and CFO Jessell noted that expenses were below estimates by \$46.3M (or five percent), primarily due to lower expenditures and vacant positions, lower disbursements due to lower revenues in Student Financial Aid, and delays in spending on capital campaign and MARC renovations in Direct Support Organizations.

Trustee C. Delano Gray commended Sr. VP and CFO Jessell and his administrative team for their commitment to managing the finances of the University despite the economic challenges facing the state. President Rosenberg added that the University would continue to explore innovative ways to meet the University's commitment to high-quality teaching, student success and timely graduation, while also maximizing on operational efficiency.

#### **4.3 Office of Internal Audit Status Report**

Office of Internal Audit Director Allen Vann presented the Internal Audit Report, providing updates on recently completed audits and work in progress. He noted that in addition to the current works in progress, the Office of Internal Audit is also in the process of examining the annual financial statements of federally funded research projects and programs to ensure that the University stays in compliance with the established regulations. President Rosenberg noted that compliance in research programs remained a priority, given the importance of research funding for the University.

#### **5. Reports *(For Information Only)***

Committee Chair Agrawal requested that the Treasury Report, Business Services Report, Athletics Update, Emergency Management Status Report, University Compliance Report, Safety and Environmental Compliance Report, Facilities and Construction Update, and Foundation Report be accepted as written. There were no objections.

#### **6. New Business**

Sr. VP and CFO Jessell presented a new business item for Committee review, for a Production, Rehearsal and Performance Facility at Biscayne Bay Campus. He reported that due to its expressed interest in a public/private collaboration that would tie into the University's mission and generate new revenue opportunities, the University has been working closely with Royal Caribbean Cruises, Ltd (RCL) on a proposal that would benefit both parties. He stated that RCL responded to the University's initial invitation to negotiate in September 2012, noting that the anticipated benefits of this collaboration would enhance the educational experience of students by providing access to state-of-the-art facilities for student learning, training and productions, create opportunities for student and faculty scholarly work, and create internship opportunities for students pursuing careers in the entertainment and hospitality fields. Sr. VP and CFO Jessell stated that he reported on the development of the negotiation process with RCL at the Board's External Relations Committee in March 2013 and the Real Estate Subcommittee in April 2013. He further reported that the Board's Real Estate Subcommittee met September 9, 2013 to review the proposed agreement, and recommended unanimously that the item be presented to the Finance and Audit Committee for review and recommendation to the Full Board.

Sr. VP and CFO Jessell reviewed the proposed site plan for the RCL facility at Biscayne Bay Campus, stating that FIU would provide the property to RCL in an "as is" condition, and noted that design, construction and maintenance of the performance facility would meet FIU requirements and standards. He noted that the agreement consisted of a ground and housing sublease for 40 years with 4 five years extensions, adding that as part of the proposed agreement, RCL would be required to pay all costs, taxes, fees and charges attributed to construction, maintenance and any improvements on the property.

Sr. VP and CFO Jessell stated that the agreement would also include a repurposing of the existing Bay Vista Housing for use as employee housing for teachers, performers and cast, replacing displaced parking and demolishing of dilapidated buildings (formerly the Children's Learning Center and Wellness Center). Furthermore, RCL would construct, pay, and maintain on-site parking for



their employees, maintain on-site parking, and cover any costs for shared use of campus amenities such as recreation facilities and food service.

Sr. VP and CFO Jessell introduced Dean of the College of Architecture and the Arts Brian Schriner, and Associate Dean of Chaplin School of Hospitality and Tourism Management Mohammed Qureshi, who spoke on the impact that the proposal would have on faculty and staff in their respective areas. Dean Schriner noted that a partnership with RCL would allow for the various divisions in the College of Architecture and the Arts to further refine their skills in design and performance in a state-of-the art facility, gain access to new programming, and create additional internships and potential careers in the cruise line industry. Associate Dean Qureshi stated that the Chaplin School of Hospitality and Tourism Management believes the opportunity would allow the School to further strengthen its relationship with cruise line industry and enhance the student learning experience through hospitality-based internships and possible career opportunities.

Committee Chair Agrawal requested a short recess. There were no objections.

Upon resuming the meeting, a motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Board of Trustees approval to negotiate and enter into the appropriate agreements with Royal Caribbean Cruises Ltd, or an affiliated entity to fund and develop state-of-the-art Production, Rehearsal and Performance Facility at Biscayne Bay Campus and to delegate authority to the President or his designee to negotiate and execute all agreements deemed necessary to consummate the FIU-RCL transaction.

#### **6.1 Senior Management Discussion of Audit Processes**

Committee Chair Agrawal noted that as is stipulated in the Finance and Audit Committee Charter, the Office of Internal Audit is excused from the conversation with Senior Management. He requested to postpone this discussion until the next regularly scheduled Committee meeting. There were no objections.

### **7. Concluding Remarks and Adjournment**

With no other business, Committee Chair Sukrit Agrawal adjourned the meeting of the Florida International University Board of Trustees Finance and Audit Committee on Tuesday, September 10, 2013 at 12:12 pm.

*Trustee requests:*

*There were no Trustee requests.*

*MG 11.23.13*

This page intentionally left blank

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

January 9, 2014

**Subject: Florida International University Foundation Inc., Financial Audit, 2012-13**

---

**Proposed Committee Action:**

Recommend approval by the Florida International University Board of Trustees of the Florida International University Foundation, Inc. Financial Audit for the 2012-13 fiscal year and authorize the President and CEO of the Florida International University Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

---

**Background information:**

Pursuant to Regulation FIU-1502 (2)(f), the Florida International University 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 for review and approval.

The Florida International University Foundation, Inc. Financial Audit for the 2012-13 fiscal year was approved by the Florida International University Foundation, Inc. Board of Directors on October 26, 2013, and the University President is recommending its approval.

Florida Board of Governors Regulation 9.011 (4) University Direct Support Organizations and Health Services Support Organizations, states in relevant part:

Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review.

---

|                                  |   |
|----------------------------------|---|
| <b>Supporting Documentation:</b> | Florida International University Foundation, Inc.<br>Financial Audit, 2012-13 |
|----------------------------------|---|

|                               |                    |
|-------------------------------|--------------------|
| <b>Facilitator/Presenter:</b> | Kenneth A. Jessell |
|-------------------------------|--------------------|

This page intentionally left blank

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

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

**CONTENTS**

---

|  |            |
|--|------------|
| <b>Independent Auditors' Report.....</b> | <b>1-2</b> |
|--|------------|

**Consolidated Financial Statements**

|                                       |   |
|---------------------------------------|---|
| Statement of Financial Position ..... | 3 |
| Statement of Activities.....          | 4 |
| Statement of Cash Flows .....         | 5 |

|   |             |
|---|-------------|
| <b>Notes to Consolidated Financial Statements .....</b> | <b>6-35</b> |
|---|-------------|

**Supplementary Information**

|   |       |
|---|-------|
| Consolidated Schedule of Expenses ..... | 36-37 |
|---|-------|

**Compliance Report**

|   |       |
|---|-------|
| Independent Auditors' Report on Internal Control over Financial Reporting and<br>on Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> ..... | 38-39 |
|---|-------|

## **INDEPENDENT AUDITORS' REPORT**

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

### ***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Florida International University Foundation, Inc. and Subsidiaries (the Foundation), a direct support organization and a component unit of Florida International University, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Foundation's 2012 financial statements and, in our report dated October 26, 2012, we expressed an unqualified opinion on those consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation and its subsidiaries as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules I on pages 37 to 38, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013 on our consideration of the Foundation's internal control over financial reporting and on 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

*Marcum LLP*

Miami, FL  
October 25, 2013



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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2013**

**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)**

|  | 2013                         | 2012                         |
|--|------------------------------|------------------------------|
| <b>Assets</b>  |                              |                              |
| Cash and cash equivalents  | \$ 9,358,242                 | \$ 4,806,843                 |
| Contributions receivable, net                                      | 69,178,385                   | 61,536,667                   |
| Investments  | 194,966,098                  | 168,514,586                  |
| Due from Florida International University                          | 60,329                       | 136,285                      |
| Bond issuance costs, net   | 110,120                      | 122,590                      |
| Other assets   | 903,316                      | 839,549                      |
| Property and equipment, net  | <u>14,824,262</u>            | <u>12,174,916</u>            |
| <b>Total Assets</b>  | <u><u>\$ 289,400,752</u></u> | <u><u>\$ 248,131,436</u></u> |
| <b>Liabilities</b>   |                              |                              |
| Accounts payable and other liabilities                             | \$ 689,993                   | \$ 289,652                   |
| Annuity payables   | 180,768                      | 188,385                      |
| Deferred revenue   | 1,061,734                    | 843,218                      |
| Due to Florida International University                            | 677,334                      | 673,237                      |
| Due to Florida International University Athletics<br>Finance Corp. | --                           | 56,100                       |
| Split-interest obligations   | 766,787                      | 789,060                      |
| Derivative liability   | 264,027                      | 432,872                      |
| Notes payable  | <u>7,640,000</u>             | <u>8,180,000</u>             |
| <b>Total Liabilities</b>   | <u>11,280,643</u>            | <u>11,452,524</u>            |
| <b>Net Assets</b>  |                              |                              |
| Unrestricted   | 30,070,328                   | 21,631,305                   |
| Temporarily restricted   | 53,898,663                   | 33,472,532                   |
| Permanently restricted   | <u>194,151,118</u>           | <u>181,575,075</u>           |
| <b>Total Net Assets</b>  | <u>278,120,109</u>           | <u>236,678,912</u>           |
| <b>Total Liabilities and Net Assets</b>                            | <u><u>\$ 289,400,752</u></u> | <u><u>\$ 248,131,436</u></u> |

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

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

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2013**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | 2013                  | 2012                  |
|--|----------------------|---------------------------|---------------------------|-----------------------|-----------------------|
| <b>Revenue, Gains and Other Support</b>  |                      |                           |                           |                       |                       |
| Contributions  | \$ 7,353,378         | \$ 15,445,136             | \$ 12,476,192             | \$ 35,274,706         | \$ 32,454,643         |
| Rental income  | 1,605,530            | 14,754                    | --                        | 1,620,284             | 1,551,186             |
| Administrative fees  | 2,743,110            | --                        | --                        | 2,743,110             | 1,180,924             |
| Net investment income  | 2,310,279            | 7,934,644                 | --                        | 10,244,923            | 1,068,966             |
| Dues   | 362,857              | 69,216                    | 112,361                   | 544,434               | 498,670               |
| Unrealized derivative gain   | 168,845              | --                        | --                        | 168,845               | 104,075               |
| Royalty income   | 96,484               | --                        | --                        | 96,484                | 102,721               |
| Other  | --                   | 29,399                    | --                        | 29,399                | 50,866                |
| Net unrealized investment gains (loss)   | 3,011,801            | 8,030,863                 | --                        | 11,042,664            | (3,504,680)           |
|  | <u>17,652,284</u>    | <u>31,524,012</u>         | <u>12,588,553</u>         | <u>61,764,849</u>     | <u>33,507,371</u>     |
| Net assets released from restrictions  | <u>10,719,079</u>    | <u>(10,719,079)</u>       | <u>--</u>                 | <u>--</u>             | <u>--</u>             |
| <b>Total Revenue, Gains and Other Support</b>  | <u>28,371,363</u>    | <u>20,804,933</u>         | <u>12,588,553</u>         | <u>61,764,849</u>     | <u>33,507,371</u>     |
| <b>Expenses</b>  |                      |                           |                           |                       |                       |
| Program services   | 15,284,316           | --                        | --                        | 15,284,316            | 13,571,097            |
| General and administrative   | 3,004,487            | --                        | --                        | 3,004,487             | 2,503,910             |
| Fund raising   | 1,517,585            | --                        | --                        | 1,517,585             | 801,281               |
| <b>Total Expenses</b>  | <u>19,806,388</u>    | <u>--</u>                 | <u>--</u>                 | <u>19,806,388</u>     | <u>16,876,288</u>     |
| <b>Change in Net Assets Before Provision for<br/>Uncollectible Pledges and Other Changes</b> | 8,564,975            | 20,804,933                | 12,588,553                | 41,958,461            | 16,631,083            |
| Changes in value of split-interest agreement   | (61,727)             | --                        | --                        | (61,727)              | (83,574)              |
| Provision for uncollectible promises to give   | <u>(64,225)</u>      | <u>(378,802)</u>          | <u>(12,510)</u>           | <u>(455,537)</u>      | <u>(1,024,609)</u>    |
| <b>Change in Net Assets</b>  | 8,439,023            | 20,426,131                | 12,576,043                | 41,441,197            | 15,522,900            |
| <b>Net Assets - Beginning</b>  | <u>21,631,305</u>    | <u>33,472,532</u>         | <u>181,575,075</u>        | <u>236,678,912</u>    | <u>221,156,012</u>    |
| <b>Net Assets - Ending</b>   | <u>\$ 30,070,328</u> | <u>\$ 53,898,663</u>      | <u>\$ 194,151,118</u>     | <u>\$ 278,120,109</u> | <u>\$ 236,678,912</u> |

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

|   | 2013          | 2012          |
|---|---------------|---------------|
| <b>Cash Flows from Operating Activities</b>   |               |               |
| Change in net assets  | \$ 41,441,197 | \$ 15,522,900 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |               |               |
| Depreciation and amortization   | 493,408       | 408,809       |
| Provision for uncollectible promises to give  | 455,537       | 1,024,609     |
| Net unrealized investment (gains) loss  | (11,042,664)  | 3,504,680     |
| Unrealized loss on derivative liability   | (168,845)     | (104,075)     |
| Changes in value of split-interest agreement  | 61,727        | 83,574        |
| Contribution revenue from Jewish Museum of Florida gift agreement                                     | (2,602,119)   | --            |
| Contributions restricted for long-term investment   | (10,021,142)  | (2,322,338)   |
| Net investment income restricted for long-term reinvestment   | (7,934,644)   | (837,393)     |
| Changes in assets and liabilities:  |               |               |
| (Increase) decrease in:   |               |               |
| Contributions receivable  | (8,097,255)   | (20,241,944)  |
| Other assets  | (63,767)      | 101,452       |
| Due from Florida International University   | 75,956        | (101,784)     |
| Increase (decrease) in:   |               |               |
| Accounts payable and other liabilities  | 75,341        | (687,537)     |
| Annuity payables  | (7,617)       | (69,540)      |
| Due to Florida International University   | 4,097         | 92,611        |
| Due to Florida International University Athletics Finance Corp.                                       | (56,100)      | 56,100        |
| Deferred revenue  | 218,516       | 212,280       |
| <b>Total Adjustments</b>  | (38,609,571)  | (18,880,496)  |
| <b>Net Cash Provided by (Used in) Operating Activities</b>  | 2,831,626     | (3,357,596)   |
| <b>Cash Flows from Investing Activities</b>   |               |               |
| Purchases of property and equipment   | (53,165)      | --            |
| Purchases of investments  | (156,712,760) | (304,552,225) |
| Sales of investments  | 141,303,912   | 284,885,104   |
| <b>Net Cash Used in Investing Activities</b>  | (15,462,013)  | (19,667,121)  |
| <b>Cash Flows from Financing Activities</b>   |               |               |
| Principal repayments on note payable  | (690,000)     | (605,000)     |
| Payments on split-interest obligations  | (84,000)      | (84,000)      |
| Proceeds from contributions restricted for long-term investment                                       | 10,021,142    | 2,322,338     |
| Net investment income restricted for long-term reinvestment   | 7,934,644     | 837,393       |
| <b>Net Cash Provided by Financing Activities</b>  | 17,181,786    | 2,470,731     |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | 4,551,399     | (20,553,986)  |
| <b>Cash and Cash Equivalents - Beginning</b>  | 4,806,843     | 25,360,829    |
| <b>Cash and Cash Equivalents - Ending</b>   | \$ 9,358,242  | \$ 4,806,843  |
| <b>Supplemental Disclosure of Cash Flow Information</b>   |               |               |
| Cash paid for interest  | \$ 324,453    | \$ 351,171    |
| Property obtained from Jewish Museum of Florida gift agreement  | \$ 3,077,119  | \$ --         |

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**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 periods. The Wolfsonian, Inc. is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

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.

Foundation Enterprise Holdings I, LLC (“FEH I”) is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On March 29, 2011, the FEH I became the owner of real property located at 1035 and 1049 Washington Avenue, Miami Beach, Florida (“Property”), pursuant to an agreement with Mitchell Wolfson, Jr. and the Washington Storage Co. (WSC) to convey Property to the FEH I for the benefit of The Wolfsonian-FIU. As part of the agreement with the WSC, the FEH I executed an Assignment and Assumption of Leases on March 29, 2011, and assumed all of the rights formerly held by WSC with regard to its lease agreements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***ORGANIZATION AND PURPOSE (CONTINUED)***

Foundation Enterprise Holdings II, LLC ("FEH II") is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On, December 10, 2012, FEH II became the owner of real property located at 301, 311, and 321 Washington Avenue, Miami Beach, Florida ("JMOF Property"), pursuant to an agreement with the Jewish Museum of Florida, Inc. ("JMOF") and the University as explained in Note 2.

Foundation Enterprise Holdings III, LLC ("FEH III") is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On June 14, 2013, FEH III was organized in anticipation of receiving real property located at 100 East Flagler Street (Floors 2, 8, and 9), Miami, Florida, pursuant to a gift agreement with Mitchell Wolfson, Jr. The gift agreement closing process was not completed until after June 30, 2013, accordingly, the gift was recorded as a promise to give as of June 30, 2013 and is included in contributions for the year ended June 30, 2013.

FEH I, FEH II and FEH III have not elected under Section 301.8801-3(c) of the Income Tax Regulations to be classified as separate corporations or entities from its single member (the Foundation) for federal tax purposes. FEH I, FEH II and FEH III are treated, therefore, as "disregarded entities" for federal tax purposes under the Income Tax Regulations and are simply components or divisions of its single member for federal tax purposes.

***PRINCIPLES OF CONSOLIDATION***

The consolidated financial statements of the Foundation and its subsidiaries for the year ended June 30, 2013, include the accounts of the Foundation, Wolfsonian, Inc., Foundation Enterprise Holdings I, LLC, Foundation Enterprise Holdings II, LLC, and Foundation Enterprise Holdings III, LLC based on the Foundation's controlling economic interest in the five entities. 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).

The Foundation's controlling economic interest in the Foundation Enterprise Holdings I, LLC was the result of a split interest agreement for the acquisition of a commercial real estate property on March 29, 2011.

The Foundation's controlling economic interest in the Foundation Enterprise Holdings II, LLC was the result of a gift agreement for the acquisition of museum property and its financial assets and obligations on December 10, 2012.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***PRINCIPLES OF CONSOLIDATION (CONTINUED)***

The Foundation's controlling economic interest in the Foundation Enterprise Holdings III, LLC was the result of a gift agreement for the real property and its financial assets and obligations subsequent to June 30, 2013. As of June 30, 2013 and for the year then ended, no activity was recorded except recording the promise to give.

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

***BASIS OF PRESENTATION***

Financial statement presentation follows the recommendations of the Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its consolidated 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.

***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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***BASIS OF ACCOUNTING (CONTINUED)***

***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 consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, select comparative financial information is included in the notes to the financial statements. 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 Foundation's consolidated financial statements for the year ended June 30, 2012 from which the summarized information was derived.

***USE OF ESTIMATES***

The consolidated financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. 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 consolidated financial statements and revenue and expenses during the period reported. These estimates include assessing the initial fair value and subsequent collectability of contributions receivable and the fair value of investments. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**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.

***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 restrictions expire in the year in which the 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 fair value when received and subsequently at net realizable value which is based on prior years' collection experience and management's analysis of specific promises made. The receivables are further discounted to reflect their present value. The Foundation determines an allowance for uncollectible promises to give based upon management's judgment about such factors as prior collection history, type of contribution, and nature of fundraising activity. Decreases in net realizable value are recognized as provision for uncollectable promises to give in the period the decrease occurs. Increases in net realizable value are not recognized unless they represent recoveries of previous provision for uncollectable promises to give incurred; increases are recognized as additional contribution revenue when the promise to give is collected.

***CONTRIBUTIONS***

Contributed goods and services are recorded as contributions at their estimated fair value at date of receipt.

Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***INVESTMENTS AND INVESTMENT INCOME***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value (see note below) in the consolidated statement of financial position. The Foundation's investments (held directly or indirectly) in marketable securities consist of exchange traded public equities and mutual funds, treasury and corporate bonds and funds. The Foundation's investments (held directly or indirectly) in fixed income securities consist primarily of investment grade instruments issued by the U.S. government and its agencies and by U.S. corporations, U.S. Treasury securities and mortgage-backed securities. The Foundation's investments in limited partnerships, private equity and real assets, are in securities and companies that cannot be immediately liquidated, such as buyout and venture capital firms, real estate and natural resource firms.

Investment gains and losses (including realized and unrealized gains and losses on investments as well as interest income and dividends) are included in the consolidated statement of activities as an increase or decrease in unrestricted net assets unless the gains or losses are restricted by donor or law. Restricted gains and losses and investment income where the restrictions are met in the same reporting period as the income is earned are recorded as unrestricted support.

***FAIR VALUE OF FINANCIAL INSTRUMENTS***

ASC 820, *Fair Value Measurements and Disclosures*, 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, establishes a framework for measuring fair value, and requires financial statements preparers to disclose information about their fair value determinations in their financial statements. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best available information.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)***

Investments in stocks and bonds which are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sale price, or in the absence of a recorded sale, at a value between the most recent bid and asked prices. Mutual funds held by the Foundation which are deemed to be actively traded, are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Fixed income securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Alternative investments for which quoted market prices are not available include private equities and marketable alternatives (including hedge “funds”). The estimated fair value of alternative investments is based on the net asset value of the fund or other valuation methods. The Foundation reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of the alternative investments. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed and differences could be material.

See Note 5 for a summary of the inputs used as of June 30, 2013 in determining the fair value of the Foundation’s investments.

***PROPERTY AND EQUIPMENT***

Property and equipment are defined assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of 5 years and are recorded at historical cost. If contributed, the asset, with the exception of the collection of decorative and propaganda arts, is recorded at the fair 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. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***PROPERTY AND EQUIPMENT (CONTINUED)***

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. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

***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.

***SPLIT-INTEREST OBLIGATIONS***

The Foundation received a contribution of property in which the donor retains a life interest. The asset is a commercial real estate property and annual cash distributions are made to the donor under the terms of the agreement. The Foundation recorded the property based on the fair value of the asset received. Initial recognition and subsequent adjustments to the asset carrying values are reported as a change in value of split-interest obligations in the accompanying financial statements.

Obligations under split-interest agreements are recorded when incurred at the present value of the anticipated distributions to be made to the donor designated beneficiaries. Distributions are paid over the lives of the beneficiaries. Present values are determined using appropriate discount rates and actuarially determined life expectancies. Obligations under split-interest agreements are revalued annually at June 30 to reflect actuarial experience; the discount rate is not changed. Any resulting difference between the asset and liability is recognized annually as revenue. The net revaluations together with any remaining recorded obligation after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of split-interest obligations.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***DERIVATIVE LIABILITY***

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 interest expense and may change as market interest rates change. The fair value of the swap agreement is presented in the consolidated statement of financial position. The change in fair value is presented as an unrealized gain or loss in the consolidated statement of activities.

The Foundation's fair value estimate is based on its valuation models and assumptions and available market data, some of which may be internally developed.

***PROGRAM SERVICES***

Program services expenses on the statements of activities and changes in net assets include amounts transferred to related parties or amounts disbursed directly to third parties to benefit the University or its DSOs. These expenses include salaries, scholarships, and other program related expenses.

***INCOME TAXES***

The Foundation and its subsidiaries are not-for-profit corporations, as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes. However, the Foundation is subject to income tax on unrelated business income. The Foundation's primary source of unrelated business income is from certain investments in private equity partnerships. Unrelated business income taxes paid during the year totaled \$3,389.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Foundation were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations from years prior to 2010.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***CONCENTRATIONS OF CREDIT RISK***

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents in banks, investments, and promises to give (see Note 3).

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits, with the exception noted in the preceding paragraph, are insured or collateralized with securities held by the entity or its agent in the entity's name.

The Foundation maintains certain 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, 2013, approximately \$193,700,000 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 October 25, 2013, the date the consolidated financial statements were available to be issued, require adjustment to or disclosure in the consolidated financial statements.

**NOTE 2 - GIFT AGREEMENTS**

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 an agreement made and entered into by the Wolfsonian, Inc. and Mr. Wolfson, Jr., dated July 29, 1991. The agreement was extended through July 2021.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 2 - GIFT AGREEMENTS (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 activities within the University (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.

On December 10, 2012, the Foundation entered into a gift agreement with the JMOF and the University, whereby the JMOF agreed to convey to the Foundation the JMOF Property together with all improvements, furnishings, fixtures, equipment and appurtenances. JMOF agreed to transfer to the Foundation all of its endowed funds, financial and other assets and interests in other property. As a result of this agreement, the Foundation also assumed all contractual and other obligations and liabilities of the JMOF. The JMOF maintained a museum facility ("JMOF Museum") at the JMOF Property. In accordance with this gift agreement, the JMOF Property is to be used exclusively in support of the JMOF Mission to collect, preserve and interpret for the public the material evidence of the Florida Jewish experience from at least 1763 to the present to Jews, non-Jews, Florida residents and visitors alike; and to examine how Jews form part of a dynamic mosaic of ethnicities, all seeking to balance the continuity and traditions of their heritage with the values and customs of a larger society.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 2 - GIFT AGREEMENTS (CONTINUED)**

According to the gift agreement, the University will develop a presence for the FIU Judaic Studies Program at the JMOF Property and the JMOF Museum will be operated and known as the “Jewish Museum of Florida – FIU”. The University shall operate the JMOF Museum and educational and outreach activities in accordance with the guidelines of the American Association of Museums and will maintain the JMOF Museum as a unit of the University within its College of Arts and Sciences. The University and the Foundation will provide the JMOF Museum with the same administrative support afforded to other units pursuant to University and Foundation policies. The fair market value of the building and other fixed assets of \$3,077,119, less a note payable on the building of \$150,000 and an obligation to the Founding Director of the Museum of \$325,000, resulted in contribution revenue of \$2,602,119, which is included in contributions in the Consolidated Statement of Activities.

**NOTE 3 - CONTRIBUTIONS RECEIVABLE**

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

|  | 2013                       | 2012                       |
|--|----------------------------|----------------------------|
| Receivable in less than one year                   | \$15,229,593               | \$14,159,164               |
| Receivable in one to five years                    | 34,376,351                 | 48,422,790                 |
| Receivable in more than five years                 | <u>25,834,725</u>          | <u>2,834,100</u>           |
|  | 75,440,669                 | 65,416,054                 |
| Less: allowance for uncollectible promises to give | (870,358)                  | (1,664,580)                |
| Less: discount to present value                    | <u>(5,391,926)</u>         | <u>(2,214,807)</u>         |
| <b>Contributions Receivable, Net</b>               | <u><u>\$69,178,385</u></u> | <u><u>\$61,536,667</u></u> |

Contributions to be received after one year are discounted using U.S. Treasury yields. Amortization of discounts is recorded as additional contribution revenue reflecting donor-imposed restrictions, if any. The discount rates used ranged between 1–2%.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 3 - CONTRIBUTIONS RECEIVABLE (CONTINUED)**

***STATE MATCH RECEIVABLE***

In accordance with Florida Statute Chapter 1011.94, Trust Fund for Major Gifts, endowment contributions of \$100,000 or more, made after July 1, 1985 through June 29, 2011, with income to be used to “support libraries and instruction and research programs”, are eligible for state match for gifts. Effective July 1, 2011, the state matching funds are temporarily suspended by the Legislature for donations received for this program on or after June 30, 2012. Existing eligible donations remain eligible for future matching funds. The program may be restarted after \$200 million of the backlog for programs have been matched. The State of Florida has approved FIU Foundation’s state matching requests that have not yet been received totaling \$41,967,040. The State of Florida did not appropriate funds to pay for this program during fiscal year 2012-13; therefore, the receivable has been recorded in the accompanying consolidated financial statements discounted back over five years through 2020 since the exact year of receipt is not known. This receivable is included in the table above.

**NOTE 4 - INVESTMENTS**

|  | <u>2013</u>                  | <u>2012</u>                  |
|--|------------------------------|------------------------------|
| Domestic common stocks and equity funds  | \$ 101,862,656               | \$ 87,337,046                |
| Fixed income securities and funds  | 42,438,084                   | 39,591,721                   |
| Hedge funds and interest in private equity<br>partnerships and limited liability | 40,216,998                   | 33,581,817                   |
| International equity securities  | <u>10,175,762</u>            | <u>7,635,585</u>             |
|  | 194,693,500                  | 168,146,169                  |
| Plus: accrued income   | <u>272,598</u>               | <u>368,417</u>               |
| <b>Total Investments</b>   | <u><u>\$ 194,966,098</u></u> | <u><u>\$ 168,514,586</u></u> |

Total net realized and unrealized investment gains and investment income for the year ended June 30, 2013 totaled \$ 21,287,587 of which \$15,941,955 was applied to individual endowments. Investment revenues are reported net of related expenses for custodial fees, investment advisory fees and mutual fund expenses. Fees incurred during the fiscal year ended June 30, 2013 totaled \$1,522,492. Investment consulting fees are reported as an expense on the statement of activities. Investment consultant fees totaled \$109,707. The



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 4 – INVESTMENTS (CONTINUED)**

total net realized and unrealized investment losses and investment income for the year ended June 30, 2012 totaled \$2,435,714 of which \$1,916,213 was applied to individual endowments.

**NOTE 5 - FAIR VALUE MEASUREMENT**

Accounting Standards Codification No. 820 (ASC 820), *Fair Value Measurements and Disclosures*, establishes a framework for determining fair value through a hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The three-level valuation hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The inputs are summarized in the three-level valuation hierarchy as follows:

*Level 1* – Valuation is based on unadjusted quoted prices for identical assets or liabilities in active markets (e.g., exchange traded securities). An active market is defined as a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

*Level 2* – Valuation is based on significant observable inputs, either directly or indirectly, at the measurement date such as:

- a) quoted prices for similar assets or liabilities in active markets;
- b) quoted prices for identical assets and liabilities in markets that are not active;
- c) observable inputs, other than quoted prices, for similar or identical assets and liabilities; or
- d) inputs that are derived from or corroborated by observable market data by correlation or other means.

*Level 3* – Valuation is based on unobservable inputs for an asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant. Therefore, unobservable inputs reflect the assumptions that market participants would use in valuing the asset or liability, including

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)**

assumptions about risk. Unobservable inputs are developed based on the best information available in the circumstances, which might include information provided by the Foundation's investment managers. The data used to develop unobservable inputs is adjusted if information is reasonably available without undue cost and effort that indicates market participants would use different assumptions. Investment types which have been valued using this approach generally include investments in investee funds that have lock-ups that are greater than 12 months.

FASB Accounting Standards Update (ASU) 2009-12 *Guidance for Measuring Fair Value of Certain Alternative Investments* permits entities, as a practical expedient, to use net asset value per share (NAV) for measuring the fair value of certain alternative investments that do not have a quoted market price, provided that the entity is able to redeem the investment with the investee at NAV as of the measurement date. In addition, it allows for the classification of investments that can be redeemed at a readily determinable NAV within the near term – where near term is defined as one year – as Level 2 investments. Investments with lock-ups greater than 12 months are deemed Level 3 investments; however the Foundation has taken the conservative approach and included all assets with lock-ups of 45 or more days as Level 3 investments. If observable prices are not available for investments, ASC 820 provides various types of valuation techniques that managers may use as viable options for measuring fair value including: (1) market approach; (2) income approach; (3) cost approach.

The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities, such as a business. The income approach converts future amounts (for example, cash flows or income and expenses) to a single current (that is, discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts. The income approach also includes an option pricing model, which takes current market factors as inputs and then calculates an options theoretical fair market value and associated risk parameters. The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). The cost approach also includes an enterprise value model, which is calculated by adding a company's debt, minority interest, and preferred stock to its market capitalization (stock price times number of shares outstanding).

The following tables set forth by levels, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2013 and 2012:

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

**NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)**

|   | Investments at Fair Value by Sector as of June 30 |                      |                      |                       |
|---|---|----------------------|----------------------|-----------------------|
|   | 2013  |                      |                      |                       |
|   | Level 1   | Level 2              | Level 3              | Total                 |
| <b>Domestic Common Stocks and Equity Funds</b>  |   |                      |                      |                       |
| Consumer Disc & Staples                         | \$ 22,363,511                                     | \$ --                | \$ --                | \$ 22,363,511         |
| IT  | 14,591,276  | --                   | --                   | 14,591,276            |
| Industrials                                     | 12,332,093  | --                   | --                   | 12,332,093            |
| Financials                                      | 11,814,766  | --                   | --                   | 11,814,766            |
| Health Care                                     | 10,810,293  | --                   | --                   | 10,810,293            |
| Real Estate                                     | 9,823,924   | --                   | --                   | 9,823,924             |
| Energy  | 5,497,947   | --                   | --                   | 5,497,947             |
| Materials                                       | 4,866,763   | --                   | --                   | 4,866,763             |
| Commodities                                     | 3,279,641   | --                   | --                   | 3,279,641             |
| Other   | 6,482,443   | --                   | --                   | 6,482,443             |
| <b>Fixed Income Securities and Funds</b>        |   |                      |                      |                       |
| Corporate/Convertible Bonds                     | 11,822,687  | 18,231,913           | --                   | 30,054,600            |
| US Gov't/Agency                                 | 5,174,726   | --                   | --                   | 5,174,726             |
| Other   | 4,774,646   | 564,986              | --                   | 5,339,632             |
| Municipal Bonds (MUNI)                          | 223,332   | 852,398              | --                   | 1,075,730             |
| Foreign   | 21,699  | 118,688              | --                   | 140,387               |
| High Yield                                      | 15,650  | 637,356              | --                   | 653,006               |
| <b>Hedge Fund of Funds and Interest in</b>      |   |                      |                      |                       |
| <b>Private Equity Partnerships</b>              |   |                      |                      |                       |
| Long/Short Equity                               | --  | --                   | 12,640,904           | 12,640,904            |
| Private Equity                                  | --  | --                   | 11,062,588           | 11,062,588            |
| Other   | --  | --                   | 6,589,026            | 6,589,026             |
| Credit Opportunities                            | --  | --                   | 3,142,212            | 3,142,212             |
| Distressed Securities                           | --  | --                   | 2,423,343            | 2,423,343             |
| Global Macro/CTA                                | --  | --                   | 2,242,636            | 2,242,636             |
| Event Driven                                    | --  | --                   | 2,116,289            | 2,116,289             |
| <b>International Equity Securities</b>          |   |                      |                      |                       |
| Consumer Disc & Staples                         | 1,413,938   | 1,048,368            | --                   | 2,462,306             |
| Energy  | 1,375,035   | 172,023              | --                   | 1,547,058             |
| Financials                                      | 766,863   | 642,653              | --                   | 1,409,516             |
| Industrials                                     | 1,124,940   | 266,149              | --                   | 1,391,089             |
| IT  | 635,903   | 370,012              | --                   | 1,005,915             |
| Materials                                       | 773,293   | 181,760              | --                   | 955,053               |
| Health Care                                     | 491,569   | 308,344              | --                   | 799,913               |
| Other   | 348,502   | 256,412              | --                   | 604,914               |
| <b>Total</b>                                    | <b>130,825,440</b>                                | <b>23,651,062</b>    | <b>40,216,998</b>    | <b>194,693,500</b>    |
| <b>Plus: Accrued Income</b>                     | <b>272,598</b>                                    | <b>--</b>            | <b>--</b>            | <b>272,598</b>        |
| <b>Total Investments at Fair Value</b>          | <b>\$ 131,098,038</b>                             | <b>\$ 23,651,062</b> | <b>\$ 40,216,998</b> | <b>\$ 194,966,098</b> |
| <b>Swap Agreement (see Note 11)</b>             | <b>\$ --</b>                                      | <b>\$ (264,027)</b>  | <b>\$ --</b>         | <b>\$ (264,027)</b>   |
| <b>Split-Interest Obligations (see Note 12)</b> | <b>\$ --</b>                                      | <b>\$ --</b>         | <b>\$ (766,787)</b>  | <b>\$ (766,787)</b>   |

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

**NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)**

|   | Investments at Fair Value by Sector as of June 30 |                      |                      |                       |
|---|---|----------------------|----------------------|-----------------------|
|   | 2012  |                      |                      |                       |
|   | Level 1   | Level 2              | Level 3              | Total                 |
| <b>Domestic Common Stocks and Equity Funds</b>  |   |                      |                      |                       |
| Consumer Disc & Staples                         | \$ 15,676,672                                     | \$ --                | \$ --                | \$ 15,676,672         |
| IT  | 12,102,051  | --                   | --                   | 12,102,051            |
| Industrials                                     | 10,159,926  | --                   | --                   | 10,159,926            |
| Financials                                      | 9,475,583   | --                   | --                   | 9,475,583             |
| Real Estate                                     | 9,071,451   | --                   | --                   | 9,071,451             |
| Health Care                                     | 8,467,524   | --                   | --                   | 8,467,524             |
| Energy  | 6,092,096   | --                   | --                   | 6,092,096             |
| Commodities                                     | 4,738,162   | --                   | --                   | 4,738,162             |
| Materials                                       | 4,224,031   | --                   | --                   | 4,224,031             |
| Other   | 7,329,550   | --                   | --                   | 7,329,550             |
| <b>Fixed Income Securities and Funds</b>        |   |                      |                      |                       |
| Corporate/Convertible Bonds                     | 5,091,306   | 19,050,361           | --                   | 24,141,667            |
| US Gov't/Agency                                 | 6,945,629   | 2,310,717            | --                   | 9,256,346             |
| MBS   | 1,378,009   | 1,200,169            | --                   | 2,578,178             |
| Municipal bonds (MUNI)                          | 223,794   | 247,326              | --                   | 471,120               |
| Other   | 3,067,785   | 76,625               | --                   | 3,144,410             |
| <b>Hedge Fund of Funds and Interest in</b>      |   |                      |                      |                       |
| <b>Private Equity Partnerships</b>              |   |                      |                      |                       |
| Long/Short Equity                               | --  | --                   | 10,478,020           | 10,478,020            |
| Private Equity                                  | --  | --                   | 8,008,973            | 8,008,973             |
| Credit Opportunities                            | --  | --                   | 3,134,027            | 3,134,027             |
| Global Macro/CTA                                | --  | --                   | 2,501,971            | 2,501,971             |
| Distressed Securities                           | --  | --                   | 2,227,965            | 2,227,965             |
| Event Driven                                    | --  | --                   | 1,893,985            | 1,893,985             |
| Other   | --  | --                   | 5,336,877            | 5,336,877             |
| <b>International Equity Securities</b>          |   |                      |                      |                       |
| Consumer Disc & Staples                         | 1,646,398   | --                   | --                   | 1,646,398             |
| Energy  | 1,178,607   | --                   | --                   | 1,178,607             |
| Financials                                      | 993,429   | --                   | --                   | 993,429               |
| IT  | 948,345   | --                   | --                   | 948,345               |
| Industrials                                     | 858,841   | --                   | --                   | 858,841               |
| Health Care                                     | 855,007   | --                   | --                   | 855,007               |
| Materials                                       | 684,559   | --                   | --                   | 684,559               |
| Other   | 470,398   | --                   | --                   | 470,398               |
| <b>Total</b>                                    | <b>111,679,153</b>                                | <b>22,885,198</b>    | <b>33,581,818</b>    | <b>168,146,169</b>    |
| <b>Plus Accrued Income</b>                      | <b>368,417</b>                                    | <b>--</b>            | <b>--</b>            | <b>368,417</b>        |
| <b>Total Investments at Fair Value</b>          | <b>\$ 112,047,570</b>                             | <b>\$ 22,885,198</b> | <b>\$ 33,581,818</b> | <b>\$ 168,514,586</b> |
| <b>Swap Agreement (see Note 11)</b>             | <b>\$ --</b>                                      | <b>\$ (432,872)</b>  | <b>\$ --</b>         | <b>\$ (432,872)</b>   |
| <b>Split-Interest Obligations (see Note 12)</b> | <b>\$ --</b>                                      | <b>\$ --</b>         | <b>\$ (789,060)</b>  | <b>\$ (789,060)</b>   |

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

**NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)**

The following tables presents a reconciliation of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2013 and 2012:

|                                    | Level 3 Investments<br>Year Ended June 30, 2013 |                      |                     |                     |                              |                      |                               |
|------------------------------------|---|----------------------|---------------------|---------------------|------------------------------|----------------------|-------------------------------|
|                                    | Long/Short<br>Equity                            | Absolute<br>Return   | Private<br>Equity   | Venture<br>Capital  | Privately Held<br>Securities | Investments<br>Total | Split-Interest<br>Obligations |
| <b>Balance - Beginning of Year</b> | \$ 16,442,481                                   | \$ 9,687,555         | \$ 4,932,543        | \$ 2,369,239        | \$ 150,000                   | \$ 33,581,818        | \$ 789,060                    |
| Realized gains (losses)            | --  | (32,724)             | 387,803             | 306,960             | --                           | 662,039              | --                            |
| Unrealized gains (losses)          | 1,791,411                                       | 1,115,690            | 394,806             | 419,749             | --                           | 3,721,656            | 61,727                        |
| Purchases                          | --  | --                   | 2,467,631           | 1,410,203           | --                           | 3,877,834            | --                            |
| Sales                              | --  | (4)                  | (1,307,595)         | (318,750)           | --                           | (1,626,349)          | --                            |
| Issuances and settlements          | --  | --                   | --                  | --                  | --                           | --                   | (84,000)                      |
| Transfers out of Level 3           | --  | --                   | --                  | --                  | --                           | --                   | --                            |
| Transfers into Level 3             | --  | --                   | --                  | --                  | --                           | --                   | --                            |
| <b>Balance - End of Year</b>       | <u>\$ 18,233,892</u>                            | <u>\$ 10,770,517</u> | <u>\$ 6,875,188</u> | <u>\$ 4,187,401</u> | <u>\$ 150,000</u>            | <u>\$ 40,216,998</u> | <u>\$ 766,787</u>             |

|                                    | Level 3 Investments<br>Year Ended June 30, 2012 |                     |                     |                     |                              |                      |                               |
|------------------------------------|---|---------------------|---------------------|---------------------|------------------------------|----------------------|-------------------------------|
|                                    | Long/Short<br>Equity                            | Absolute<br>Return  | Private<br>Equity   | Venture<br>Capital  | Privately Held<br>Securities | Investments<br>Total | Split-Interest<br>Obligations |
| <b>Balance - Beginning of Year</b> | \$ 14,578,536                                   | \$ 16,585,602       | \$ 4,695,867        | \$ 1,159,156        | \$ --                        | \$ 37,019,161        | \$ 789,486                    |
| Realized gains (losses)            | 1   | (450,498)           | 186,011             | 38,848              | --                           | (225,638)            | --                            |
| Unrealized gains (losses)          | (136,055)                                       | (813,792)           | 550,673             | 317,293             | --                           | (81,881)             | 83,574                        |
| Purchases                          | 2,000,000                                       | 2,000,000           | 200,000             | 853,942             | 150,000                      | 5,203,942            | --                            |
| Sales                              | (1)   | (5,782,595)         | (700,008)           | --                  | --                           | (6,482,604)          | --                            |
| Issuances and settlements          | --  | --                  | --                  | --                  | --                           | --                   | (84,000)                      |
| Transfers out of Level 3           | --  | (1,851,162)         | --                  | --                  | --                           | (1,851,162)          | --                            |
| Transfers into Level 3             | --  | --                  | --                  | --                  | --                           | --                   | --                            |
| <b>Balance - End of Year</b>       | <u>\$ 16,442,481</u>                            | <u>\$ 9,687,555</u> | <u>\$ 4,932,543</u> | <u>\$ 2,369,239</u> | <u>\$ 150,000</u>            | <u>\$ 33,581,818</u> | <u>\$ 789,060</u>             |

Realized and unrealized gains and losses on Level 3 investments are reflected as part of the investment returns in the Foundation's statement of activities. It is the Foundation's policy to recognize transfers in and out of levels as of the end of the reporting period or change in circumstance that caused the transfer. During the year ended June 30, 2012, there was a transfer out of Level 3 associated with the reclassification of an international equity investment in a limited liability company to a Level 1 investment. This determination was made based on further analysis of this investment.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

**NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)**

The following table discloses the nature and risk of alternative investments (including hedge funds and limited partnerships) by strategy and style as of June 30, 2013:

|                                    | Total<br>Fair Value<br>at June 30, 2013 | Valuation<br>Method   | Inputs  | Input Rate<br>Applied  | Unfunded<br>Commitments    | Exit<br>Frequency                   | Days<br>Notice |
|------------------------------------|---|---|---|--|----------------------------|-------------------------------------|----------------|
| <b>Hedge Funds (Fund of Funds)</b> |   |   |   |  |                            |                                     |                |
| Long/short equity (a)              | \$ 18,233,892                           | Practical Expedient   | Net Asset Value (NAV)   | 100%   | \$ --                      | Quarterly*                          | 65 - 90 days   |
| Absolute return (b)                | 10,770,517                              | Practical Expedient   | Net Asset Value (NAV)   | 100%   | --                         | Semi-Annually*                      | 95 days        |
| <b>Limited Partnerships (c)</b>    |   |   |   |  |                            |                                     |                |
| Private Equity                     | 5,593,630                               | Market Approach;<br>Practical Expedient   | Net Asset Value (NAV)<br>or equivalent  | 100%   | 3,411,953                  | Redemption at<br>end of partnership | N/A            |
| Private Equity                     | 1,281,558                               | Market Approach<br>Enterprise Valuation<br>Analysis<br>Enterprise Valuation<br>Analysis<br>Option pricing model | Market Yield<br>Investment portfolio<br>multiple<br>EBITDA multiple<br>Stock price        | 10.5% - 21.0%<br>1.03x<br>3.6x - 6.9x<br>\$0.00 - \$0.35 per warrant | 802,504                    | Redemption at<br>end of partnership | N/A            |
| Venture Capital                    | 4,187,401                               | Market Approach   | Relevant transactions;<br>Comparable companies;<br>Net Asset Value (NAV)<br>or equivalent | N/A  | 3,490,000                  | Redemption at<br>end of partnership | N/A            |
| <b>Other</b>                       |   |   |   |  |                            |                                     |                |
| Privately Held Securities (d)      | 150,000                                 | Recent stock sale   | Last available transaction  | 100%   | --                         | Redemption at<br>end of partnership | N/A            |
| <b>Balance - End of Year</b>       | <u><b>\$ 40,216,998</b></u>             |   |   |  | <u><b>\$ 7,704,457</b></u> |                                     |                |

- (a) Long/short equity – This category includes hedge fund investments in offshore funds in which the largest sector allocation (50 – 60%) is in long and short domestic and international equity securities. These investments offer a low correlation to traditional long-only equity benchmarks in order to achieve absolute return. The funds are also exposed to other strategies such as global macro, event driven, credit/distressed, and multi-strategy. The managers of these funds seek to provide consistent, superior capital appreciation through the use of multi-manager investments as well as directional and non-directional strategies with significantly lower volatility than the general markets. The fair value of the investments in this category has been estimated using the net asset value per share (NAV) of the investments as a practical expedient.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)**

- (b) Absolute return – This category includes hedge fund investments in offshore funds in which market-neutral, credit-related investment strategies are primarily employed to achieve absolute return. The managers of these funds seek to consistently provide profitable, low volatility returns through the use of multi-manager investments that have little or no correlation to the broader debt and equity markets. The fair value of the investments in this category has been estimated using the net asset value per share (NAV) of the investments as a practical expedient.
- (c) Limited partnerships – This category includes investments in several limited partnership funds that invest in private equity and venture capital. The nature of the investment in this category prohibits redemptions through the duration of the partnership, which ranges between 7 to 10 years. Distributions are received through the liquidation of underlying assets of the funds. The fair values of the investments in this category have been estimated using inputs such as market yields, investment portfolio multiples, EBITDA multiples, stock prices, relevant transactions, and activity in comparable companies.
- (d) Privately held securities – This category includes non-publicly traded securities donated to the Foundation. Since an active market for trading these types of securities does not exist, there is infrequent trading of those securities, and it is, therefore, difficult to establish fair value. The fair value of the investment in this category has been estimated using the last available information regarding price per share of recent sales and analysis of the company's financial statements.

There have been no changes to the valuation methods used by investment managers with Level 3 investments at June 30, 2013 and June 30, 2012.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 6 – PROPERTY AND EQUIPMENT**

|   | 2013                        | 2012                        |
|---|-----------------------------|-----------------------------|
| MARC Building                                   | \$ 13,325,539               | \$ 13,325,539               |
| Foundation Enterprise Holdings I, LLC Building  | 2,100,000                   | 2,100,000                   |
| Foundation Enterprise Holdings II, LLC Building | 3,007,000                   | --                          |
| Land  | 2,500                       | 2,500                       |
| Time share                                      | 3,200                       | 3,200                       |
| Furniture and equipment                         | 169,030                     | 45,746                      |
|   | <u>18,607,269</u>           | <u>15,476,985</u>           |
| Less: accumulated depreciation                  | <u>(3,783,007)</u>          | <u>(3,302,069)</u>          |
| <b>Property and equipment, Net</b>              | <u><u>\$ 14,824,262</u></u> | <u><u>\$ 12,174,916</u></u> |

Depreciation expense was \$480,938 and \$396,339 for the years ended June 30, 2013 and 2012, respectively.

**NOTE 7 - BOND ISSUANCE COSTS**

As of June 30, 2013, 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.

|                                 | 2013                     | 2012                     |
|---------------------------------|--------------------------|--------------------------|
| Bond issuance costs             | \$ 230,985               | \$ 230,985               |
| Less: accumulated amortization  | <u>(120,865)</u>         | <u>(108,395)</u>         |
| <b>Bond Issuance Costs, Net</b> | <u><u>\$ 110,120</u></u> | <u><u>\$ 122,590</u></u> |

Amortization expense was \$12,470 for the years ended June 30, 2013 and 2012, respectively.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 8 – OTHER ASSETS**

Other assets are mainly comprised of the cash surrender value of life insurance policies in the amount of \$690,413. The net benefit value of the underlying life insurance in force at June 30, 2013 is approximately \$3,279,358. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner. In addition, there is a life insurance policy in force pursuant to an executive deferred compensation plan that is funded by the Foundation.

**NOTE 9 - ANNUITIES PAYABLE**

The Foundation has received, as of June 30, 2013, \$520,000 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 \$180,768.

**NOTE 10 - 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, Inc. and the Authority.

The Bonds are secured by 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 16). 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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 10 - NOTES PAYABLE (CONTINUED)**

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 11). 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, 2013, the outstanding principal balance due under this note payable amounted to \$7,540,000. For the year ended June 30, 2013, total interest incurred and paid was \$324,453.

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. There were two additional extensions subsequent to that date through July 30, 2010. 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.

Under the letter of credit agreement and loan agreement noted above, the Foundation is obligated under certain debt covenants with which they are in compliance.

The bonds were repurchased by the Trustee under the SunTrust Bank letter of credit due to the diminishing ability to remarket the variable rate demand bonds in the public marketplace. On July 30, 2010, the commercial bank converted the variable rate demand bonds into a five year tax exempt qualified loan. After the initial 5 year period, the bank would have the right to require the Foundation to refinance the bank qualified loan or could agree to extend the maturity date for an additional five year period. The Foundation agrees to pay interest at a rate of 67% of one month LIBOR plus 1.68%. As of June 30, 2013, the interest rate was 1.80%. The bond maturity date of May 1, 2022 remains unchanged as does the swap agreement. The Foundation paid \$52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments and therefore, all remains unchanged.

On December 10, 2012 and pursuant to the JMOF Gift Agreement, the Foundation assumed the remaining mortgage on the property of \$150,000 due to Congregation Beth Jacob, Inc., a Florida not for profit corporation. The loan is payable in three \$50,000 annual payments. As of June 30, 2013, the outstanding principal balance due under this note payable amounted to \$100,000.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 10 - NOTES PAYABLE (CONTINUED)**

The aggregate maturities of the notes payable as of June 30, 2013 are as follows:

| For the Year Ending<br>June 30 | Amount                     |
|--------------------------------|----------------------------|
| 2014                           | \$ 720,000                 |
| 2015                           | 755,000                    |
| 2016                           | 745,000                    |
| 2017                           | 785,000                    |
| 2018                           | 825,000                    |
| Thereafter                     | <u>3,810,000</u>           |
| <b>Total</b>                   | <u><u>\$ 7,640,000</u></u> |

**NOTE 11 - 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 10. 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 US Dollar LIBOR rate. Effective October 1, 2005, the Foundation renegotiated the swap agreement reducing the fixed payer rate under the swap to 4.63 percent per annum. The renegotiated swap agreement expires on February 1, 2015. The derivative liability at June 30, 2013 was \$264,027.

**NOTE 12 – SPLIT INTEREST AGREEMENT**

The Foundation Enterprise Holdings became the owner of real property located at 1035 and 1049 Washington Avenue, Miami Beach, Florida pursuant to an agreement with Mitchell Wolfson, Jr. and the Washington Storage Co. (WSC) to convey the Property to the FEH I for the benefit of The Wolfsonian-FIU. As part of the agreement with the WSC, the FEH I executed an Assignment and Assumption of Leases on March 29, 2011, and assumed all of the rights formerly held by WSC with regard to its lease agreements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 12 – SPLIT INTEREST AGREEMENT (CONTINUED)**

The Property and or net proceeds derived therefrom shall be used exclusively for the benefit of the Wolfsonian-FIU, and any net income or proceeds generated from the Property, after the satisfaction of the annual payments herein and reimbursement to the University, Foundation or FEH I of all expenses with respect to the Property, shall be used solely for the support and benefit of the Wolfsonian-FIU. Seller agrees that the Property may be used as a net revenue source for the Wolfsonian-FIU, including but not limited to expansion of the Wolfsonian-FIU Facilities and/or other income generating projects such as the construction of the Wolfsonian-FIU facilities and/or other income generating projects such as the construction of a parking garage structure, with the express intent of achieving the highest and best use of the Property for the sole benefit of the Wolfsonian –FIU.

In return for the transfer of the Property and assignment of the leases to the FEH I, the Foundation or FEH I agreed to satisfy the seller's obligation under the current mortgage of \$386,000; pay the 2010 property taxes on the real estate; documentary stamp taxes and Miami-Dade County surtax in connection with closing; and pay the seller an annual sum of \$84,000 commencing on April 1, 2011 and continuing until the demise of the donor.

The annual amount shall be paid in semi-annual installments of \$42,000, with the first installment payment due on April 1, 2011. Notwithstanding references herein to net income or net proceeds generated by the Property, the payment shall be paid by the Foundation in all events without regard to income or proceeds generated by the Property.

Actuarial assumptions published by the Social Security Administration, actuarial publications period life table and a discount rate of 5% was used in calculating the present value of the anticipated distributions to be made to the donor.

The fair value of these assets held, determined at date of contribution, included in property and equipment in the accompanying consolidated statement of financial position and corresponding liability to the donor at June 30, 2012, included in split-interest obligation are as follows:

|                     | Property and<br>Equipment | Liability to Donor | Net                 |
|---------------------|---------------------------|--------------------|---------------------|
| <b>Life Annuity</b> | <u>\$ 2,100,000</u>       | <u>\$ 766,787</u>  | <u>\$ 1,333,213</u> |

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 13 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets of \$53,898,663 at June 30, 2013 were available for scholarships and other program specific expenses. Permanently restricted net assets of \$194,151,119 at June 30, 2013 consisted of endowment funds. Investment income earned by endowment funds is 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 ended June 30, 2013 was 4.0%. The spendable earnings are recorded as either temporarily restricted or unrestricted assets, as stipulated by the donor.

**NOTE 14 - 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 of Florida matching program. 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, 2013, the Foundation transferred \$1,056,404 to support numerous construction projects, as follows:

|   |                            |
|---|----------------------------|
| Art Museum Construction Fund                              | \$ 12,956                  |
| Law School Building                                       | 238,239                    |
| SIPA Bricks and Mortar Building                           | 2,874                      |
| Alumni Center Building                                    | 6,000                      |
| Mixed Use Auxiliary Building                              | 623,635                    |
| Football Stadium Expansion                                | <u>172,700</u>             |
| <b>Total Contributions to University Building Program</b> | <b><u>\$ 1,056,404</u></b> |

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

***LOAN GUARANTEES***

The Foundation guarantees amounts on fraternity housing projects on FIU's Maidique Campus, specifically the Pi Kappa Alpha Kappa Gamma (Pike) Greek Housing facility. Subsequent to year end, on August 23, 2013 the fraternity's charter was revoked pursuant to evidence that became available after June 30, 2013. On October 3, 2013, the University provided the Pike Housing Corp. with notice of an event of default under the lease and a termination of the lease effective December 3, 2013. Regions Bank approved a 45 day extension of the maturity of the loan until November 15, 2013, to permit the parties to explore all available options with regard thereto. Under the Guaranty, the Foundation would be obligated to pay the full current outstanding balance of the loan in the event the Pike Housing Corp. fails to do so. The Foundation is in the process of exploring what rights, if any, it may have against the Pike Housing Corp. on account of an anticipated loan default. The University, Foundation, and the Pike Housing Corp. are currently in discussions in an effort to reach a resolution of outstanding matters, although the outcome of such discussions is indeterminable at this time. The outstanding loan amount as of June 30, 2013 was \$1,033,863.

In January of 2012, the Foundation board approved to guarantee the loan balance of the Graduate Association of Phi Gamma Delta Housing facility at Florida International University. This guarantee is expected to retire without being funded, and is not expected to significantly impact operations or future cash flows. The outstanding loan amount as of June 30, 2013 was \$530,371.

**NOTE 16 - 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 10. 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 10. Total amounts paid to the Foundation under this agreement were \$1,405,552 and \$1,327,862 for the years ended June 30, 2013 and 2012, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 16 - 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 10, will be secured by the pledged lease 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 \$13,325,539 and the net book value is approximately \$9,765,840 at June 30, 2013. Minimum future rentals as of June 30, 2013 are approximately as follows:

| For the Year Ending<br>June 30:        | Amount                     |
|--|----------------------------|
| 2014                                   | \$ 1,363,000               |
| 2015                                   | 1,363,000                  |
| 2016                                   | 1,363,000                  |
| 2017                                   | 1,363,000                  |
| 2018                                   | 1,418,000                  |
| Thereafter                             | <u>5,672,000</u>           |
| <b>Total Minimum Payments Required</b> | <u><u>\$12,542,000</u></u> |

**NOTE 17 – 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 SUBSIDIARIES**  
(A Direct Support Organization)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

**NOTE 17 – ENDOWMENTS (CONTINUED)**

***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 are reported in temporary restricted net assets. As of June 30, 2013, there were no funds with deficiencies.

***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.

As of June 30, 2013, endowment net assets consisted of the following:

|   | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Total                 |
|---|---------------------|---------------------------|---------------------------|-----------------------|
| <b>Donor Restricted Endowment Funds</b>   | \$ 2,903,298        | \$ 37,310,401             | \$ 194,151,118            | \$ 234,364,817        |
| <b>Board Designated Quasi-Endowment Funds</b>                                     | --                  | --                        | --                        | --                    |
|   | <u>\$ 2,903,298</u> | <u>\$ 37,310,401</u>      | <u>\$ 194,151,118</u>     | <u>\$ 234,364,817</u> |
| <b>Endowment Net Assets - June 1, 2012</b>  | <u>\$ 3,588,434</u> | <u>\$ 21,205,406</u>      | <u>\$ 181,575,075</u>     | <u>\$ 206,368,915</u> |
| <b>Endowment Investment Return</b>  |                     |                           |                           |                       |
| Interest, dividends and realized gains  | --                  | 2,292,677                 | --                        | 2,292,677             |
| Unrealized gains (losses)   | --                  | 13,649,278                | --                        | 13,649,278            |
| <b>Total Endowment Investment Returns</b>   | <u>--</u>           | <u>15,941,955</u>         | <u>--</u>                 | <u>15,941,955</u>     |
| Contributions   | 297,451             | 5,677,587                 | 12,588,553                | 18,563,591            |
| Release of restrictions and transfers   | 2,771,440           | (2,771,440)               | --                        | --                    |
| Endowment expenses, including the provision<br>for uncollectible promises to give | (6,497,134)         | --                        | (12,510)                  | (6,509,644)           |
| Appropriation for administrative fee 2%   | 2,743,110           | (2,743,110)               | --                        | --                    |
| <b>Endowment Net Assets - June 30, 2013</b>                                       | <u>\$ 2,903,301</u> | <u>\$ 37,310,398</u>      | <u>\$ 194,151,118</u>     | <u>\$ 234,364,817</u> |



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 17 – ENDOWMENTS (CONTINUED)**

***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 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. As of June 30, 2013, the amount included in the endowment's temporarily restricted balance and approved for future spending on program services was \$6,316,494.

---

## **SUPPLEMENTARY INFORMATION**

---

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

**CONSOLIDATED SCHEDULE OF EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2013**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

| Project Name                                   | Program<br>Services | General and<br>Administrative | Fund<br>Raising | 2013         | 2012         |
|--|---------------------|-------------------------------|-----------------|--------------|--------------|
| College of Medicine                            | \$ 2,457,909        | \$ --                         | \$ --           | \$ 2,457,909 | \$ 1,604,241 |
| College of Business Administration             | 1,879,704           | --                            | --              | 1,879,704    | 1,522,945    |
| Wolfsonian Museum                              | 1,435,013           | --                            | --              | 1,435,013    | 1,379,899    |
| College of Arts and Sciences                   | 1,339,509           | --                            | --              | 1,339,509    | 514,104      |
| Contribution to University<br>Building Program | 1,056,304           | --                            | --              | 1,056,304    | 2,212,162    |
| Capital campaign                               | --                  | --                            | 1,006,474       | 1,006,474    | 299,594      |
| Athletics Fund - Golden Panthers               | 899,194             | --                            | --              | 899,194      | 1,154,983    |
| University Wide Scholarships<br>and Programs   | 883,354             | --                            | --              | 883,354      | 778,037      |
| School of Hospitality Management               | 852,711             | --                            | --              | 852,711      | 344,617      |
| College of Engineering and Computing           | 718,061             | --                            | --              | 718,061      | 506,569      |
| College of Nursing and Health Sciences         | 594,405             | --                            | --              | 594,405      | 554,077      |
| Advancement operations                         | --                  | --                            | 511,111         | 511,111      | 501,687      |
| Frost Art Museum                               | 502,666             | --                            | --              | 502,666      | 266,581      |
| Depreciation and amortization                  | --                  | 493,408                       | --              | 493,408      | 408,809      |
| Utilities and maintenance                      | --                  | 473,890                       | --              | 473,890      | 323,651      |
| President's compensation                       | --                  | 438,755                       | --              | 438,755      | 421,452      |
| College of Architecture & the Arts             | 400,263             | --                            | --              | 400,263      | 279,382      |
| FIU Alumni Association                         | 361,850             | --                            | --              | 361,850      | 701,776      |
| College of Law                                 | 347,814             | --                            | --              | 347,814      | 168,597      |
| Interest                                       | --                  | 324,453                       | --              | 324,453      | 351,171      |
| Office of Engagement                           | 291,480             | --                            | --              | 291,480      | 321,843      |
| Stempel School of Public Health                | 284,462             | --                            | --              | 284,462      | 59,573       |
| Business office operations                     | --                  | 264,246                       | --              | 264,246      | 148,052      |
| Professional fees                              | --                  | 253,483                       | --              | 253,483      | 227,949      |
| School of Journalism                           | 231,653             | --                            | --              | 231,653      | 224,538      |

(Continued)

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

**CONSOLIDATED SCHEDULE OF EXPENSES (Continued)**

**FOR THE YEAR ENDED JUNE 30, 2013**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

| Project Name  | Program<br>Services  | General and<br>Administrative | Fund<br>Raising     | 2013                 | 2012                 |
|---|----------------------|-------------------------------|---------------------|----------------------|----------------------|
| University support                                  | --                   | 198,795                       | --                  | 198,795              | 114,542              |
| Insurance   | --                   | 197,065                       | --                  | 197,065              | 184,986              |
| Academic Affairs                                    | 149,646              | --                            | --                  | 149,646              | 198,716              |
| Foundation Enterprise Holdings I, LLC               | --                   | 131,401                       | --                  | 131,401              | 81,658               |
| School of Computing and Information                 | 130,663              | --                            | --                  | 130,663              | 131,552              |
| College of Education                                | 105,086              | --                            | --                  | 105,086              | 139,839              |
| President's allowance                               | --                   | 98,573                        | --                  | 98,573               | 94,479               |
| Honors College                                      | 93,837               | --                            | --                  | 93,837               | 66,632               |
| Administrative reserve                              | --                   | 56,102                        | --                  | 56,102               | 34,484               |
| FIU Libraries                                       | 54,870               | --                            | --                  | 54,870               | 16,030               |
| Student Affairs                                     | 45,688               | --                            | --                  | 45,688               | 43,603               |
| External relations                                  | 42,520               | --                            | --                  | 42,520               | 6,540                |
| College of Social Work, Justice &<br>Public Affairs | 42,449               | --                            | --                  | 42,449               | 205,025              |
| University Advancement                              | 40,178               | --                            | --                  | 40,178               | 105,837              |
| Human Resources                                     | 39,759               | --                            | --                  | 39,759               | 7,831                |
| Florida Board of Governor's assessment              | --                   | 36,013                        | --                  | 36,013               | 36,216               |
| Wolfsonian, Inc. expenses                           | --                   | 16,392                        | --                  | 16,392               | 6,521                |
| FIU Vice President's allowance                      | --                   | 11,238                        | --                  | 11,238               | 13,153               |
| Foundation Enterprise Holdings II, LLC              | --                   | 10,673                        | --                  | 10,673               | --                   |
| University College                                  | 1,800                | --                            | --                  | 1,800                | 50,000               |
| President's Office                                  | 1,464                | --                            | --                  | 1,464                | 5,379                |
| Division of Research                                | 4                    | --                            | --                  | 4                    | 189                  |
| Other miscellaneous expense                         | --                   | --                            | --                  | --                   | 56,787               |
| <b>Total Expenses</b>                               | <u>\$ 15,284,316</u> | <u>\$ 3,004,487</u>           | <u>\$ 1,517,585</u> | <u>\$ 19,806,388</u> | <u>\$ 16,876,288</u> |

---

## **COMPLIANCE REPORT**

---

**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***

**INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Florida International University Foundation, Inc. and Subsidiaries (the Foundation), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Foundation's financial statements, and have issued our report thereon dated October 25, 2013.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

### ***Purpose of this Report***

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

*Marum LLP*

Miami, FL  
October 25, 2013

This page intentionally left blank



**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES**

**Finance and Audit Committee**

January 9, 2014

**Subject: Florida International University Research Foundation Inc., Financial Audit,  
2012-13**

---

**Proposed Committee Action:**

Recommend approval by the Florida International University Board of Trustees of the Florida International University Research Foundation, Inc. Financial Audit for the 2012-13 fiscal year and authorize the Executive Director of the Florida International University Research Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

---

**Background information:**

Pursuant to Regulation FIU-1502 (2)(f), the Florida International University 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 for review and approval.

The Florida International University Research Foundation, Inc. Financial Audit for the 2012-13 fiscal year was approved by the Florida International University Research Foundation, Inc. Board of Directors on October 21, 2013, and the University President is recommending its approval.

Florida Board of Governors Regulation 9.011 (4) University Direct Support Organizations and Health Services Support Organizations, states in relevant part:

Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review.

---

**Supporting Documentation:** Florida International University Research Foundation, Inc.  
Financial Audit, 2012-13

**Facilitator/Presenter:** Kenneth A. Jessell

This page intentionally left blank

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

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

**TABLE OF CONTENTS**

---

**Florida International University Research Foundation, Incorporated**

|   |            |
|---|------------|
| <b>Independent Auditors' Report .....</b> | <b>1-2</b> |
|---|------------|

|   |            |
|---|------------|
| <b>Management's Discussion and Analysis .....</b> | <b>3-7</b> |
|---|------------|

**Financial Statements**

|   |       |
|---|-------|
| Statement of Net Position .....                                   | 8     |
| Statement of Revenues, Expenses and Changes in Net Position ..... | 9     |
| Statement of Cash Flows .....                                     | 10    |
| Notes to Financial Statements.....                                | 11-15 |

**Florida International Research iWash Initiative Limited**

|  |              |
|--|--------------|
| <b>Report of the Independent Auditors to Programme Management of<br/>Florida International Research iWash Initiative Limited .....</b> | <b>16-17</b> |
|--|--------------|

**Financial Statements**

|  |       |
|--|-------|
| Statement of Financial Position .....                                      | 18    |
| Statement of Comprehensive Income and Statement of Changes in Equity. .... | 19    |
| Statement of Cash Flows. ....  | 20    |
| Notes to Financial Statements.....   | 21-30 |

**Reporting Section**

|  |              |
|--|--------------|
| <b>Independent Auditors' Report on Internal Control over Financial Reporting and on<br/>Compliance and Other Matters Based on an Audit of Financial Statements<br/>Performed in Accordance with <i>Government Auditing Standards</i> .....</b> | <b>31-32</b> |
|--|--------------|

## 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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Florida International University Research Foundation, Incorporated (the Research Foundation), a direct support organization and a component unit of Florida International University, as of June 30, 2013, and the related notes to the financial statements, which collectively comprise the Research Foundation's financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express 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 America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013 on our consideration of the Research Foundation's internal control over financial reporting and on 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Research Foundation's internal control over financial reporting and compliance.

*Marcum LLP*

Miami, FL  
October 21, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Florida International University Research Foundation, Incorporated (the "Research Foundation") for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements and notes thereto, are the responsibility of management.

**FINANCIAL HIGHLIGHTS**

The Research Foundation's assets totaled \$367 thousand at June 30, 2013. This balance reflects a \$90 thousand, or 32 percent, increase from the 2012 fiscal year, primarily resulting from an increase in cash of \$90 thousand. While assets increased, liabilities also increased by \$52 thousand, or 59 percent. As a result, the Research Foundation's net position increased by \$37 thousand reaching a year-end balance of \$225 thousand.

The Research Foundation had no operating revenues for the 2013 fiscal year. Transfers from Florida International University (FIU) totaled \$60 thousand. Operating expenses totaled \$22 thousand for the 2013 fiscal year, representing a decrease of 4 percent over the 2012 fiscal year due mainly to a decrease in professional fees.

**OVERVIEW OF FINANCIAL STATEMENTS**

The Research Foundation's financial report includes three financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

***Statement of Net Position***

The statement of net position reflects the assets and liabilities of the Research Foundation, using the accrual basis of accounting, and presents the financial position of the Research Foundation at a specified time. The difference between total assets and total liabilities, net position, is one indicator of the Research Foundation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Research Foundation's financial condition.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following summarizes the Research Foundation's assets, liabilities, and net position at June 30:

**Condensed Statement of Net Position at June 30**  
**(In Thousands)**

|                           | 2013                   | 2012                   |
|---------------------------|------------------------|------------------------|
| <b>Assets</b>             |                        |                        |
| Current assets            | \$ 367.3               | \$ 277.2               |
| <b>Total Assets</b>       | <u>367.3</u>           | <u>277.2</u>           |
| <b>Liabilities</b>        |                        |                        |
| Current liabilities       | <u>141.6</u>           | <u>89.2</u>            |
| <b>Total Liabilities</b>  | <u>141.6</u>           | <u>89.2</u>            |
| <b>Net Assets</b>         |                        |                        |
| Unrestricted              | <u>225.7</u>           | <u>188.0</u>           |
| <b>Total Net Position</b> | <u><u>\$ 225.7</u></u> | <u><u>\$ 188.0</u></u> |

Current assets are comprised mainly of cash. The increase in cash is primarily due to a U.S. Agency for International Development (USAID) grant in Burkina Faso, West Africa that is operated on behalf of the University. The activities are reflected on the statement of net position as Due to FIU.

In summary, total assets increased by \$90 thousand, or 32 percent, while total liabilities increased by \$52 thousand, or 59 percent. As a result, the net position balance at June 30, 2013, had a favorable increase of \$37 thousand.

For more detailed information, see the statement of net position on page 9 of the financial statements.

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

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following summarizes the Research Foundation's activity for the 2013 and 2012 fiscal years:

**Condensed Statement of Revenues, Expenses and Changes in Net position  
(In Thousands)**

|   | 2013                   | 2012                   |
|---|------------------------|------------------------|
| <b>Operating Expenses</b>               | <u>\$ 22.3</u>         | <u>\$ 23.3</u>         |
| <b>Operating Loss</b>                   | (22.3)                 | (23.3)                 |
| Net non-operating expenses              | --                     | --                     |
| Net non-operating revenues              | <u>--</u>              | <u>--</u>              |
| Expenses before transfers               | (22.3)                 | (23.3)                 |
| Transfer from FIU                       | <u>60.0</u>            | <u>70.0</u>            |
| <b>Changes in Net Assets</b>            | 37.7                   | 46.7                   |
| <b>Net Position - Beginning of Year</b> | <u>188.0</u>           | <u>141.3</u>           |
| <b>Net Position - End of Year</b>       | <u><u>\$ 225.7</u></u> | <u><u>\$ 188.0</u></u> |

***Operating Revenues***

The Research Foundation categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value. There were no operating revenues in the current year.

***Operating Expenses***

The Research Foundation categorizes expenses as operating or non-operating. GASB allows financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The Research Foundation has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following summarizes the operating expenses by natural classifications for the 2013 and 2012 fiscal years:

**Operating Expenses  
(In Thousands)**

|                                 | 2013                  | 2012                  |
|---------------------------------|-----------------------|-----------------------|
| Professional fees               | \$ 22.0               | \$ 23.0               |
| Other operating expenses        | <u>0.3</u>            | <u>0.3</u>            |
| <b>Total Operating Expenses</b> | <u><u>\$ 22.3</u></u> | <u><u>\$ 23.3</u></u> |

Operating expenses totaled \$22 thousand for the 2013 fiscal year. This represents a 4 percent decrease over the 2012 fiscal year and was due to a decrease in professional fees of \$1 thousand.

**TRANSFERS**

Transfers for the 2013 fiscal year totaled \$60 thousand and were related to the transfers from the University to support the operating expenses of the Research Foundation.

**BLENDED COMPONENT UNIT**

***Florida International Research iWASH Initiative Limited***

Florida International Research iWASH Initiative Limited was incorporated under the Tanzania Companies Act of 2002 on February 22, 2010. The company, Florida International Research iWASH Initiative Limited, is a “not for profit company.”

In January 2010, Florida International University received a cooperative agreement funding award to support the Tanzania Integrated Water, Sanitation and Hygiene Program (iWASH). The company was established in Tanzania by the Florida International University Research Foundation, Inc. in order to implement the iWASH program in Tanzania. The funding is obligated under the USAID Strategic Assistance Objective #13 “Biodiversity Conserved in Targeted Landscapes through Livelihood Driven Approaches,” and is under the bilateral Economic and Technical Cooperation Agreement signed between the Government of the United Republic of Tanzania and the Government of the United States of America. Current funding is for the period January 1, 2010 through August 31, 2013. The company has a year end of December 31. For additional information on this component unit, see the blended component unit section in Note 1 of the financial statements on pages 11-12.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The goal of Tanzania iWASH Program is to support sustainable, market-driven water supply, sanitation, and hygiene services to improve health and increase economic resiliency of the poor in targeted rural areas and small towns within an integrated water resource management framework.

The period from January to March 2010 was the “set up phase”, during which the company was established. The iWASH Office in Morogoro was established in April 2010. The full activities of the program started in July 2010.

The iWASH Program progressed well during the period from January to December 2012. Partnerships for provision of water supply with MSABI in Kilombero, SHIPO in Njombe, and IDYDC in Iringa have resulted in a total of 108 wells installed with Rope Pumps serving 11,755 people. Through direct Winrock implementation 22 new wells/boreholes in Mvomero District have been installed with locally manufactured Rope Pumps. These wells are currently serving a total of 7,325 people. In the Mvumi Village in Kilosa District, work was completed on a piped water scheme to serve approximately 11,000 people. A gravity supply scheme was completed in Digoma Village, Mvomero District, and is serving 4,157 people. The marketing of Tulip Water Filters has resulted in at least 5,400 people accessing clean safe drinking water. In addition, a total of 5,701 school children and teachers were served with drinking water through CARE’s School WASH initiatives. New activities relating to productive use of water are underway.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The primary factor that will impact the Research Foundation in the future will be the University’s ability to develop intellectual property rights. Royalty income generated from licenses of University intellectual property is transferred to the Research Foundation for re-investment in the FIU research enterprise. If the University is successful, the Research Foundation will have more funds to invest but this does not change the objectives of the Research Foundation.

**REQUESTS FOR INFORMATION**

This financial statement is designed to provide a general overview of the Research Foundation’s finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Florida International University Research Foundation, Incorporated, 11200 S.W. 8<sup>th</sup> Street, Miami, Florida 33199.

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

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)**

---

|                            | 2013              | 2012              |
|----------------------------|-------------------|-------------------|
| <b>Assets</b>              |                   |                   |
| <b>Current Assets</b>      |                   |                   |
| Cash                       | \$ 367,317        | \$ 277,198        |
| <b>Liabilities</b>         |                   |                   |
| <b>Current Liabilities</b> |                   |                   |
| Accounts payable           | 2,987             | 690               |
| Due to FIU                 | 138,576           | 88,470            |
|                            | <u>141,563</u>    | <u>89,160</u>     |
| <b>Net Position</b>        |                   |                   |
| Unrestricted net position  | <u>\$ 225,754</u> | <u>\$ 188,038</u> |

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

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

|   | 2013              | 2012              |
|---|-------------------|-------------------|
| <b>Operating Expenses</b>                                   |                   |                   |
| Professional fees   | \$ 20,987         | \$ 22,983         |
| Other operating expenses                                    | <u>1,297</u>      | <u>236</u>        |
| <b>Operating Loss</b>                                       | <u>(22,284)</u>   | <u>(23,219)</u>   |
| <b>Transfer from Florida International University (FIU)</b> | <u>60,000</u>     | <u>70,000</u>     |
| <b>Change in Net Position</b>                               | 37,716            | 46,781            |
| <b>Net Position - Beginning</b>                             | <u>188,038</u>    | <u>141,257</u>    |
| <b>Net Position - Ending</b>                                | <u>\$ 225,754</u> | <u>\$ 188,038</u> |

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

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

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

|   | 2013                     | 2012                     |
|---|--------------------------|--------------------------|
| <b>Cash Flows from Operating Activities</b>             |                          |                          |
| Receipts from FIU                                       | \$ 50,106                | \$ 88,470                |
| Cash paid for program activities                        | <u>(19,987)</u>          | <u>(22,997)</u>          |
| <b>Net Cash Provided by Operating Activities</b>        | 30,119                   | 65,473                   |
| <b>Cash Flows from Non-Capital Financing Activities</b> |                          |                          |
| Transfers from FIU                                      | <u>60,000</u>            | <u>70,000</u>            |
| <b>Increase in Cash</b>                                 | 90,119                   | 135,473                  |
| <b>Cash - Beginning</b>                                 | <u>277,198</u>           | <u>141,725</u>           |
| <b>Cash - Ending</b>                                    | <u><u>\$ 367,317</u></u> | <u><u>\$ 277,198</u></u> |
| <b>Reconciliation of Operating Loss to</b>              |                          |                          |
| <b>Net Cash Provided by Operating Activities</b>        |                          |                          |
| Operating loss  | \$ (22,284)              | \$ (23,219)              |
| Changes in assets and liabilities:                      |                          |                          |
| Increase in accounts payable                            | 2,297                    | 222                      |
| Increase in due to FIU                                  | <u>50,106</u>            | <u>88,470</u>            |
| <b>Net Cash Provided by Operating Activities</b>        | <u><u>\$ 30,119</u></u>  | <u><u>\$ 65,473</u></u>  |

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***REPORTING ENTITY***

The Florida International University Research Foundation, Inc. (the Research Foundation or the Organization), a Florida not-for-profit corporation, is a direct support organization and a component unit of Florida International University (FIU or the 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 July 29, 2010.

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 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.

The financial reporting entity covered by this report includes the Organization and its component unit. The reporting entity has been defined by GASB as the Organization and those component units for which the Organization is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations, therefore, data for these units are generally combined with data of the Organization.

***Blended Component Unit***

The Florida International Research iWASH Initiative Limited (iWASH) was created on February 22, 2010, under the Companies Act of 2002 which was formed in Tanzania. The entity is a not for profit company as defined by the laws in Tanzania. This entity was established solely as a legal entity to implement the development initiative known as Tanzania iWASH Program.

The financial statements of iWASH presented are prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). The iWASH board members consist of two members, one of which is authorized as the Research Foundation's representative at any

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***REPORTING ENTITY (CONTINUED)***

***Blended Component Unit (continued)***

meeting of the company and is entitled to exercise the same powers on behalf of the company as if it were an individual member present at the meeting including power to vote. iWASH is fiscally dependent on the Research Foundation because the company was established as a legal entity solely to implement the development initiative known as Tanzania iWASH Program. Accordingly, iWASH is a blended component unit and is presented in the Research Foundation's financial statements. iWASH has a December 31<sup>st</sup> year-end. Since the iWASH year end and presentation is not compatible with the Research Foundation's presentation as it is presented under the international accounting standards and not in accordance with Generally Accepted Accounting Principles in the United States of America, the financial statements and notes related to iWASH are presented on separate pages beginning on page 16. Complete financial statements for the iWASH Limited can be obtained by writing to: Controller, Florida International University, Division of Research, 11200 S.W. 8<sup>th</sup> Street, Miami, FL 33199.

***BASIS OF PRESENTATION***

The financial statements of the Research Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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 and because it is a direct support organization. Therefore, the Research Foundation is reported as a governmental entity.

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.



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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***BASIS OF PRESENTATION (CONTINUED)***

For the year ended June 30, 2013, the Organization implemented GASB Statement No. 62 “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*” This statement classifies all sources of generally accepted accounting principles for governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.

For the year ended June 30, 2013, the Organization implemented GASB Statement No. 63 “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*” This Statement provides guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of financial position. This Statement reclassifies certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources.” It further requires the “Capital assets, net of related debt” now be titled “Net investment in capital assets” and that the last line of the statements, previously referred to as “Net assets” now be titled “Net position.”

***COMPARATIVE INFORMATION***

The financial statements include certain prior year summarized comparative information. 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, 2012, from which the summarized information was derived.

***USE OF ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***OPERATING REVENUE AND EXPENSES***

The Research Foundation's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated in matters pertaining to research, which is the Research Foundation's principal activity. Other sources of revenue, including investment earnings, are reported as nonoperating revenue. Operating expenses include all expenses incurred in matters pertaining to research, other than external financing costs.

***INCOME TAXES***

The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such is subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2013.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2010.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***TRANSFERS***

Transfers for the 2013 fiscal year totaled \$60 thousand from the University to support the operating expenses of the Research Foundation.

**NOTE 2 – DEPOSITS**

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits, except for the bank account in Burkina Faso, West Africa are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits, except for the bank account in Burkina Faso, West Africa are insured or collateralized.

***CONCENTRATIONS OF CREDIT RISK FOR CASH***

In February 2012, a bank account in Burkina Faso, West Africa was opened to support the operations pertaining to the West Africa Water Supply, Sanitation and Hygiene (WA-WASH) Program under a U.S. Agency for International Development (USAID) grant. The balance in this account of \$151,794 as of June 30, 2013 is not FDIC insured and is subject to foreign currency exchange risk. The Research Foundation maintains its cash balances with high quality financial institutions, which the Research Foundation believes limits these risks.

**NOTE 3 – DUE TO FLORIDA INTERNATIONAL UNIVERSITY**

The amount Due to FIU of \$138,576 represents funds that were sent to Burkina Faso related to grant operations. This liability will be reduced as vendors are paid in Burkina Faso. The funds for grant operations in Burkina Faso are repaid directly to the University from the grantor.

---

**FLORIDA INTERNATIONAL UNIVERSITY RESEARCH  
iWASH INITIATIVE LIMITED**

---



Tel: +255774330111  
Fax: +255222126848  
www.bdo-ea.com

1<sup>st</sup> Floor, Wing B  
InfoTech Place  
Old Bagamoyo Road  
Mikocheni, Dar es  
Salaam  
Tanzania

**REPORT OF THE INDEPENDENT AUDITORS TO PROGRAMME MANAGEMENT OF  
FLORIDA INTERNATIONAL RESEARCH IWASH INITIATIVE LIMITED**

**Report on the Financial Statements**

We have audited the annual financial statements of Florida International Research iWASH Initiative Limited, which comprise the statement of financial position at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 22.

**Directors' Responsibility for the Financial Statements**

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Tanzanian Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Tel: +255774330111  
Fax: +255222126848  
www.bdo-ea.com

1<sup>st</sup> Floor, Wing B  
InfoTech Place  
Old Bagamoyo Road  
Mikocheni, Dar es  
Salaam  
Tanzania

**REPORT OF THE INDEPENDENT AUDITORS TO PROGRAMME MANAGEMENT OF  
FLORIDA INTERNATIONAL RESEARCH iWASH INITIATIVE LIMITED (CONTINUED)**

**Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of Florida International Research iWash Initiative Limited at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Tanzanian Companies Act.

**Report on Other Legal and Regulatory Requirements**

In our opinion, proper accounting records have been kept by the Company and the financial statements referred to in the preceding paragraph are in agreement with the accounting records.

---

*Juvinal Betambira*  
BDO East Africa, Dar es Salaam

Date: June 25, 2013

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2012**

|                                     | 2012                     | 2011                     |
|-------------------------------------|--------------------------|--------------------------|
| <b>Assets</b>                       |                          |                          |
| <b>Non Current Assets</b>           |                          |                          |
| Property and equipment              | \$ 58,000                | \$ 116,055               |
| <b>Current Assets</b>               |                          |                          |
| Cash and cash equivalents           | <u>42,125</u>            | <u>28,128</u>            |
| <b>Total Assets</b>                 | <u><u>\$ 100,125</u></u> | <u><u>\$ 144,183</u></u> |
| <b>Equity and Liabilities</b>       |                          |                          |
| <b>Fund Accounts</b>                |                          |                          |
| Retained earnings                   | <u>\$ --</u>             | <u>\$ --</u>             |
| <b>Long Term Liabilities</b>        |                          |                          |
| Capital grant                       | <u>--</u>                | <u>55,083</u>            |
| <b>Current Liabilities</b>          |                          |                          |
| Capital grant - current portion     | 58,000                   | 60,972                   |
| Deferred grant                      | <u>42,125</u>            | <u>28,128</u>            |
| <b>Total Current Liabilities</b>    | <u>100,125</u>           | <u>89,100</u>            |
| <b>Total Equity and Liabilities</b> | <u><u>\$ 100,125</u></u> | <u><u>\$ 144,183</u></u> |

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

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**STATEMENT OF COMPREHENSIVE INCOME AND  
STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | 2012                   | 2011                   |
|---|------------------------|------------------------|
| <b>Statement of Comprehensive Income</b>      |                        |                        |
| <b>Income</b>                                 |                        |                        |
| Grant income                                  | \$ 440,884             | \$ 309,323             |
| Amortization of capital grant                 | <u>58,055</u>          | <u>60,972</u>          |
| <b>Total Income</b>                           | 498,939                | 370,295                |
| <b>Expenditure</b>                            |                        |                        |
| Operating expenditure                         | <u>498,939</u>         | <u>370,295</u>         |
| <b>Operating Surplus</b>                      | --                     | --                     |
| <b>Other Comprehensive Income (Net Taxes)</b> | <u>--</u>              | <u>--</u>              |
| <b>Total Comprehensive Income</b>             | <u><u>\$ --</u></u>    | <u><u>\$ --</u></u>    |
| <b>Statement of Changes in Equity</b>         |                        |                        |
|   | Accumulated<br>Surplus | Accumulated<br>Surplus |
| <b>Balance - January 2012</b>                 | \$ --                  | \$ --                  |
| Surplus for the period                        | <u>--</u>              | <u>--</u>              |
| <b>Balance - December 2012</b>                | <u><u>\$ --</u></u>    | <u><u>\$ --</u></u>    |

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



**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

|  | 2012                    | 2011                    |
|--|-------------------------|-------------------------|
| <b>Cash Flow (Used in) from Operating Activities</b>   |                         |                         |
| Operating surplus                                      | \$ --                   | \$ --                   |
| Depreciation   | 58,055                  | 60,972                  |
| Amortization of capital grant                          | <u>(58,055)</u>         | <u>(60,972)</u>         |
| <b>Operating Profit before Working Capital Changes</b> | <u>--</u>               | <u>--</u>               |
| <b>Net Cash Flow from Operating Activities</b>         | --                      | --                      |
| <b>Cash Flow from Financing Activities</b>             |                         |                         |
| Movement in deferred grant                             | <u>13,997</u>           | <u>(41,955)</u>         |
| <b>Net Increase in Cash and Cash Equivalents</b>       | 13,997                  | (41,955)                |
| <b>Cash and Cash Equivalents - Beginning of Period</b> | <u>28,128</u>           | <u>70,083</u>           |
| <b>Cash and Cash Equivalents - End of Period</b>       | <u><u>\$ 42,125</u></u> | <u><u>\$ 28,128</u></u> |

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

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

Florida International Research iWASH Initiative Limited (the Company) is an Organization domiciled in Tanzania. The financial statements of the Company are for the period ended December 31, 2012.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

***BASIS OF PREPARATION***

***Presentation of Financial Statements***

The Company applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of January 1, 2009. As a result, the Program presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes (if any) in equity are presented in the statement of comprehensive income.

***Statement of Compliance***

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

***Basis of Measurement***

The financial statements have been prepared on the historical cost basis.

***Translation of Foreign Currencies***

Transaction in foreign currencies is translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

***EMPLOYEE BENEFITS***

The Company makes statutory contributions (Defined Contribution Plan) to the Government Employees Pension Fund (GEPF). The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments. Contributions to this pension fund are recognized as an expense in the period the employees render the related services.

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***REVENUE RECOGNITION***

Grants that compensate the Company for expenses incurred are recognized in Statement of Comprehensive Income on a systematic basis in the same periods in which the expenses are recognized. Grant income is comprised entirely of a grant from the Florida International University.

***PROPERTY AND EQUIPMENT***

***Recognition and Measurement***

Items of property and equipment are stated at cost less accumulated depreciation (see accounting policy).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to the working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets is recognized in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "operating expenses" in profit or loss.

***Subsequent Costs***

The cost of replacing an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of day to day servicing of property, plant and equipment are recognized in statement of comprehensive income as incurred.

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***PROPERTY AND EQUIPMENT (CONTINUED)***

***Depreciation***

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The annual rates for the estimated useful lives for the current and comparative periods are as follows:

|                               |       |
|-------------------------------|-------|
| Motor vehicles                | 25%   |
| Computer equipment            | 37.5% |
| Furniture and other equipment | 12.5% |

***New and Amended Standards and Interpretations***

There are several amendments to standards and interpretations that were effective in the year but their adoption has had no impact on the financial statements of the Company.

***New Relevant Standards, Amendments and Interpretations Issued but Not Yet Effective and Not Early Adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these company financial statements. These are summarized below and are not expected to have a significant impact on the company financial statements.

- IFRS 9 Financial Instruments. IFRS 9 will become mandatory for the Company's 2015 financial statements.
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013).
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013).

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*New Relevant Standards, Amendments and Interpretations Issued but Not Yet Effective and Not Early Adopted (continued)*

- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).
- IAS 19 Employee Benefits (Amended) (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (2011) Separate Financial Statements (effective 1 January 2013).
- IAS 28 (2011) Investments in Associates and Joint Ventures (effective 1 January 2013).
- Amendments to IAS 1 presentation of items of other comprehensive income (effective 1 July 2012).
- Amendments to IAS 12 Deferred tax: Recovery of underlying assets statements (effective 1 January 2012)

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 2 – OPERATING EXPENSES**

|                                       |                   |
|---------------------------------------|-------------------|
| NRA - salaries and consultants non US | \$ 238,088        |
| Foreign travel (travel in TZ)         | 76,170            |
| Maintenance contracts                 | 4,368             |
| Security services                     | 6,869             |
| Rent expenses                         | 12,042            |
| Cellular phones                       | 1,638             |
| Communications charges other          | 3,103             |
| Bank fees                             | 1,162             |
| Office supplies                       | 6,586             |
| Other materials and supplies          | 1,004             |
| Gasoline and diesel                   | 14,832            |
| Other motor fuel supplies             | 6,539             |
| Auto insurance                        | 6,929             |
| Postage                               | 29                |
| Courier/freight                       | 239               |
| Printing, copycard, Xerox and         | 1,055             |
| Miscellaneous                         | 1                 |
| Scholarships                          | 35,617            |
| Book allowance                        | --                |
| F&E < \$1000                          | 2,215             |
| F&E > \$1000                          | --                |
| Motor vehicles others                 | --                |
| Stipend                               | 2,423             |
| Professional fees                     | 12,078            |
| Communication and outreach            | --                |
| Subcontracts under \$25K              | --                |
| Food products                         | 7,897             |
| Depreciation                          | 58,055            |
| <b>Total Operating Expenses</b>       | <b>\$ 498,939</b> |

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 3 – PROPERTY AND EQUIPMENT**

|                             | Office<br>Equipment | Motor<br>Vehicles | Office<br>Furniture<br>and Fittings | Computer<br>Accessories | Total            |
|-----------------------------|---------------------|-------------------|-------------------------------------|-------------------------|------------------|
| <b>Cost</b>                 |                     |                   |                                     |                         |                  |
| At December 2011            | \$ 2,465            | \$ 203,110        | \$ 9,091                            | \$ 23,333               | \$ 237,999       |
| Additions                   | --                  | --                | --                                  | --                      | --               |
| <b>At December 31, 2012</b> | <u>2,465</u>        | <u>203,110</u>    | <u>9,091</u>                        | <u>23,333</u>           | <u>237,999</u>   |
| <b>Depreciation</b>         |                     |                   |                                     |                         |                  |
| At December 2011            | 616                 | 101,556           | 2,272                               | 17,500                  | 121,944          |
| Charge for the year         | <u>308</u>          | <u>50,778</u>     | <u>1,136</u>                        | <u>5,833</u>            | <u>58,055</u>    |
| <b>At December 31, 2012</b> | <u>924</u>          | <u>152,334</u>    | <u>3,408</u>                        | <u>23,333</u>           | <u>179,999</u>   |
| <b>Net Book Value -</b>     |                     |                   |                                     |                         |                  |
| <b>At December 31, 2012</b> | <u>\$ 1,541</u>     | <u>\$ 50,776</u>  | <u>\$ 5,683</u>                     | <u>\$ --</u>            | <u>\$ 58,000</u> |

**NOTE 4 – CASH AND CASH EQUIVALENTS**

|  |                         |
|--|-------------------------|
| USD Account                            | \$ 34,980               |
| TZS Account 6000200                    | <u>7,145</u>            |
| <b>Total Cash and Cash Equivalents</b> | <u><u>\$ 42,125</u></u> |

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 5 – CAPITAL GRANTS MOVEMENT**

|  |                         |
|--|-------------------------|
| <b>Opening Balance</b>                   | \$ 116,055              |
| Capital grant received during the period | --                      |
| Amortization of capital grants           | <u>(58,055)</u>         |
| <b>Balance - December 31</b>             | <u><u>\$ 58,000</u></u> |
| Long term portion                        | \$ --                   |
| Current portion                          | <u>58,000</u>           |
| <b>Total</b>                             | <u><u>\$ 58,000</u></u> |

Capital grants represent donations the company received in the form of fixed assets, and it is amortized annually depending on their useful life.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

The Florida International University, Winrock International and Cooperate for Assistance and Relief Everywhere (CARE) are the only related parties of the Company. All transactions were conducted at an arm's length.

**NOTE 7 – TAXES**

The Florida International Research iWASH Initiative Limited has been registered as company limited by guarantee, governed by Companies Act, 2002, having no motive to make profits. The company tax identification number is 110-383-452.

The company management is in the process of applying for exemption from Company Income Tax to the Tanzania Revenue Authority.



**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 8 – FINANCIAL RISK MANAGEMENT**

The Company's principal financial instruments comprise cash and payables. These financial instruments arise directly from the Company's operations. The Company has not traded in financial instruments throughout the year end December 31, 2012.

The main risks arising from the Company's financial instruments are credit risks and market risk. The Company's management is responsible for the establishment and oversight of the Company's risk management framework. The Board of Directors reviews and agrees policies for managing each of these risks as summarized below.

***LIQUIDITY RISK***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damaging the Company's reputation.

The Company monitors its exposure to liquidity risk using projected cash flows from operations. The Company's exposure to liquidity risk is considered low due to existence of sufficient cash and bank balances.

The Company has a policy not to utilize debt or overdraft facilities.

***MARKET RISK***

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company does not trade in financial markets and accordingly, there is no material exposure to market risk except as described below.

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 9 – FINANCIAL RISK MANAGEMENT**

***INTEREST RATE RISK***

The Company's exposure to the risk of changes in market interest rates relates primarily to cash and bank balances. Bank account balances are monitored monthly, and kept at the lowest possible operations balance. A fluctuation of interest rates due to the changes in economic conditions will not have a material impact on the financial position of the Company; therefore no sensitivity analysis has been presented.

***CREDIT RISK***

Credit risk is the risk of financial loss to the Organization if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Organization's balances receivable and money maintained in bank accounts.

There is no credit risk to the organization because there are no receivable balances.

***FOREIGN CURRENCY RISK***

The Company is exposed to currency risk on bank balances which are denominated in foreign currency. The Company manages this risk by ensuring that foreign currency bank balances are kept at the minimum amount possible. In the recent years, due to the depreciation of the local currency, the Company has not experienced any adverse effect from its foreign currency denominated bank balances.

***FAIR VALUES***

The Company's financial instruments are cash and cash equivalents and other payables. These financial instruments realize over a short term resulting in the financial instruments' carrying amounts reasonably approximating their fair values.

**NOTE 10 – SUBSEQUENT EVENTS**

At the date of signing the financial statements, the Company Management is not aware of any other matter or circumstance arising since the date of the end of the reporting period, not otherwise dealt in these financial statements, which significantly affected the financial position of the Company and results of its operations.

**FLORIDA INTERNATIONAL RESEARCH  
iWASH INITIATIVE LIMITED**  
*(A Component Unit)*

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

---

**NOTE 11 – CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

The Company Management confirms that there were no significant contingent liabilities as at the date of the end of the reporting period. Similarly, there were no significant commitments for operational or capital expenditure as at the same date.

**NOTE 12 – ULTIMATE HOLDING ENTITY**

The organization's ultimate holding entity is the Florida International University, an entity incorporated and registered in the United States.

---

## **REPORTING SECTION**

---

**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***

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida International University Research Foundation, Incorporated (the Research Foundation) (the Research Foundation or Organization) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated October 21, 2013. Other auditors audited the financial statements of the Florida International Research iWASH Initiative Limited, a component unit. Their audit was not performed in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting and other matters that are reported separately by those auditors.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

### ***Purpose of this Report***

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

*Marcum LLP*

Miami, FL  
October 21, 2013

**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES**

**Finance and Audit Committee**

January 9, 2014

**Subject: Florida International University Athletics Finance Corporation Financial  
Audit, 2012-13**

---

**Proposed Committee Action:**

Recommend approval by the Florida International University Board of Trustees of the Florida International University Athletics Finance Corporation Financial Audit for the 2012-13 fiscal year and authorize the Executive Director of the Florida International University Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

---

**Background information:**

Pursuant to Regulation FIU-1502 (2)(f), the Florida International University 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 for review and approval.

The Florida International University Athletics Finance Corp. Financial Audit for the 2012-13 fiscal year was approved by the Florida International University Athletics Finance Corp. Board of Directors on October 23, 2013, and the University President is recommending its approval.

Florida Board of Governors Regulation 9.011 (4) University Direct Support Organizations and Health Services Support Organizations, states in relevant part:  
Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review.

---

**Supporting Documentation:** Florida International University Athletics Finance Corp.,  
Financial Audit, 2012-13

**Facilitator/Presenter:** Kenneth A. Jessell

This page intentionally left blank



**FIU ATHLETICS FINANCE CORPORATION**  
*(A Direct Support Organization)*  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**CONTENTS**

---

|   |     |
|---|-----|
| <b>Independent Auditors' Report</b> ..... | 1-2 |
|---|-----|

|   |     |
|---|-----|
| <b>Management Discussion and Analysis</b> ..... | 3-8 |
|---|-----|

**Financial Statements**

|   |       |
|---|-------|
| Statement of Net Position .....                                   | 9     |
| Statement of Revenues, Expenses and Changes in Net Position ..... | 10    |
| Statement of Cash Flows .....                                     | 11    |
| Notes to Financial Statements.....                                | 12-26 |

**Reporting Section**

|   |       |
|---|-------|
| Independent Auditors' Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> ..... | 27-28 |
|---|-------|

## INDEPENDENT AUDITORS' REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying statement of net position of Florida International University Athletics Finance Corporation (the Athletics Finance Corporation), a direct support organization and a component unit of Florida International University, as of June 30, 2013 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Athletics Finance Corporation's 2012 financial statements and, in our report dated October 18, 2012, we expressed an unqualified opinion on those financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***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, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013 on our consideration of the Athletics Finance Corporation's internal control over financial reporting and on 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Athletics Finance Corporation's internal control over financial reporting and compliance.

*Marcum LLP*

Miami, FL  
October 23, 2013

---

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(MD&A)**

---

---

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of the FIU Athletics Finance Corporation (the "Athletics Finance Corporation") for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements and notes thereto, are the responsibility of management.

***FINANCIAL HIGHLIGHTS***

The Athletics Finance Corporation's assets totaled \$33.4 million at June 30, 2013. This balance reflects a \$3.8 million, or 10 percent, decrease from the 2012 fiscal year, resulting primarily from a decrease in investments and prepaid rent. Liabilities decreased by \$3.5 million, or 8 percent, totaling \$39.9 million at June 30, 2013, compared to \$43.4 million at June 30, 2012. As a result, the Athletics Finance Corporation's net position decreased (or deficit increased) by \$2.1 million, reaching a year end deficit balance of \$4.3 million.

The Athletics Finance Corporation's operating revenues totaled \$3.6 million for the 2013 fiscal year, representing an increase of 3 percent over the 2012 fiscal year due primarily to an increase in athletic support revenue. Operating expenses totaled \$2.0 million for the 2013 fiscal year, which was stable from prior year.

***OVERVIEW OF FINANCIAL STATEMENTS***

The Athletics Finance Corporation's financial report includes three financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

***Statement of Net Position***

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Athletics Finance Corporation, using the accrual basis of accounting, and presents the financial position of the Athletics Finance Corporation at a specified time. The difference between total assets together with deferred outflows of resources and total liabilities together with deferred inflow of resources, net position, is one indicator of the Athletics Finance Corporation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Athletics Finance Corporation's financial condition.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

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

**Condensed Statement of Net Position at June 30**  
**(In Millions)**

|                                       | 2013                   | 2012                   |
|---------------------------------------|------------------------|------------------------|
| <b>Assets</b>                         |                        |                        |
| Current assets                        | \$ 3.0                 | \$ 4.3                 |
| Noncurrent assets                     | <u>30.4</u>            | <u>32.9</u>            |
| <b>Total Assets</b>                   | <u>33.4</u>            | <u>37.2</u>            |
| <b>Deferred Outflows of Resources</b> | <u>2.2</u>             | <u>4.0</u>             |
| <b>Liabilities</b>                    |                        |                        |
| Current liabilities                   | 1.3                    | 1.4                    |
| Noncurrent liabilities                | <u>38.6</u>            | <u>42.0</u>            |
| <b>Total Liabilities</b>              | <u>39.9</u>            | <u>43.4</u>            |
| <b>Total Net Position</b>             | <u><u>\$ (4.3)</u></u> | <u><u>\$ (2.2)</u></u> |

The statement of net position reflects an increase in the net position deficit of the Athletics Finance Corporation. Current assets mainly depict cash and investments. The current asset decrease is principally a result of decreased investments. Noncurrent assets consist mainly of restricted cash, investments and prepaid rent. The decrease in noncurrent assets is mainly a result of a decrease in prepaid rent. Deferred outflows of resources reflect the accumulated decrease in fair value of its derivatives.

In summary, total assets decreased by \$3.8 million, or 10 percent, while total liabilities also decreased by \$3.5 million, or 8 percent. As a result, the net position decreased at June 30, 2013, by \$2.1 million.

For more detailed information, see the statement of net position on page 9 of the financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

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

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

The following summarizes the Athletics Finance Corporation's activity for the 2013 and 2012 fiscal years:

**Condensed Statement of Revenues, Expenses,  
and Changes in Net Position  
(In Millions)**

|   | June 30, |          |
|---|----------|----------|
|   | 2013     | 2012     |
| Operating revenues                      | \$ 3.6   | \$ 3.5   |
| Operating expenses                      | 2.0      | 2.1      |
| <b>Operating Income</b>                 | 1.6      | 1.4      |
| Net non-operating expenses              | (1.3)    | (1.4)    |
| Transfers to FIU                        | 2.4      | -        |
| <b>Change in Net Position</b>           | (2.1)    | -        |
| <b>Net Position - Beginning of Year</b> | (2.2)    | (2.2)    |
| <b>Net Position - End of Year</b>       | \$ (4.3) | \$ (2.2) |

The statement of revenues, expenses, and changes in net position reflects relatively stable operating revenues and expenses with slightly lower net non-operating expenses. Decrease in change in net position is mainly the result of transfers to FIU.

***Operating Revenues***

The Athletics Finance Corporation categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The following summarizes the operating revenues by source that were used to fund operating activities during the 2013 and 2012 fiscal years:

**Operating Revenues**  
**(In Millions)**

|                                 | June 30,      |               |
|---------------------------------|---------------|---------------|
|                                 | 2013          | 2012          |
| Athletic support                | \$ 0.9        | \$ 0.7        |
| Ticket sales                    | 0.6           | 0.6           |
| Suite revenues                  | 0.6           | 0.6           |
| NCAA and conference payments    | 0.6           | 0.6           |
| Other operating revenues        | 0.4           | 0.5           |
| Rental income                   | 0.3           | 0.3           |
| Contributions                   | 0.2           | 0.2           |
| <b>Total Operating Revenues</b> | <b>\$ 3.6</b> | <b>\$ 3.5</b> |

Operating revenues totaled \$3.6 million for the 2013 fiscal year, representing a 3 percent increase over the 2012 fiscal year. This was mainly due to an increase in athletic support revenue of \$235 thousand offset in part by lower ticket sales of \$160 thousand.

***Operating Expenses***

The Athletics Finance Corporation categorizes expenses as operating or non-operating. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The Athletics Finance Corporation has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position.

The following summarizes the operating expenses by natural classifications for the 2013 and 2012 fiscal years:

**Operating Expenses**  
**(In Millions)**

|                                 | June 30,      |               |
|---------------------------------|---------------|---------------|
|                                 | 2013          | 2012          |
| Amortization of prepaid rent    | \$ 1.3        | \$ 1.2        |
| Professional fees               | 0.5           | 0.5           |
| Utilities                       | 0.1           | 0.1           |
| Other operating expenses        | 0.1           | 0.3           |
| <b>Total Operating Expenses</b> | <b>\$ 2.0</b> | <b>\$ 2.1</b> |

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Operating expenses totaled \$2.0 million for the 2013 fiscal year. This represents a 2 percent decrease over the 2012 fiscal year and was primarily due to slight decreases in other operating expenses.

***Non-Operating Revenues and Expenses***

Non-operating revenues include interest income and unrealized gains on investments. Non-operating expenses include interest expense. The following summarizes the Athletics Finance Corporation's non-operating revenues and expenses for the 2013 and 2012 fiscal years:

**Non-Operating Revenues (Expenses)**  
**(In Millions)**

|                                   | June 30,               |                        |
|-----------------------------------|------------------------|------------------------|
|                                   | 2013                   | 2012                   |
| Interest expense                  | \$ (1.4)               | \$ (1.4)               |
| Unrealized gain on investments    | 0.1                    | --                     |
| <b>Net Non-Operating Expenses</b> | <u><u>\$ (1.3)</u></u> | <u><u>\$ (1.4)</u></u> |

Non-operating expenses are comprised mainly of interest expense and this remained fairly stable as compared to prior year.

Transfers to FIU represent \$2.4 million in the Statement of Revenues, Expenses and Changes in Net Position for the fiscal year 2013. The transfers are due to surplus funds transferred back to FIU.

***DEBT ADMINISTRATION***

As of June 30, 2013, the Athletics Finance Corporation had \$32 million in outstanding bonds payable, representing a decrease of \$611 thousand, or 2 percent, from prior fiscal year.

Additional information about the Athletics Finance Corporation's bond payable is presented in the note 5 to the financial statements on page 20.

***ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE***

The University has pledged a significant portion of game guarantee revenue, NCAA and Sunbelt Conference distribution revenues to the Athletics Finance Corporation. The Athletics Department including the Football Program has joined Conference USA effective July 1, 2013. Membership in this new conference may provide an excellent opportunity and platform for further growth.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

***REQUESTS FOR INFORMATION***

This financial statement is designed to provide a general overview of the Athletics Finance Corporation's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, FIU Athletics Finance Corporation, 11200 S.W. 8<sup>th</sup> Street, Miami, Florida 33199.

---

---

## **FINANCIAL STATEMENTS**

---

---

**FIU ATHLETICS FINANCE CORPORATION***(A Direct Support Organization)***STATEMENT OF NET POSITION****JUNE 30, 2013****(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)**

|   | 2013                  | 2012                  |
|---|-----------------------|-----------------------|
| <b>Assets</b>   |                       |                       |
| <b>Current Assets</b>                                     |                       |                       |
| Cash  | \$ 523,669            | \$ 471,831            |
| Investments   | 539,704               | 1,740,617             |
| Suites and ticket sales receivable                        | 488,103               | 596,100               |
| Due from FIU  | 114,022               | 129,167               |
| Due from Foundation                                       | --                    | 56,100                |
| Prepaid rent and other                                    | 1,319,796             | 1,319,900             |
| <b>Total Current Assets</b>                               | <b>2,985,294</b>      | <b>4,313,715</b>      |
| <b>Noncurrent Assets</b>                                  |                       |                       |
| Restricted cash   | 2,017,600             | 2,516,656             |
| Restricted investments                                    | 2,828,860             | 3,061,976             |
| Suites and ticket sales receivable                        | 719,360               | 1,148,300             |
| Bond issuance costs, net                                  | 201,393               | 217,074               |
| Prepaid rent  | 24,668,906            | 25,972,990            |
| <b>Total Noncurrent Assets</b>                            | <b>30,436,119</b>     | <b>32,916,996</b>     |
| <b>Total Assets</b>                                       | <b>33,421,413</b>     | <b>37,230,711</b>     |
| <b>Deferred Outflows of Resources</b>                     |                       |                       |
| Accumulated decrease in fair value of hedging derivatives | 2,156,186             | 3,951,124             |
| <b>Liabilities</b>  |                       |                       |
| <b>Current Liabilities</b>                                |                       |                       |
| Accounts payable  | 20,471                | 11,056                |
| Accrued interest payable                                  | 121,235               | 124,386               |
| Due to FIU  | 292                   | --                    |
| Bonds payable   | 656,479               | 636,987               |
| Unearned revenue  | 541,453               | 652,388               |
| <b>Total Current Liabilities</b>                          | <b>1,339,930</b>      | <b>1,424,817</b>      |
| <b>Noncurrent Liabilities</b>                             |                       |                       |
| Due to FIU  | 2,000,000             | 2,500,000             |
| Derivative liability                                      | 4,068,875             | 5,960,658             |
| Unearned revenue  | 719,360               | 1,148,300             |
| Bonds payable   | 31,753,843            | 32,384,102            |
| <b>Total Noncurrent Liabilities</b>                       | <b>38,542,078</b>     | <b>41,993,060</b>     |
| <b>Total Liabilities</b>                                  | <b>39,882,008</b>     | <b>43,417,877</b>     |
| <b>Total Net Position - Unrestricted</b>                  | <b>\$ (4,304,409)</b> | <b>\$ (2,236,042)</b> |

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

# FIU ATHLETICS FINANCE CORPORATION

*(A Direct Support Organization)*

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

**FOR THE YEAR ENDED JUNE 30, 2013**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

|   | 2013                  | 2012                  |
|---|-----------------------|-----------------------|
| <b>Operating Revenue</b>                    |                       |                       |
| Athletic support                            | \$ 890,433            | \$ 655,000            |
| NCAA and conference payments                | 600,000               | 600,000               |
| Ticket sales                                | 579,063               | 739,400               |
| Suite revenues                              | 564,680               | 600,602               |
| Sponsorship revenues                        | 314,409               | 330,000               |
| Rental income                               | 261,332               | 294,143               |
| Contributions                               | 217,500               | 175,000               |
| General concessions and vending commissions | 64,326                | 92,093                |
| Merchandise royalties                       | 61,138                | --                    |
| Stadium naming rights                       | 56,100                | 56,100                |
| <b>Total Operating Revenues</b>             | <u>3,608,981</u>      | <u>3,542,338</u>      |
| <b>Operating Expenses</b>                   |                       |                       |
| Amortization of prepaid rent                | 1,304,083             | 1,269,865             |
| Game day contractors                        | 498,446               | 507,835               |
| Utilities                                   | 102,806               | 124,982               |
| Repairs and maintenance                     | 37,876                | 52,072                |
| Materials and supplies                      | 28,262                | 53,816                |
| Professional fees                           | 24,760                | 19,292                |
| Banking fees                                | 20,711                | 21,152                |
| Other operating expenses                    | 11,009                | 11,235                |
| <b>Total Operating Expenses</b>             | <u>2,027,953</u>      | <u>2,060,249</u>      |
| <b>Operating Income</b>                     | <u>1,581,028</u>      | <u>1,482,089</u>      |
| <b>Non-Operating Revenues (Expenses)</b>    |                       |                       |
| Interest income                             | 1,896                 | 2,268                 |
| Interest expense and fiscal charges         | (1,407,085)           | (1,435,322)           |
| Unrealized gain on investments              | 159,165               | 40,774                |
| <b>Total Non-Operating Expenses</b>         | <u>(1,246,024)</u>    | <u>(1,392,280)</u>    |
| <b>Transfers to FIU</b>                     | <u>2,403,371</u>      | <u>--</u>             |
| <b>Change in Net Position</b>               | (2,068,367)           | 89,809                |
| <b>Net Position - Beginning</b>             | <u>(2,236,042)</u>    | <u>(2,325,851)</u>    |
| <b>Net Position - Ending</b>                | <u>\$ (4,304,409)</u> | <u>\$ (2,236,042)</u> |

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

# FIU ATHLETICS FINANCE CORPORATION

(A Direct Support Organization)

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

|  | 2013                  | 2012                  |
|--|-----------------------|-----------------------|
| <b>Cash Flows From Operating Activities</b>  |                       |                       |
| Operating receipts   | \$ 3,677,290          | \$ 3,528,630          |
| Payments to vendors  | <u>(714,163)</u>      | <u>(2,679,566)</u>    |
| <b>Net Cash Provided By Operating Activities</b>                                       | <u>2,963,127</u>      | <u>849,064</u>        |
| <b>Cash Flows From Capital and Related Financing Activities</b>                        |                       |                       |
| Payments and transfers to FIU  | (2,903,371)           | (500,000)             |
| Principal payments on bonds  | (636,987)             | (618,074)             |
| Interest paid  | <u>(1,465,180)</u>    | <u>(1,490,450)</u>    |
| <b>Net Cash Used By Capital and Related Financing Activities</b>                       | <u>(5,005,538)</u>    | <u>(2,608,524)</u>    |
| <b>Cash Flows from Investing Activities</b>  |                       |                       |
| Proceeds from sales and maturities of investments                                      | 10,195,932            | 7,916,561             |
| Purchase of investments  | (8,602,738)           | (7,033,627)           |
| Interest income received   | <u>1,999</u>          | <u>2,174</u>          |
| <b>Net Cash Used By Investing Activities</b>   | <u>1,595,193</u>      | <u>885,108</u>        |
| <b>Decrease in Cash</b>  | (447,218)             | (874,352)             |
| <b>Cash - Beginning (Includes Restricted Cash)</b>                                     | <u>2,988,487</u>      | <u>3,862,839</u>      |
| <b>Cash - Ending (Includes Restricted Cash)</b>  | <u>\$ 2,541,269</u>   | <u>\$ 2,988,487</u>   |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b> |                       |                       |
| Operating income   | \$ 1,581,028          | \$ 1,482,089          |
| Changes in assets and liabilities:   |                       |                       |
| (Increase) decrease in:  |                       |                       |
| Receivables  | 536,937               | 295,600               |
| Prepaid rent and other   | 1,304,085             | (495,815)             |
| Due from FIU   | 15,145                | 76,429                |
| Due from Foundation  | 56,100                | (56,100)              |
| Increase (decrease) in:  |                       |                       |
| Accounts payable   | 9,415                 | (48,048)              |
| Deferred revenue   | (539,875)             | (329,637)             |
| Due to FIU   | <u>292</u>            | <u>(75,454)</u>       |
| <b>Total Adjustments</b>   | <u>1,382,099</u>      | <u>(633,025)</u>      |
| <b>Net Cash Provided By Operating Activities</b>                                       | <u>\$ 2,963,127</u>   | <u>\$ 849,064</u>     |
| <b>Non-Cash Investing and Financing Activities</b>                                     |                       |                       |
| Change in fair value derivative liability  | <u>\$ (1,794,938)</u> | <u>\$ (2,783,253)</u> |
| Amortization of derivative liability   | <u>\$ 96,845</u>      | <u>\$ 96,845</u>      |

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**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 (“FIU”) and was organized in the State of Florida on November 20, 2006.

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 of America (“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 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, *Basic Financial Statements and Management’s Discussion and Analysis – For State and Local Governments*, 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 are recorded when a liability is incurred, regardless of timing of the related cash flow.



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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***BASIS OF PRESENTATION (CONTINUED)***

For the year ended June 30, 2013, the Organization implemented GASB Statement No. 62 “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*” This statement classifies all sources of generally accepted accounting principles for governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.

During the year ended June 30, 2013, the Organization implemented GASB Statement No. 63 “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*” This Statement provides guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of financial position. This Statement reclassifies certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources.” It further requires the “Capital assets, net of related debt” now be titled “Net investment in capital assets” and that the last line of the statements, previously call “Net assets” now be titled “Net position.”

Comparative financial statements for the year ended June 30, 2012 were reclassified in accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, implemented for the year ended June 30, 2013.

***USE OF ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

***COMPARATIVE INFORMATION***

The financial statements include certain prior year summarized comparative information. 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, 2012, from which the summarized information was derived.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 are investments with Florida PRIME administered by the State Board of Administration. Currently, no investments are held in Florida PRIME. Fund B, which is also administered by the State Board of Administration, is classified as an investment. 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.

All investments of the Organization, except Florida PRIME and Fund B, are reported at fair value using quoted market prices. The Florida PRIME and Fund B are recorded at reported values as provided by the State Board of Administration, which are equivalent to fair value. Income or loss is recorded as it is earned.

***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 derivative liability is presented in the statement of net position. The Organization uses the synthetic instrument method to evaluate the effectiveness as of the end of the reporting period. The Organization determined the interest rate swap met the criteria as an effective hedging transaction. Therefore, the change in the fair value in the effective interest rate swap is presented in the statement of net position as a hedging derivative in deferred outflows of resources. See Note 6 for additional information on the interest rate swap.

***INCOME TAXES***

The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such is subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2013.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***INCOME TAXES (CONTINUED)***

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2010.

***LONG-TERM DEBT***

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Issuance costs are presented in the financial statements as a non-current 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.

***OPERATING REVENUE AND EXPENSES***

The Athletics Finance Corporation's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with managing and operating the FIU Football Stadium, which is the Athletics Finance Corporation's principal activity. Other sources of revenue, including investment earnings, are reported as non-operating revenue. Operating expenses include all expenses incurred to manage and operate the FIU Football Stadium, other than external financing costs.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

**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***

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits (includes cash and restricted cash) are insured or collateralized.

***INVESTMENTS***

In addition, the Athletics Finance Corporation maintains investment accounts with financial institutions that are not insured by the FDIC. Fund shares are not guaranteed by the U.S. government. Current and future portfolio holdings are subject to risk. At June 30, 2013, \$3,368,564 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 3 - INVESTMENTS**

Investments are made in accordance with the trust indenture. The Athletics Finance Corporation's investments at June 30, 2013, are reported at fair value, as follows:

| Investment Type  | Amount                     |
|--|----------------------------|
| Florida State Board of Administration:                     |                            |
| Florida PRIME  | \$ --                      |
| Fund B   | 370,324                    |
| Money Market Mutual Funds                                  | <u>2,998,240</u>           |
| <b>Total Investments (Includes Restricted Investments)</b> | <b><u>\$ 3,368,564</u></b> |

The Athletics Finance Corporation reported investments at fair value totaling \$370,324 at June 30, 2013, in the Fund B Surplus Funds Trust Fund administered by State Board of Administration ("SBA") pursuant to Section 218.405, Florida Statutes. The State Board of Administration governs the trust fund under Ch. 19-7 of the Florida Administrative Code.

As a participant of Fund B, the entity invests in a pool of investments whereby the entity owns a share of the respective pool, not the underlying securities. The SBA's interpretation in regards to Fund B is that it does not meet the requirements of an SEC 2a7-like fund; therefore, SBA provided a fair value factor of 1.11845939 as of June 30, 2013 (i.e., total net asset value of Fund B divided by total participant balances of Fund B). The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, 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 Florida PRIME.

The Florida PRIME fund investments are also pooled. As a participant of Florida PRIME, the entity invests in a pool of investments whereby the entity owns a share of the respective pool, not the underlying securities. The SBA considers Florida PRIME an SEC "2a-7-like" fund with the primary objective of preservation of principal. The account balance is considered the fair value of the investment. A 2a-7 like pool is an external investment pool that is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940. This rule permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. There was no balance in Florida PRIME at June 30, 2013. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other government agency.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 3 – INVESTMENTS (CONTINUED)**

The Organization also invests in a Federated Government Obligations Fund. This is a money market mutual fund seeking to provide current income consistent with stability of principal by investing in a portfolio of short-term, U.S. treasury and government securities. These investments include repurchase agreements collateralized fully by U.S. Treasury and government securities. The Fund limits its investment to those that would enable it to qualify as a permissible investment for federally chartered credit unions. The fund complies with the requirements of Rule 2a-7 under the Investment Company Act of 1940 Act, which sets forth portfolio quality and diversification restrictions for money market mutual funds. Investments are made in accordance with the Trust Indenture dated as of December 1, 2009 (the “Trust Indenture”), between the Miami-Dade County Industrial Development Authority and Regions Bank, as trustee. This transaction is further described in Note 5.

***CREDIT RISK***

Credit risk is the risk that an issuer of securities in which the Fund invests may default on the payment of interest or principal on the securities when due, which would cause the Fund to lose money. Fund B is not rated by any nationally recognized statistical rating agency. The Federated Government Obligations Fund is rated AAAM by Standard & Poor’s, AAAMf by Moody’s and AAAMmf by Fitch.

***CONCENTRATION CREDIT RISK***

Investments that exceed 5% or more of the portfolio in any one issuer are as follows: investments held in the Fund B administered by the State Board of Administration (SBA) consist of approximately 11% of total investments. Approximately, 89% 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 operating expenses, debt service payments and stadium construction costs.

***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 fund to interest rate changes.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 3 – INVESTMENTS (CONTINUED)**

***INTEREST RATE RISK (CONTINUED)***

The WAM of the Florida PRIME at June 30, 2013 is 40 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

Due to the nature of the securities in Fund B, the interest rate risk information is not available. An estimated weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL (based on expected cash flows) of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

The Federal Government Obligations Fund prices of fixed-income securities generally fall when interest rates rise. Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. The money market mutual fund WAM at June 30, 2013 is 53 days while the WAL is 88 days.

**NOTE 4 - BOND ISSUANCE COSTS**

As of June 30, 2013, issuance costs related to both the tax exempt and taxable bonds (FIU Athletics Finance Corporation Capital Improvement Revenue Bonds Series 2009A and 2009B) totaled \$217,074, net of amortization. The bond costs will be amortized over the term of the bonds which mature in March 2033.

|                                      |                              |
|--------------------------------------|------------------------------|
| Issuance costs                       | \$ 271,941                   |
| Less: accumulated amortization       | <u>(54,867)</u>              |
| <b>Bond Issuance Costs - Net</b>     | <b><u>\$ 217,074</u></b>     |
| <br>Current bond issuance cost       | <br>\$ 15,681                |
| Non-current bond issuance cost       | <u>201,393</u>               |
| <br><b>Total Bond Issuance Costs</b> | <br><b><u>\$ 217,074</u></b> |

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 5 - LONG-TERM DEBT**

The debt activity for the year ended June 30, 2013 is as follows:

|  | Beginning<br>Balance | Additions    | Reductions        | Ending<br>Balance    | Due Within<br>One Year |
|--|----------------------|--------------|-------------------|----------------------|------------------------|
| 2009 Tax Exempt Capital Improvement Revenue Bonds (Series A) | \$ 30,000,000        | \$ --        | \$ --             | \$ 30,000,000        | \$ --                  |
| 2009 Taxable Capital Improvement Revenue Bonds (Series B)    | 3,385,910            | --           | 636,987           | 2,748,923            | 656,479                |
| Deferred amount on refunding                                 | <u>(364,821)</u>     | <u>--</u>    | <u>(26,220)</u>   | <u>(338,601)</u>     | <u>--</u>              |
| <b>Total Long-Term Debt</b>                                  | <u>\$ 33,021,089</u> | <u>\$ --</u> | <u>\$ 610,767</u> | <u>\$ 32,410,322</u> | <u>\$ 656,479</u>      |

On December 1, 2009, the Athletics Finance Corporation issued \$30,000,000 of Miami-Dade County Industrial Development Authority Revenue Bonds Series 2009A and \$5,310,000 of Miami-Dade County Industrial Development Authority Taxable Revenue Bonds Series 2009B.

These bonds were issued and secured under and pursuant to a trust indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and non-operating revenues. Principal payments for the bonds began March 1, 2010. Interest payments are made on a quarterly basis. The interest rate on the Series 2009A Bonds is equal to the sum of 63.7% of three-month LIBOR plus 1.90%. The interest rate on the Series 2009B Bonds shall be at a rate equal to three-month LIBOR plus 2.65%. The total proceeds from the new bond issue were used solely to retire and current refund the outstanding Series 2007 A and B bonds and pay costs of issuance of the bonds and other refinancing costs. The bonds are secured by operating and non operating revenues as well as University athletic fees, not to exceed 5% of the total athletic fees collected. Total principal due at June 30, 2013 was \$32,748,923.

The Athletics Finance Corporation has funded a debt service reserve fund in accordance with the bond indenture requirement of maintaining 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 \$2,828,860 and is presented in restricted investments.

The Athletics Finance Corporation is required to maintain minimum deposits of \$2,000,000 with Regions Bank. The deposit is to be held in an interest-bearing additional reserve fund and is presented in restricted cash.



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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

The interest rate on these bonds is both fixed and variable and is subject to a hedge agreement (see Note 6) that was entered into 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.

The aggregate maturities of these bonds as of June 30, 2013 are as follows:

| For the Year Ending<br>June 30,    | Principal                  | Interest                   | Total                      |
|------------------------------------|----------------------------|----------------------------|----------------------------|
| 2014                               | \$ 656,479                 | \$ 1,677,592               | \$ 2,334,071               |
| 2015                               | 676,567                    | 1,719,051                  | 2,395,618                  |
| 2016                               | 697,270                    | 1,684,647                  | 2,381,917                  |
| 2017                               | 1,090,035                  | 1,649,191                  | 2,739,226                  |
| 2018                               | 1,300,000                  | 1,592,684                  | 2,892,684                  |
| 2019-2023                          | 7,442,857                  | 6,849,539                  | 14,292,396                 |
| 2024-2028                          | 9,285,714                  | 4,659,023                  | 13,944,737                 |
| 2029-2033                          | <u>11,600,001</u>          | <u>1,925,965</u>           | <u>13,525,966</u>          |
|                                    | 32,748,923                 | 21,757,692                 | 54,506,615                 |
| Less: amount deferred on refunding | <u>(338,601)</u>           | <u>--</u>                  | <u>(338,601)</u>           |
| <b>Total</b>                       | <u><u>\$32,410,322</u></u> | <u><u>\$21,757,692</u></u> | <u><u>\$54,168,014</u></u> |

**NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS**

***OBJECTIVES***

As a means to lower its borrowing costs and increase its savings, the Organization entered into an interest rate swap agreement in connection with its \$30,000,000 2009A Miami-Dade County Industrial Development Authority Revenue Bond issuance (Refunding Bonds). The intention of the swap agreement was to effectively change the Organization's variable interest rate on the bonds to a synthetic fixed rate of 5.50%, which is the fixed rate payable by the Organization under the swap agreement of 3.60 % plus 1.90%.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

***TERMS***

On December 22, 2009, Athletics Finance Corporation entered into an interest rate swap agreement to hedge the floating rate on \$21,000,000 of the principal amount of the 2009A Bonds. This represents the fixed portion of the tax exempt bonds payable mentioned in Note 5 above. Under the swap agreement, the Athletics Finance Corporation agrees to pay a fixed rate of 3.60% and receive a variable rate equal to 63.7% of three-month LIBOR. The swap agreement has a maturity date of March 1, 2033.

***FAIR VALUE***

As of June 30, 2013, the Athletics Finance Corporation swap has a derivative liability of \$4,068,875 as reported in the statement of net position. The negative fair value was determined using a Mark-to-Market Value and represents the closing mid-market values.

As of June 30, 2013, the fair value of the Series 2007A ineffective interest rate swap was \$1,912,689. This interest rate swap was not terminated when the bonds were refunded in December 2009. The interest rate on the refunded Series 2009A bonds reflects a higher rate due to not terminating this interest rate swap. Accordingly, the fair value of \$1,912,689 of the ineffective Series 2007A interest rate swap is being amortized over the remaining life of the refunded Series 2009A bond.

The synthetic instrument method evaluates the effectiveness by quantitative approach. The synthetic instrument method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item. The Organization determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap is presented in the statement of net position as a deferred outflow of resources in the amount of \$2,156,186.

***CREDIT RISK***

As of June 30, 2013, the Athletics Finance Corporation was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Organization would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty (Regions Bank) was rated Baa3 by Moody's Investors Service, BBB by Standard and Poor's and BBB- by Fitch Ratings.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

***BASIS RISK***

Basis risk arises when different indexes are used in connection with a derivative. Given that both the bond and the interest rate swap are based on 63.7% of the three-month LIBOR rate, there is limited basis risk.

***TERMINATION RISK***

The derivative contract uses the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes an “additional termination event”. That is, the swap agreement may be terminated if: (i) the loan or other indebtedness in connection with which a transaction entered into by the Athletics Finance Corporation for the purpose or with the effect of altering the net combined payment from a floating to fixed or a fixed to floating rate basis is repaid, whether upon acceleration of principal, at maturity, or otherwise, or for any other reason ceases to be an obligation of the Athletics Finance Corporation, with or without the consent of the counterparty (Regions Bank); or (ii) any credit support document expires, terminates or ceases to be of full force and effect. Also, the swap agreement may be terminated or assigned by Athletics Finance Corporation if the counterparty’s (Regions Bank) long-term, senior, unsecured, unenhanced debt rating is withdrawn, suspended, or falls below at least two of the following: a) “Baa3” as determined by Moody’s; or b) “BBB-” as determined by Standard and Poor’s; or c) “BBB-” as determined by Fitch.

***SWAP PAYMENTS AND ASSOCIATED DEBT***

Using rates as of June 30, 2013, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

| For the Year Ending<br>June 30, | Variable-Rate Bond   |                     | Interest Rate        |                      |
|---------------------------------|----------------------|---------------------|----------------------|----------------------|
|                                 | Principal            | Interest            | Swap, Net            | Total                |
| 2014                            | \$ --                | \$ 399,368          | \$ 755,632           | \$ 1,155,000         |
| 2015                            | --                   | 399,368             | 755,632              | 1,155,000            |
| 2016                            | --                   | 399,368             | 755,632              | 1,155,000            |
| 2017                            | 260,000              | 399,368             | 755,632              | 1,415,000            |
| 2018                            | 910,000              | 394,424             | 746,276              | 2,050,700            |
| 2019-2023                       | 5,210,000            | 1,696,270           | 3,209,456            | 10,115,726           |
| 2024-2028                       | 6,500,000            | 1,153,794           | 2,183,056            | 9,836,850            |
| 2029-2033                       | 8,120,000            | 476,959             | 902,440              | 9,499,399            |
| <b>Total</b>                    | <u>\$ 21,000,000</u> | <u>\$ 5,318,919</u> | <u>\$ 10,063,756</u> | <u>\$ 36,382,675</u> |

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

*SWAP PAYMENTS AND ASSOCIATED DEBT (CONTINUED)*

As rates vary, variable-rate bond interest payments and net swap payments will vary.

**NOTE 7 - UNEARNED 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. Operating revenues may include athletics fees collected by the University, fund raising revenues, conference payments and naming rights revenues. Non-operating revenues include capital gifts and investment revenues related to any of the above. Operating revenues related to the sale of football stadium suites and club seats are unavailable 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, 2021:

| For the Year Ending |                            |
|---------------------|----------------------------|
| June 30,            | Amount                     |
| 2014                | \$ 541,453                 |
| 2015                | 273,260                    |
| 2016                | 246,100                    |
| 2017                | 40,000                     |
| 2018                | 40,000                     |
| 2019-2021           | <u>120,000</u>             |
| <b>Total</b>        | <b><u>\$ 1,260,813</u></b> |

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 8 – RELATED PARTY TRANSACTIONS**

***RELATED PARTY REVENUES***

In accordance with the Memorandum of Understanding dated March 5, 2010, the University manages stadium-related activities, collects revenues on behalf of the Athletics Finance Corporation, and remits revenues timely as required under the existing trust indenture. For the year ended June 30, 2013 the Athletics Finance Corporation received revenue for NCAA and conference payments, athletic support, suite revenue, ticket sales, sponsorship revenues, rental income, contributions and other operating revenues. The total of these revenues was \$3,608,981.

***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, was 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 \$31,937,211.

The following schedule by years represents management's best estimate of future minimum rental expense that will be recognized for these sublease agreements:

| For the Year Ending |                             |
|---------------------|-----------------------------|
| June 30,            | Amount                      |
| 2014                | \$ 1,304,083                |
| 2015                | 1,304,083                   |
| 2016                | 1,304,083                   |
| 2017                | 1,304,083                   |
| 2018                | 1,304,083                   |
| 2019-2023           | 6,520,416                   |
| 2024-2028           | 6,520,416                   |
| 2029-2033           | 6,411,742                   |
| <b>Total</b>        | <b><u>\$ 25,972,989</u></b> |

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

---

**NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)**

***LEASE COMMITMENTS (CONTINUED)***

**Reconciliation of the Statement of Net Position  
to the Lease Commitment**

|                                |                 |
|--------------------------------|-----------------|
| Current prepaid rent and other | \$ 1,319,796    |
| Non current prepaid rent       | 24,668,906      |
| Less: other assets             | <u>(15,713)</u> |

|                                |                                    |
|--------------------------------|------------------------------------|
| <b>Total Lease Commitments</b> | <b><u><u>\$ 25,972,989</u></u></b> |
|--------------------------------|------------------------------------|

As of June 30, 2013, construction draws amounting to \$31,937,211 have been paid by the University to various contractors. The prepaid rent has been amortized by \$1,304,083 in the current year.

---

---

## **REPORTING SECTION**

---

---



**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***

**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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida International University Athletics Finance Corporation (the Organization) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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



### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

### ***Purpose of this Report***

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

*Marum LLP*

Miami, FL  
October 23, 2013

This page intentionally left blank

**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES**

**Finance and Audit Committee**

January 9, 2014

**Subject: Florida International University Academic Health Center Health Care  
Network Faculty Group Practice, Inc. Financial Audit, 2012-13**

---

**Proposed Committee Action:**

Recommend approval by the Florida International University Board of Trustees of the Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit for the 2012-13 fiscal year and authorize the Chief Executive Officer of the Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

---

**Background information:**

The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (FIU HCN) 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 for review and approval.

The FIU HCN Financial Audit for the 2012-13 fiscal year was submitted and approved by the FIU HCN Board of Directors on October 29, 2013, and the University President is recommending its approval.

Florida Board of Governors Regulation 9.017 (2)(e) Faculty Practice Plans, states in relevant part that each Faculty Practice Plan shall include and/or provide for an annual audit, which shall be forwarded to the Board of Governors for review and oversight.

---

|                                  |   |
|----------------------------------|---|
| <b>Supporting Documentation:</b> | Florida International University Academic Health Center<br>Health Care Network Faculty Group Practice, Inc.<br>Financial Audit, 2012-13 |
|----------------------------------|---|

|                               |                    |
|-------------------------------|--------------------|
| <b>Facilitator/Presenter:</b> | Kenneth A. Jessell |
|-------------------------------|--------------------|

This page intentionally left blank

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**CONTENTS**

---

|  |              |
|--|--------------|
| <b>Independent Auditors' Report.....</b>   | <b>1-2</b>   |
| <b>Management Discussion and Analysis .....</b>  | <b>3-9</b>   |
| <b>Basic Financial Statements</b>  |              |
| Statement of Net Position .....  | 10           |
| Statement of Revenues, Expenses and Changes in Net Position .....  | 11           |
| Statement of Cash Flows .....  | 12           |
| <b>Notes to Financial Statements.....</b>  | <b>13-24</b> |
| <b>Compliance Section</b>  |              |
| Independent Auditors' Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing Standards ..... | 25-27        |

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Audit Committee of the  
**The Florida International University Academic Health Center  
Health Care Network Faculty Group Practice, Inc.**  
Miami, Florida

### *Report on the Financial Statements*

We have audited the accompanying financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the "FIU HCN"), a direct support organization and a component unit of Florida International University, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express 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 from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the FIU HCN as of June 30, 2013, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited the FIU HCN's 2012 financial statements, and our report dated October 30, 2012 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters - Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of the FIU HCN's internal control over financial reporting and on 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FIU HCN's internal control over financial reporting and compliance.

*Marcum LLP*

Miami, FL  
October 29, 2013



---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the "FIU HCN") for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements and notes thereto, are the responsibility of management.

***FINANCIAL HIGHLIGHTS***

The FIU HCN assets totaled \$2.6 million at June 30, 2013. This balance reflects an \$810 thousand increase from the 2012 fiscal year, resulting primarily from an increase in operating revenues of \$1 million. While assets increased, liabilities also increased by \$1.2 million, totaling \$5.1 million at June 30, 2013, compared to \$3.9 million at June 30, 2012. The increase in liabilities was a result of a loan agreement with Florida International University (the "University" of "FIU"), whereby the University will loan the FIU HCN \$5.3 million to provide working capital and build out capital to fund the expansion of the faculty practice plan. As of June 30, 2013, the draw downs on the loan totaled \$4.9 million. As a result, the FIU HCN's net position decreased by \$418 thousand, reaching a year-end deficit of \$2.5 million.

The FIU HCN's operating revenues totaled \$1.3 million for the 2013 fiscal year, a \$1 million increase from the 2012 fiscal year. This amount was comprised of primary care and specialty care physician clinical services (approximately \$810,000), as well as other operating revenues generated by the HCN relating to non-clinical practice services (approximately \$510,000). Operating expenses totaled \$3.2 million for the 2013 fiscal year, representing an increase of \$1 million over the 2012 fiscal year due to the following: (a) salaries of administrative, clinical and support staff of the Herbert Wertheim College of Medicine and their associated benefits; (b) rent and lease expense; (c) non-capitalized equipment supplies; and (e) consulting, professional, marketing and other expenses. These operating expenses and equipment all were incurred related to the expansion of medical services and the administrative capabilities for the faculty practice plan.

***OVERVIEW OF FINANCIAL STATEMENTS***

The FIU HCN's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows.

***Statement of Net Position***

The statement of net position reflects the assets and liabilities of the FIU HCN, using the accrual basis of accounting, and presents the financial position of the FIU HCN at a specified time. The difference between total assets and total liabilities, net position, is one indicator of the FIU HCN's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the FIU HCN's financial condition.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The following summarizes the FIU HCN's assets, liabilities, and net position at June 30:

**Condensed Statement of Net Assets at June 30  
(In Thousands)**

|                           | 2013                     | 2012                     | 2011                   |
|---------------------------|--------------------------|--------------------------|------------------------|
| <b>Assets</b>             |                          |                          |                        |
| Current assets            | \$ 1,348                 | \$ 380                   | \$ 87                  |
| Noncurrent assets         | <u>1,316</u>             | <u>1,475</u>             | <u>2</u>               |
| <b>Total Assets</b>       | <u><u>\$ 2,664</u></u>   | <u><u>\$ 1,855</u></u>   | <u><u>\$ 89</u></u>    |
| <b>Liabilities</b>        |                          |                          |                        |
| Current liabilities       | \$ 263                   | \$ 129                   | \$ 52                  |
| Noncurrent liabilities    | <u>4,916</u>             | <u>3,823</u>             | <u>263</u>             |
| <b>Total Liabilities</b>  | <u><u>\$ 5,179</u></u>   | <u><u>\$ 3,952</u></u>   | <u><u>\$ 315</u></u>   |
| <b>Net Position</b>       |                          |                          |                        |
| Unrestricted              | <u>\$ (2,515)</u>        | <u>\$ (2,097)</u>        | <u>\$ (226)</u>        |
| <b>Total Net Position</b> | <u><u>\$ (2,515)</u></u> | <u><u>\$ (2,097)</u></u> | <u><u>\$ (226)</u></u> |

The statement of net position reflects the FIU HCN's expansion of operations. Current assets mainly depict cash and receivables.

In summary, total assets increased by \$809 thousand, while total liabilities increased by \$1,227 thousand. As a result, the net position balance at June 30, 2013, had an unfavorable decrease of \$418 thousand.

For more detailed information, see the statement of net position on page 10 of the financial statements.

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

The statement of revenues, expenses, and changes in net position presents the FIU HCN's revenue and expense activity, categorized as operating and non-operating. Operating revenues are comprised principally of net patient service revenues and revenues earned from non-patient service activities. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The following summarizes the FIU HCN's activity for the fiscal years ended June 30:

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

|   | 2013                     | 2012                     | 2011                   |
|---|--------------------------|--------------------------|------------------------|
| Operating Revenues                      | \$ 1,329                 | \$ 322                   | \$ 20                  |
| Operating Expenses                      | <u>3,152</u>             | <u>2,164</u>             | <u>260</u>             |
| <b>Operating Income</b>                 | (1,823)                  | (1,842)                  | (240)                  |
| Non-operating Expenses                  | (78)                     | (29)                     | (2)                    |
| Non-operating Income                    | 1,483                    | --                       | --                     |
| <b>Change in Net Assets</b>             | (418)                    | (1,871)                  | (242)                  |
| <b>Net Position - Beginning of Year</b> | <u>(2,097)</u>           | <u>(226)</u>             | <u>16</u>              |
| <b>Net Position - End of Year</b>       | <u><u>\$ (2,515)</u></u> | <u><u>\$ (2,097)</u></u> | <u><u>\$ (226)</u></u> |

***Operating Revenues***

The FIU HCN categorizes revenues as either operating or non-operating. Operating revenues are derived from direct patient care services provided by employed physicians of Florida International University's Herbert Wertheim College of Medicine and from revenues derived from administrative, management and business development services performed (non-patient care services).

The following summarizes the operating revenues by source that were used to fund operating activities during the fiscal years ended June 30:

**Operating Revenues  
(In Thousands)**

|                                 | 2013                   | 2012                 | 2011                |
|---------------------------------|------------------------|----------------------|---------------------|
| Net patient service revenue     | \$ 810                 | \$ 267               | \$ 20               |
| Other revenues                  | <u>519</u>             | <u>55</u>            | <u>--</u>           |
| <b>Total Operating Revenues</b> | <u><u>\$ 1,329</u></u> | <u><u>\$ 322</u></u> | <u><u>\$ 20</u></u> |

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The activities of the FIU HCN primarily consist of the provision of specialty and primary care clinical services to patients of the local community, as well as the University's faculty and staff. During the 2013 fiscal year, specialty services were increased from Gynecology and its sub-specialties (i.e., Gynecological Oncology), Rheumatology and Infectious Disease to include Endocrinology, Psychiatry, Dermatology and Pulmonology. Other revenues represent the following: (a) rental income from leasing physicians and (b) management service revenue.

Specialty and primary care volume are attributable to commercial managed care payers, in addition to self-pay patients and Medicare patients. In October 2012, the faculty practice plan was notified that it was accepted as a Medicaid group provider.

***Operating Expenses***

The FIU HCN categorizes expenses as operating or non-operating. Governmental Accounting Standards Board ("GASB") gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The FIU HCN has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position.

The following summarizes the operating expenses by natural classifications for the fiscal years ended June 30:

| <b>Operating Expenses<br/>(In Thousands)</b>    |                 |                 |               |
|---|-----------------|-----------------|---------------|
|   | 2013            | 2012            | 2011          |
| Contractual personnel services                  | \$ 2,204        | \$ 1,392        | \$ 122        |
| Rentals and leases                              | 223             | 167             | 64            |
| Contracted professional and consulting services | 191             | 154             | 39            |
| Depreciation                                    | 185             | 164             | 1             |
| Other operating                                 | 124             | 44              | 18            |
| Advertising and promotion                       | 57              | 107             | 8             |
| Utilities                                       | 54              | 34              | --            |
| Supplies - medical                              | 53              | 37              | 5             |
| Supplies - other                                | 31              | 45              | 3             |
| Insurance                                       | 22              | 13              | --            |
| Repairs and maintenance                         | 8               | 7               | --            |
| <b>Total Operating Expenses</b>                 | <b>\$ 3,152</b> | <b>\$ 2,164</b> | <b>\$ 260</b> |

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Operating expenses totaled \$3.2 million for the 2013 fiscal year. This represents a \$1 million increase over the 2012 fiscal year and was primarily due to: (a) salaries of administrative, clinical and support staff of the Herbert Wertheim College of Medicine ("HWCOC") and their associated benefits; (b) rent and lease expense; (c) medical, office and non-capitalized equipment supplies; and (d) consulting, professional, marketing and other expenses. These operating expenses all were incurred related to the expansion of medical services and the administrative capabilities for the faculty practice plan.

***Non-Operating Expenses***

Non-operating expenses represents interest expense on the loans owed to the University for start-up costs, working capital and capital funding for the expansion of the faculty practice plan and other clinical activities.

***Non-Operating Income***

Non-operating income represents the proceeds received from Miami Dade County as a recoupment of funds expended relating to the construction/build-out of the Faculty Group Practice and its related equipping. This is part of the greater Ambulatory Care Center building project that will be added to the Modesto Maidique Campus of FIU as a result of the \$10 million grant from the Miami Dade County.

As part of a strategic initiative between FIU and Miami-Dade County, a political subdivision of the State of Florida ("MDC"), \$10 million from interest proceeds of a GOB bond funding has been granted for an on-campus Ambulatory Care Center. Approximately, \$1,483,000 was received during the fiscal 2013 year with the balance to be received over next eighteen months as the project is completed. The funds were received by FIU, contributed to FIU HCN, and applied against the balance due to FIU from FIU HCN. FIU has entered into agreements with both an architectural and engineering firm, as well as a general contractor, to complete this project.

***DEBT ADMINISTRATION***

As of June 30, 2013, the FIU HCN had debt payable to FIU of approximately \$4,916,000, representing an increase of approximately \$1,093,000, from prior fiscal year.

Additional information about the FIU HCN's debt due to FIU is presented in Note 5 to the financial statements.

***ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE***

The overall healthcare economy and environment will continue to present opportunities, challenges and benefits.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

As it relates to the current funding of its operations, the FIU HCN is dependent upon the following funding sources: (a) clinical operating revenues; (b) management service revenues; (c) physician lease revenue and (d) loan proceeds. The increase of funds from the first three sources will decrease the need for loan proceeds utilization.

For the fiscal year ended June 30, 2013, a significant portion of the FIU HCN's clinical revenues is generated from operations at the ambulatory clinical practice location. Clinical operating revenues are expected to continue to increase in the coming year due to the following factors:

- ✓ Increased patient volume as patient referrals increase and as the clinical practice incorporate existing community physicians into its employed physician base
- ✓ Increased number of insurance options being accepted at the practice, including Medicare, Medicaid and other managed care payers
- ✓ Provision of additional ancillary services (i.e. ultrasound) and physician specialty services
- ✓ Provision of inpatient evaluation & management services by physicians in hospitals, nursing homes and rehabs

Management service opportunities within the HWCOP and throughout the University (i.e. Student Health) will continue to be evaluated and implemented. Additionally, management service and business development opportunities, such as the Graduate Certificate program through HWCOP for 3<sup>rd</sup> year international medical student clinical rotations here in South Florida are underway. The FIU HCN also expects to continue to pursue the expansion of physician services at its clinical practice locations and future locations through employment arrangements with community physicians, as well as a collaborative project with the Miami Dade County Health Department. Lastly, the FIU HCN will supplement any operational fund needs through the remaining cash and loan availability.

Based on current market trends, the FIU HCN does not expect to experience a decrease in reimbursement rates, as the principal source of services is in primary care, which is a major focus of the federal government's Accountable Care Act. Additionally, the FIU HCN has begun to focus on physicians providing services in inpatient settings due to the higher reimbursement levels (i.e. surgeries, inpatient evaluation & management services). Revenue growth can be further impacted through the following:

- ✓ P4P (pay for performance) initiatives
- ✓ Increasing capitation membership with managed care
- ✓ Ability to become "participating" providers with managed care organizations

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

During March 2013, FIU received, for the benefit of the FIU HCN, approximately \$1,483,000 of proceeds from Miami Dade County as a recoupment of funds expended relating to the construction/build-out of the Phase I (Faculty Group Practice) of the Ambulatory Care Center building project. This project will combine the primary and specialty physician services with diagnostic imaging and ambulatory surgery.

***REQUESTS FOR INFORMATION***

This financial statement is designed to provide a general overview of the FIU HCN's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc., 11200 S.W. 8<sup>th</sup> Street, Miami, Florida 33199.



**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**STATEMENT OF NET POSITION**

**JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)**

|                                  | <u>2013</u>           | <u>2012</u>           |
|----------------------------------|-----------------------|-----------------------|
| <b>Assets</b>                    |                       |                       |
| <b>Current Assets</b>            |                       |                       |
| Cash and cash equivalents        | \$ 1,189,627          | \$ 310,501            |
| Patient accounts receivable      | 86,348                | 25,855                |
| Other receivables                | 21,767                | 19,313                |
| Other current assets             | <u>49,837</u>         | <u>24,522</u>         |
| <b>Total Current Assets</b>      | 1,347,579             | 380,191               |
| <b>Noncurrent Assets</b>         |                       |                       |
| Depreciable capital assets, net  | <u>1,316,565</u>      | <u>1,474,656</u>      |
| <b>Total Assets</b>              | <u>\$ 2,664,144</u>   | <u>\$ 1,854,847</u>   |
| <b>Liabilities</b>               |                       |                       |
| <b>Current Liabilities</b>       |                       |                       |
| Accounts payable                 | \$ 173,478            | \$ 11,554             |
| Due to FIU                       | --                    | 27,674                |
| Unearned revenue                 | <u>90,000</u>         | <u>90,000</u>         |
| <b>Total Current Liabilities</b> | 263,478               | 129,228               |
| <b>Noncurrent Liabilities</b>    |                       |                       |
| Due to FIU                       | <u>4,915,807</u>      | <u>3,822,412</u>      |
| <b>Total Liabilities</b>         | <u>5,179,285</u>      | <u>3,951,640</u>      |
| <b>Unrestricted Net Position</b> | <u>\$ (2,515,141)</u> | <u>\$ (2,096,793)</u> |

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

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

|   | 2013                         | 2012                         |
|---|------------------------------|------------------------------|
| <b>Operating Revenues</b>                       |                              |                              |
| Net patient service revenue                     | \$ 809,670                   | \$ 267,123                   |
| Educational program                             | 500,000                      | --                           |
| Rental income                                   | 9,270                        | 38,229                       |
| Miscellaneous revenue                           | <u>9,854</u>                 | <u>16,001</u>                |
| <b>Total Operating Revenues</b>                 | <u>1,328,794</u>             | <u>321,353</u>               |
| <b>Operating Expenses</b>                       |                              |                              |
| Contractual personnel services                  | 2,203,960                    | 1,391,791                    |
| Rentals and leases                              | 222,646                      | 166,829                      |
| Contracted professional and consulting services | 190,884                      | 153,649                      |
| Depreciation                                    | 184,568                      | 164,013                      |
| Other operating                                 | 123,875                      | 43,751                       |
| Advertising and promotion                       | 57,285                       | 107,361                      |
| Utilities                                       | 54,359                       | 33,757                       |
| Supplies - medical                              | 53,424                       | 36,989                       |
| Supplies - other                                | 31,079                       | 45,405                       |
| Insurance                                       | 22,245                       | 13,208                       |
| Repairs and maintenance                         | <u>8,121</u>                 | <u>7,109</u>                 |
| <b>Total Operating Expenses</b>                 | <u>3,152,446</u>             | <u>2,163,862</u>             |
| <b>Operating Loss</b>                           | (1,823,652)                  | (1,842,509)                  |
| <b>Non-Operating Expenses</b>                   |                              |                              |
| Interest expense                                | 77,660                       | 28,630                       |
| <b>Non-Operating Income</b>                     |                              |                              |
| Contribution from FIU                           | <u>1,482,964</u>             | <u>--</u>                    |
| <b>Change in Net Position</b>                   | (418,348)                    | (1,871,139)                  |
| <b>Net Position - Beginning of Year</b>         | <u>(2,096,793)</u>           | <u>(225,654)</u>             |
| <b>Net Position - End of Year</b>               | <u><u>\$ (2,515,141)</u></u> | <u><u>\$ (2,096,793)</u></u> |

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

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

|   | 2013                       | 2012                     |
|---|----------------------------|--------------------------|
| <b>Cash Flows From Operating Activities</b>   |                            |                          |
| Operating receipts  | \$ 749,177                 | \$ 331,988               |
| Other operating receipts  | 516,670                    | 36,777                   |
| Payments to suppliers for goods and services  | <u>(358,148)</u>           | <u>(275,694)</u>         |
| <b>Net Cash and Cash Equivalents Provided by Operations</b>                                     | <u>907,699</u>             | <u>93,071</u>            |
| <b>Cash Flows From Non-Capital Financing Activities</b>   |                            |                          |
| Borrowings from FIU   | --                         | 267,637                  |
| Payments to FIU   | <u>(28,573)</u>            | <u>(29,354)</u>          |
| <b>Net Cash and Cash Equivalents (Used in) Provided by Non-Capital Financing Activities</b>     | <u>(28,573)</u>            | <u>238,283</u>           |
| <b>Cash Flows From Capital and Related Financing Activities</b>                                 |                            |                          |
| Purchase of capital assets  | <u>--</u>                  | <u>(53,450)</u>          |
| <b>Net Cash Used in Capital and Related Financing Activities</b>                                | <u>--</u>                  | <u>(53,450)</u>          |
| <b>Net Change in Cash and Cash Equivalents</b>  | 879,126                    | 277,904                  |
| <b>Cash and Cash Equivalents - Beginning of Year</b>  | <u>310,501</u>             | <u>32,597</u>            |
| <b>Cash and Cash Equivalents - End of Year</b>  | <u><u>\$ 1,189,627</u></u> | <u><u>\$ 310,501</u></u> |
| <b>Reconciliation of Operating Loss to Net Cash and Cash Equivalents Provided by Operations</b> |                            |                          |
| Operating loss  | \$ (1,823,652)             | \$ (1,842,509)           |
| Depreciation  | 184,568                    | 164,013                  |
| Expenses paid by FIU  | 2,499,598                  | 1,710,266                |
| (Decrease) Increase in operating assets:  |                            |                          |
| Patient accounts receivable   | (60,493)                   | (25,135)                 |
| Other receivables   | (2,454)                    | (19,313)                 |
| Other current assets  | (25,315)                   | 28,928                   |
| Increase (decrease) in operating liabilities:   |                            |                          |
| Accounts payable  | 135,447                    | (13,179)                 |
| Deferred revenue  | <u>--</u>                  | <u>90,000</u>            |
| <b>Net Cash and Cash Equivalents Provided by Operations</b>                                     | <u><u>\$ 907,699</u></u>   | <u><u>\$ 93,071</u></u>  |
| <b>Non-Cash Investing and Financing Activities</b>  |                            |                          |
| Accrued interest on balance due to FIU  | \$ 76,761                  | \$ 28,630                |
| Purchase of capital assets paid by FIU  | <u>\$ 26,477</u>           | <u>\$ 1,582,551</u>      |
| Borrowings from FIU   | <u>\$ 2,499,598</u>        | <u>\$ 3,292,817</u>      |
| Contribution from FIU   | <u><u>\$ 1,482,964</u></u> | <u><u>\$ --</u></u>      |

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

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***REPORTING ENTITY***

The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the “FIU HCN” or the “Organization”), a Florida not-for-profit corporation, is a component unit of Florida International University (“FIU”). The Organization exists exclusively to support the mission of Florida International University to improve and support health education at the Florida International University in the Herbert Wertheim College of Medicine (“HWCOC”), the Robert Stempel College of Public Health and Social Work, the College of Nursing and Health Sciences, and departments in the College of Arts and Sciences with clinical activities. The Organization has been granted tax-exempt organization status as defined by Section 501(c)(3) of the Internal Revenue Code.

The FIU HCN was organized in the State of Florida on February 21, 2008 and on August 9, 2011, the Organization changed its name from The Florida International University College of Medicine Health Care Network Faculty Group Practice, Inc. to The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc.

***BASIS OF PRESENTATION***

The financial statements of the FIU HCN have been prepared in conformity with accounting principles generally accepted in the United States of America (“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 FIU HCN reports under the GASB standards because 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.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, the FIU HCN 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.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***BASIS OF PRESENTATION (CONTINUED)***

For the year ended June 30, 2013, the Organization implemented GASB Statement No. 62 “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*” This statement classifies all sources of generally accepted accounting principles for governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.

During the year ended June 30, 2013, the Organization implemented GASB Statement No. 63 “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*” This Statement provides guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of financial position. This Statement reclassifies certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources.” It further requires the “Capital assets, net of related debt” now be titled “Net investment in capital assets” and that the last line of the statements, previously call “Net assets” now be titled “Net position.”

***COMPARATIVE INFORMATION***

The financial statements include certain prior year summarized comparative information. 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, 2012, from which the summarized information was derived.

***USE OF ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***CASH AND CASH EQUIVALENTS***

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

***CAPITAL ASSETS***

Capital assets are defined assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of 5 years and are recorded at historical cost less accumulated depreciation and amortization. Capital assets consist of fixed and moveable medical equipment and leasehold improvements. Depreciation and amortization are calculated using the straight line method over the following estimated service lives, which consist of 10 years for leasehold improvements, 5-15 years for moveable equipment and 7 years for fixed equipment.

***FLOW ASSUMPTION FOR RESTRICTED ASSETS***

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

***OPERATING REVENUE AND EXPENSES***

The FIU HCN's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated primarily with providing healthcare services, which is the FIU HCN's principal activity. Other sources of revenue, including investment earnings and educational programs are reported when earned. Operating expenses include all expenses incurred to provide healthcare, other than external financing costs.

***NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE***

Patient service revenue is recognized as revenue in the period when the services are performed and is reported on the accrual basis at the estimated net realizable amounts from patients. Net patient service revenue includes amounts estimated by management to be reimbursable by third-party payor programs under payment formulas in effect. Net patient service revenue also includes an estimated provision for bad debts based upon management's evaluation of collectability of patient receivables considering the age of the receivables and other criteria, such as payor classifications.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE (CONTINUED)***

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an allowance for contractual adjustments. Individual accounts are charged-off against the estimated allowance for uncollectible accounts when management determines that it is unlikely that the account will be collected. The contractual adjustments represent the difference between established billing rates and estimated reimbursement from patients and third party payors. The FIU HCN does not require collateral or other security for patient accounts receivable.

During 2013, new accounting guidance became effective that requires certain health care entities to present the provision for bad debts related to patient service revenue as a deduction from revenue in the statement of operations rather than as an operating expense. The FIU HCN has evaluated the guidance and concluded that it does not recognize significant amounts of revenue at the time of service that are not subject to an assessment as to the patient's ability to pay. Accordingly, the FIU HCN is not required to change its presentation and disclosure under professional standards.

***INCOME TAXES***

The FIU HCN is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, except for unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2013.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2010.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***CONCENTRATION OF CREDIT RISK***

As of June 30 2013, cash is held in highly liquid investments, principally cash, which are fully guaranteed through December 31, 2013 by the Federal Deposit Insurance Corporation for non-interest bearing transaction accounts. In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized.

**NOTE 2 – NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE**

Net patient service revenue is derived principally from professional fees generated by the faculty of the FIU Academic Health Center from treating patients. Net patient service revenue represents direct revenue from patient care. This revenue is derived from professional fees charged to individual patients and funded through third party payors and private patient payments based on established reimbursement rates. A reconciliation of the net patient service revenue and amounts of services provided to patients at established rates to direct revenue from patient care, as presented in the statement of revenue, expenses and changes in net position is as follows:

|  | Year Ending June 30, |                   |
|--|----------------------|-------------------|
|  | 2013                 | 2012              |
| Gross direct charges from patient care   | \$ 1,242,428         | \$ 547,452        |
| Less: contractual adjustments            | (432,758)            | (280,144)         |
| Less: bad debt expense                   | --                   | (185)             |
| <b>Total Net Patient Service Revenue</b> | <b>\$ 809,670</b>    | <b>\$ 267,123</b> |

Contractual adjustments for 2013 was approximately \$8,000 related to adjustments provided to self-insured patient accounts, offered under a discount program according to the FIU HCN's self-pay discount policy.



**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 2 – NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE (CONTINUED)**

The following is a summary of the payment arrangements with major third party payors:

*Medicare:* As of June 30, 2013, all HWCUM faculty physicians are participating in the Medicare program. In most instances, Medicare pays 80% of the allowed charge with the patient being responsible for 20% co-payment and an annual deductible. For the fiscal year ended June 30, 2013, there was minimal participation by any College of Medicine faculty physicians in the Medicare program.

*Medicaid:* As of June 30, 2013, a number of the HWCUM faculty physicians are participating in the Medicaid program. Those physicians that meet the enhanced reimbursement requirement for Medicaid have been enrolled; all other faculty physicians are reimbursed at the current Medicaid fee schedule rates.

*Other:* HWCUM, on behalf of FIU, has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations (“HMO’s”) and preferred provider organizations (“PPO’s”). The bases for payment, which are deposited into an FIU HCN account under these arrangements, vary. Many of the HMO and PPO arrangements are based on the third party’s fee schedule or capitated arrangements with certain Medicare Advantage HMO’s which have been executed.

The FIU HCN’s net patient accounts receivable consists primarily of amounts owed by third party payors and private payments. Net patient accounts receivable are summarized as follows:

|  | Year Ending June 30,    |                         |
|--|-------------------------|-------------------------|
|  | 2013                    | 2012                    |
| Patient accounts receivable based on established charges | \$ 196,565              | \$ 57,455               |
| Less: contractual adjustments                            | <u>(110,217)</u>        | <u>(31,600)</u>         |
| <b>Patient Accounts Receivable, Net</b>                  | <u><u>\$ 86,348</u></u> | <u><u>\$ 25,855</u></u> |

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 2 – NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE (CONTINUED)**

Net patient accounts receivable by major financial classification is as follows:

|   | Year Ending June 30,    |                         |
|---|-------------------------|-------------------------|
|   | 2013                    | 2012                    |
| Insurance carriers under commercial plans | \$ 66,010               | \$ 23,354               |
| Medicare                                  | 14,088                  | 2,437                   |
| Medicaid                                  | 4,819                   | --                      |
| Patients, including self-insured          | <u>1,431</u>            | <u>64</u>               |
| <b>Patient Accounts Receivable, Net</b>   | <u><u>\$ 86,348</u></u> | <u><u>\$ 25,855</u></u> |

**NOTE 3 – EDUCATIONAL PROGRAM**

During the year ended June 30, 2013, FIU HCN entered into an initial agreement with the American University of Antigua College of Medicine (AUA) for the first phase of a project with this institution. This first phase is to begin the process of moving forward with a clinical education agreement and obtain a hospital affiliate that would provide the “home base” for the medical student rotations. This agreement included a payment of \$500,000 upon execution for services to be delivered, which was earned and recognized in revenue during the year ended June 30, 2013.

On June 25, 2013, an affiliation clinical education agreement was executed with Westchester General Hospital, Inc. to be the clinical affiliate for the AUA medical student rotations. This agreement had an effective date of July 1, 2013 and will include a future payment of \$500,000 to FIU HCN.

Effective October 1, 2013, an agreement was executed by HWCOR on behalf of the FIU HCN that allows for the opportunity for qualified School students to participate in an HWCOR Clinical Certificate Program that offers core clinical rotations in multiple medical specialties to third year medical students. The agreement is for a period of six (6) years and will generate management service revenues for the FIU HCN.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

**NOTE 4 – DEPRECIABLE CAPITAL ASSETS**

A summary of depreciable capital assets is as follows:

|   | Depreciable Capital Assets      |                  |              |                                 |
|---|---------------------------------|------------------|--------------|---------------------------------|
|   | Ending Balance<br>June 30, 2012 | Additions        | Disposals    | Ending Balance<br>June 30, 2013 |
| Medical equipment                       | \$ 244,211                      | \$ --            | \$ --        | \$ 244,211                      |
| Leasehold improvements                  | 1,396,238                       | 26,477           | --           | 1,422,715                       |
| <b>Total Depreciable Capital Assets</b> | <u>\$ 1,640,449</u>             | <u>\$ 26,477</u> | <u>\$ --</u> | <u>\$ 1,666,926</u>             |

|  | Accumulated Depreciation |                     |              |                     |
|--|--------------------------|---------------------|--------------|---------------------|
|  | June 30, 2012            | Depreciation        | Disposals    | June 30, 2013       |
| <b>Accumulated Depreciation Totals</b> | <u>\$ (165,793)</u>      | <u>\$ (184,568)</u> | <u>\$ --</u> | <u>\$ (350,361)</u> |
| <b>Depreciable Capital Assets, Net</b> | <u>\$ 1,474,656</u>      |                     |              | <u>\$ 1,316,565</u> |

**NOTE 5 – RELATED PARTY TRANSACTIONS**

***DUE TO FIU***

The following is a rollforward of the due to FIU balance for the year ended June 30, 2013:

|                                  | Beginning<br>Balance | Additions           | Payments            | Ending<br>Balance   | Due Within<br>One Year |
|----------------------------------|----------------------|---------------------|---------------------|---------------------|------------------------|
| Due to FIU - Start Up<br>Funding | \$ 27,674            | \$ --               | \$ 27,674           | \$ --               | \$ --                  |
| Due to FIU - Loan                | <u>3,822,412</u>     | <u>2,576,359</u>    | <u>1,482,964</u>    | <u>4,915,807</u>    | <u>--</u>              |
| <b>Total Due to FIU</b>          | <u>\$ 3,850,086</u>  | <u>\$ 2,576,359</u> | <u>\$ 1,510,638</u> | <u>\$ 4,915,807</u> | <u>\$ --</u>           |

On June 1, 2009, the FIU HCN entered into a loan agreement totaling \$100,000 with FIU in order to fund start-up costs associated with the operations. This agreement was amended on January 25, 2010 to reduce the total principal payment due to \$51,100. The loan matured on May 31, 2013 and was paid in full prior to June 30, 2013.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)**

***DUE TO FIU (CONTINUED)***

On August 27, 2010, the FIU HCN entered into a loan agreement totaling \$5,321,198 with FIU in order to provide working capital and build out capital to fund the expansion of the faculty practice plan and the establishment of the ambulatory care center and other FIU clinical activities. Interest on the loan accrues at 2.00% simple interest and the loan is scheduled to mature on June 1, 2030. Draw downs on the loan as June 30, 2013 was \$4,915,807 and relate principally to expenses paid directly by FIU on behalf of FIU HCN. The loan also includes approximately \$104,000 of accrued interest as of June 30, 2013. Interest payments on the loan are scheduled to begin on June 1, 2015 at which time draw downs on the loan will be completed and a final amortization schedule will be available.

As part of a strategic initiative between FIU and Miami-Dade County, a political subdivision of the State of Florida (“MDC”), \$10 million from interest proceeds of a GOB bond funding has been granted for an on-campus Ambulatory Care Center. Approximately, \$1,483,000 was received during the fiscal 2013 year with the balance to be received over next eighteen months as the project is completed. The funds were received by FIU, contributed to FIU HCN, and applied against the balance due to FIU from FIU HCN. FIU has entered into agreements with both an architectural and engineering firm, as well as a general contractor, to complete this project.

Estimated principal and interest payments for the life of the amounts due to FIU, based on the balance due as of June 30, 2013, are as follows:

| For the Year Ending<br>June 30, | Principal           | Interest            | Total               |
|---------------------------------|---------------------|---------------------|---------------------|
| 2014                            | \$ --               | \$ 98,316           | \$ 98,316           |
| 2015                            | --                  | 98,316              | 98,316              |
| 2016                            | --                  | 98,316              | 98,316              |
| 2017                            | --                  | 98,316              | 98,316              |
| 2018                            | 334,857             | 98,316              | 433,173             |
| 2019-2023                       | 1,777,460           | 388,404             | 2,165,864           |
| 2024-2028                       | 1,962,459           | 203,405             | 2,165,864           |
| 2029-2030                       | 841,031             | 25,314              | 866,345             |
| <b>Total</b>                    | <u>\$ 4,915,807</u> | <u>\$ 1,108,703</u> | <u>\$ 6,024,510</u> |

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)**

***LEASE COMMITMENT***

The University and the FIU HCN entered into a space leasing agreement effective February 10, 2011 for an initial term of ten (10) years, which is for the Faculty Group Practice site at PG 5 Market Station. For the years ended June 30, 2013 and 2012, rent expense under this agreement amounted to \$196,050 and \$154,020, respectively. Furthermore, certain space within this facility was subleased until November 2012. For the year ended June 30, 2013, the total sub-lease rental income was \$9,270.

Future minimum annual lease commitments are as follows:

| For the Year Ending<br>June 30, | Amount                     |
|---------------------------------|----------------------------|
| 2014                            | \$ 196,050                 |
| 2015                            | 182,040                    |
| 2016                            | 182,040                    |
| 2017                            | 182,040                    |
| 2018                            | 182,040                    |
| Thereafter                      | <u>475,146</u>             |
| <b>Total</b>                    | <b><u>\$ 1,399,356</u></b> |

**NOTE 6 – OPERATING LEASES**

The FIU HCN entered into a medical equipment lease with an unrelated third party vendor. The non-cancelable operating lease agreement is effective February 1, 2012 for a term of four (4) years. Future minimum rental payments required under this lease are as follows:

| For the Year Ending<br>June 30, | Amount                  |
|---------------------------------|-------------------------|
| 2014                            | \$ 24,444               |
| 2015                            | 24,444                  |
| 2016                            | <u>14,259</u>           |
| <b>Total</b>                    | <b><u>\$ 63,147</u></b> |

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 6 – OPERATING LEASES (CONTINUED)**

For the year ended June 30, 2013, the FIU HCN recognized \$24,444 in expense related to this operating lease.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

***SELF-INSURANCE PROGRAM***

Board of Governor’s Regulation 10.001 authorizes self-insurance programs for the purpose of providing comprehensive general liability and professional liability insurance for health care and veterinary sciences to university board of trustees. On October 1, 2010, the University made an initial non-refundable deposit into a Self-Insurance Program (the “SIP”) bank account of \$1,000,000.

As part of its mission to support the Academic Health Center and FIU, the FIU HCN will transfer a portion of its future surplus from operations to the Academic Health Center and FIU to fund the future cost of the SIP. This future surplus will be transferred to an appropriate FIU account as directed by the FIU’s Division of Finance when such funds are available and budgeted by the Board of Directors of the FIU HCN for this purpose. FIU HCN will, when there is sufficient surplus from operations; fulfill its commitment to provide future SIP funding. Through June 30, 2013, FIU HCN has not made any transfers to this SIP.

***HEALTHCARE INDUSTRY***

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare participation requirements, reimbursement for patient services, Medicare fraud and abuse and most recently, under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

**THE FLORIDA INTERNATIONAL UNIVERSITY  
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK  
FACULTY GROUP PRACTICE, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)**

---

**NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***HEALTHCARE INDUSTRY (CONTINUED)***

Management believes that the FIU HCN is currently in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

**NOTE 8 – SUBSEQUENT EVENTS**

The FIU HCN entered into a lease agreement executed with a local hospital affiliate of HWCOR to operate an ambulatory surgery center as part of the broader Ambulatory Care Center project being constructed on the campus of FIU. The lease agreement provides for a rent free period up until approximately 180 days subsequent to completion of the core Ambulatory Care Center building, which is expected to be December 2014 or January 2015.

---

---

## **COMPLIANCE SECTION**

---

---



**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***

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Audit Committee of the  
**The Florida International University Academic Health Center  
Health Care Network Faculty Group Practice, Inc.**  
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the "Organization") as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

### ***2013-01 Improper Reconciling of Patient's Accounts***

#### ***Condition***

During our testing of controls over revenue we identified the following instances where amounts were not properly recorded, reconciled and/or reported. The procedures performed that resulted in this condition did not result in an audit adjustment.

- i. We noted certain patient accounts that reflected credit balances, one of which resulted from a patient's appointment being final coded by the physician as a preventive visit when the patient was scheduled as a routine exam. This change in service caused the Organization to improperly charge a copayment. We noted there was a lack of timely reconciliation of these credit balances.
- ii. We noted certain instances where the service codes used by physicians were not valid service codes per the Charge Master.
- iii. An instance was identified where revenue generated by radiology services was not reconciled to the general ledger.

#### ***Criteria***

The Company should have adequate controls in place to ensure proper net patient service revenue and patient accounts receivable are recorded.

#### ***Cause***

- i. Credit balances due back to the patient are not reviewed on a monthly basis.
- ii. Changes to the Electronic Medical Record (EMR) charge procedure codes within the Charge Master were not reviewed timely.
- iii. We noted that X-Ray Services (e.g.: Radiology) are not entered into the EMR system through electronic service orders; they are manually recorded by the revenue cycle director and not reviewed on an on-going basis to ensure revenue generated from these services are recorded on the Organization's general ledger.

### ***Effect***

Revenue amounts reported and collections for the period may not reflect the accurate amount of billings and collections as a result of untimely record keeping and reconciliation procedures.

### ***Recommendation***

We recommend that the entity:

- i. Design a process/policy to review credit balances on a monthly basis to ensure billing adjustments are made timely.
- ii. Create a formalized review of the Charge Master to occur on a regular basis (e.g. monthly or quarterly) to ensure the procedure codes are properly reflected in the FIU HCN's EMR system.
- iii. Design a reconciliation process that helps identify errors or omissions of all manually recorded services. In addition, we believe that the recording, collecting, and reconciling of revenue should be more closely monitored to ensure accuracy.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

### ***Purpose of this Report***

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

*Marcum LLP*

Miami, FL  
October 29, 2013

This page intentionally left blank

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

January 9, 2014

**Subject: Approval of the Amendments to the Bylaws of the Florida International University Foundation, Inc.**

---

**Proposed Committee Action:**

Recommend to the Florida International University Board of Trustees (the BOT) approval of the Florida International University Foundation Inc. Bylaws as amended and restated on October 26, 2013 and authorize the President and CEO of the Foundation to take all actions necessary pertaining to these amended Bylaws.

---

**Background Information:**

On October 26, 2013, the Florida International University Foundation Inc. Board of Directors approved amendments to the Foundation's Bylaws.

The main Bylaw revisions that the Foundation's Board of Directors approved are as follows: (1) extending the term of service of Directors who serve as officers commensurate with the period of time of the Director's service as an officer, and (2) providing the public with the opportunity to comment on agenda items at full board meetings in accordance with Florida Statute §286.0114.

The BOT must approve any amendments to the Florida International University Foundation, Inc. Bylaws before their becoming effective.

Regulation FIU-1502 Direct Support Organizations (2) (a) provides that any amendments to the Articles of Incorporation or Bylaws of a direct support organization must be submitted by the President of the University to the BOT for approval prior to becoming effective.

Article 10, Section 1 of the Florida International University Foundation Inc. Bylaws provides that any amendment to the Bylaws, approved by the Foundation's Board, shall be submitted by the University President to the BOT for approval prior to its effective date.

---

**Supporting Documentation:**

Florida International University Foundation, Inc. Bylaws as Amended and Restated on the 26<sup>th</sup> day of October 2013

**Facilitator/Presenter:**

Richard Brilliant, *Treasurer, FIU Foundation, Inc.*  
*Board of Directors*

This page intentionally left blank

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION INC.  
A Florida Not For Profit Corporation  
(The "Foundation")

BYLAWS

As Amended and Restated the ~~27<sup>th</sup> day of October 2012~~ 26<sup>th</sup> day of October 2013

ARTICLE 1. BOARD OF DIRECTORS.

Section 1. Governance. In accordance with Article 5 of the Articles of Incorporation of the Foundation, the affairs of the Foundation shall be managed by and under the direction of the Board of Directors (the "Board") and by various Officers and committees thereof as powers may be delegated to such Officers and committees by these Bylaws or by Resolution of the Directors. Members of the Board shall be the sole voting members of the Foundation and shall be called "Directors."

Section 2. Number and Qualifications of Directors. The Directors shall include three categories of members:

(i) Elected Members. The Directors shall elect from the nominations of the Membership & Board Management Committee, or from nominations made from the floor, a total of not less than twenty-eight (28) and not more than sixty (60) members in accordance with the nomination and election procedures specified by these Bylaws. Each Director shall have demonstrated outstanding qualities of leadership and managerial ability and a serious personal intention to promote the advancement of higher education and Florida International University ("the University") through dedicated service to the Foundation. Each Director should set an example of charitable interest in the University and the Foundation which alumni and other friends of the University may emulate. To that end, each elected member of the Board shall contribute to the Foundation, at a minimum, an annual membership gift, the amount of which shall be recommended by the Executive Committee and approved by the Board at the Annual Meeting, and which shall be paid to the Foundation by each Director during the first quarter of each fiscal year of membership. In addition, each Director shall either make a donation, or get others to make donations, annually in the amount established by the Board at its Annual Meeting. Directors shall be expected to participate in University functions and events whenever reasonable and practicable and act as an emissary to promote and advance the goals of the University.

(ii) Officers. The Directors shall elect a Chairperson of the Board ("Chairperson"), up to two (2) Vice Chairpersons, Secretary and Treasurer from among its membership. The

Chairperson may appoint an Assistant Secretary and Assistant Treasurer to provide administrative support.

(iii) Designated Ex Officio Members. The Directors shall include among their members the persons who hold the following offices during the time they hold such offices: the President of the University or his designee, a Faculty representative from the Faculty Senate recommended by the President after consultation with the Faculty Senate Chairperson, the President of the Student Government Council who is not serving on the Board of Trustees, the President of the Alumni Association, the Chairperson of the FIU President's Council, and others who may be designated by the Directors from time to time. The Chairperson of the University Board of Trustees may appoint a representative to the Board and the Executive Committee. Ex Officio members shall have the right to vote and shall be counted towards quorum.

Section 3. Terms of Service. A newly elected Director, who has not previously been a Director, shall be elected to serve for one Board calendar year. If the initial term of service is less than 6 months, the Director shall continue to serve during the next calendar year before being elected to any subsequent term. Following the initial year, he/she may be elected for up to a two year term, followed by two three year terms before having to rotate off the Board for a minimum of one year. ~~Current Directors shall be considered newly elected Directors when their current term is concluded and~~ shall be eligible to serve for nine (9) years before having to rotate off the Board for one (1) year. Terms of service shall begin immediately after election. With respect to any Director whose tenure also includes service to the Foundation as an Officer, the term limits set forth herein shall be extended commensurate with the period of time of the Director's service as an Officer.

Section 4. Election. The Board shall elect new members to fill expiring and vacant terms at the Annual Meeting of the Directors to be held in May or June of each year. Directors may elect additional members at any other regular or special meeting of the Directors, as provided in these Bylaws. Nominations for Directors shall be made by the Membership & Board Management Committee, as described in Article 3 of the Bylaws.

Section 5. Vacancies. Vacancies occurring during a term may be filled by the Directors at any regular or special meeting of the Directors, as provided in Section 4 of Article 1 of these Bylaws.

Section 6. Meetings. Regular meetings of the Board shall be held at least three times a year. One such meeting shall be held in May or June of each year and such meeting shall be the Annual Meeting of the Directors when new Directors and Officers shall be elected and take office, subject to other provisions of these Bylaws. Notice to the public of Regular meetings, Committee meetings, and Special meetings of the Board will be



given by posting on the Foundation's website at <http://foundation.fiu.edu/> not less than seven (7) days before the meeting and will include a statement of the general subject matters to be considered. Notice to each Director shall be emailed or faxed to each Director not less than seven (7) days prior to each meeting. Special meetings may be called by the Chairperson, the President of the University or his designee, or by any three (3) Directors and the agenda for special meetings shall be limited to matters listed in the written notice of the special meeting.

Emergency Meetings: An emergency meeting of the Board may be called by the Chairperson or ~~at~~<sup>the</sup> Vice Chairperson in the Chairperson's absence, upon as much notice as is reasonably possible but not less than twenty-four (24) hours notice whenever, in the opinion of the Chairperson or Vice Chairperson, an issue requires immediate Board action. Whenever such emergency meeting is called, the Chairperson will notify the Secretary. The Secretary will immediately serve either verbal or written notice upon each member of the Board, and shall provide notice to the public, by any procedure that is fair under the circumstances, stating the date, hour and place of the meeting and the purpose for which the meeting has been called. No other business will be transacted at the meeting unless additional emergency matters are agreed to by a majority of those Board members in attendance. The minutes of each emergency meeting will show the manner and method by which notice of such emergency meeting was given to each member of the Board and to the public.

Executive Session: The Legislature has provided limited exemptions from the Sunshine law for certain meetings because of the confidential material that must be discussed. When the Board decides to avail itself of any such exemption, it will do so by convening an executive session of the Board.

A. Pending Litigation:

Meetings to discuss pending litigation in which the Board is presently a party before a court or administrative agency may be held in executive session outside the Sunshine, provided the following procedures and conditions are met.

1. Counsel for the Board must advise the Board at a public meeting that he or she desires an executive session and must state the basis therefore.
2. Only Board members, the Board's attorney(s) and the President of the University may attend a closed executive session to discuss pending litigation. Staff members or consultants are not permitted to attend. The Board must give advance public notice, pursuant to its procedures, of the time and date of the executive session, and must identify the names of the persons who will be attending the closed session.

3. The session must commence with an open meeting at which the Chairperson or his/her designee shall announce the commencement of the meeting, the estimated length of the closed executive session, and the names of the persons attending. At that point, the meeting is closed to all except those whose names have been announced. The executive session may then commence. At the conclusion of the executive session, the meeting must be reopened to the public and the person chairing the meeting shall announce the termination of the closed executive session.

4. A certified court reporter must record the entire executive session. The reporter must record the times of commencement and termination of the executive session; all discussions and proceedings; the names of all persons present at any time; and the names of all persons speaking. No portion of any executive session may be held off the record. The Board must have the court reporter's notes fully transcribed, and the transcript filed with its records custodian. The transcript is exempt from Florida's public records law, and is not to be disclosed until the litigation concludes. Upon the conclusion of the litigation, the transcript becomes part of the public record.

5. The subject matter of the closed session must be confined to settlement negotiations or strategy sessions related to litigation expenditures. The Board may not go beyond these strict parameters. No final action, no vote, and no decisive action may be taken during the closed session. Any final decision to settle a lawsuit, for a certain amount of money, or under certain conditions, is a decision that must be voted upon in a public meeting.

Section 7. Quorum. A quorum of the Directors shall be one-third of the voting Directors holding office at the time of the vote. A quorum must be present to transact the business of the Foundation at a meeting.

Section 8. Voting. Each Director shall have one vote. When a quorum is present at the meeting, all questions shall be decided by majority vote of the voting Directors present, except as otherwise provided in these Bylaws.

Section 9. Proxies. Proxies, general or special, shall not be accepted for any purpose in the meetings of the Directors or committees.

Section 10. Telephonic Meetings. Meetings of the Directors and of committees may be conducted by conference telephone or similar communications facilities, in the same manner as if the meeting were held in person, if the Chairperson or the Chairperson of the Committee determines it is appropriate and is in full compliance with all

requirements of the Sunshine Law. The notice of any meeting conducted by means of telephone or similar communication facilities will state where and how members of the public may gain access to the meeting.

Section 11. Resignation or Removal. A Director may resign at any time by giving written notice to the Chairperson, the President and CEO of the Foundation or the Secretary of the Foundation. Any such resignation shall take effect at the time specified therein or, if no time is specified therein, upon its acceptance by the Board. Any Director who is not present for three (3) regular meetings of the Board during a fiscal year, or who otherwise fails to meaningfully participate as a Director in accordance with the provisions of these Bylaws, shall be placed on probation. The Membership & Board Management Committee, in consultation with the Chairperson and the President and CEO of the Foundation, shall determine whether to remove the Director from the Board or continue his/her probationary period. In addition any Director may be removed from office by a two-thirds vote of all of the Directors present or no less than fifteen (15) members, effective as of the date of such vote.

## ARTICLE 2. OFFICERS.

Section 1. Titles. The Officers of the Foundation, who also serve as Officers of the Board of the Foundation, shall be: a Chairperson, up to two (2) ~~a~~ Vice Chairpersons, a Secretary, a Treasurer, and such other officers as the Board may determine.

Section 2. Election. The Chairperson, Vice Chairperson(s), Treasurer and Secretary shall be elected at the Annual Meeting of the Directors from nominations submitted to the Directors by the Membership & Board Management Committee, or from nominations from the floor. No Officer may hold more than one Foundation office concurrently.

Section 3. Term of Service. Each Officer shall be elected for a term of one year and shall be eligible to succeed himself/herself for no more than two (2) additional terms, except as may be otherwise extended for one additional year if approved by the recommendation of the Membership & Board Management Committee and the affirmative vote of two-thirds of the voting Directors present. In the event any officer is elected to fill a vacancy at any regular meeting other than the Annual Meeting of the Directors, the term for filling that vacancy shall not be counted towards the term limits set forth herein.

Section 4. Vacancies. In case any vacancy occurs in an elected office, an election shall be held at the first regular or special meeting of the Directors after such vacancy occurs and nominations may be received directly from the floor to fill such vacant positions. Notice of such vacancy and scheduled election must be given in the same manner as notice for regular or special meetings.

Section 5. Resignation and Removal. An Officer of the Foundation may resign at any time by giving written notice to the Board, the Chairperson or the Secretary of the Foundation. Any such resignation shall take effect at the time specified therein or, if no time is specified therein, upon its acceptance by the Board. Any Officer may be removed from office by a two-thirds vote of all of the Directors present or no less than fifteen (15) members, effective as of the date of such vote.

Section 6. Powers and Duties.

(i) Chairperson of the Board. The Chairperson shall preside at all meetings of the Board and Executive Committee, and perform all other duties as may from time to time be assigned by the Directors or the Executive Committee. Among the Chairperson's powers and duties, without limitation, are to appoint the members and Chairpersons of all Standing Committees established by the Directors, except when members or Chairpersons may be designated by these Bylaws; name Special Committees and appoint their members and Chairpersons; appoint, a person to serve as Registered Agent for the Foundation; represent the Foundation at official functions of the University and elsewhere as he/she may determine proper; and present a report of the activities of the Foundation and the conduct of his/her office at the Annual Meeting which occurs when his/her term of office expires. The Chairperson shall report to the Board and the University President.

(ii) Vice Chairperson(s). The Vice Chairperson(s) shall be responsible for assisting the Chairperson in any way so designated by the Chairperson and shall serve as temporary Chairperson in the Chairperson's absence. ~~He/she~~Vice Chairpersons shall perform such other duties as may from time to time be assigned ~~to him/her~~ by the Chairperson, the Directors or the Executive Committee.

(iii) Secretary. The Secretary shall be responsible for the maintenance and management of the Foundation's activities as may be required by the Chairperson, the Directors or the Executive Committee. He/she shall have charge of the Foundation's corporate records and corporate seal; record the minutes of all meetings of the Directors, Executive Committee and other committees; give and serve notice of meetings as required by these Bylaws; and perform such other duties as may be assigned to him/her by the Chairperson, the Board or the Executive Committee. The Secretary may delegate part of his/her duties to an Assistant Secretary as set forth in Article 5 below.

(iv) Treasurer. The Treasurer shall serve as Chairperson for the Finance and Audit Committee; approve all day-to-day disbursements by the Foundation; have custody of all of the funds and financial records of the Foundation; disburse funds upon instruction of the Directors or the Executive Committee; keep full and accurate accounts of all funds, together with the report of the annual audit; present a financial report for

the Foundation at each meeting of the Directors and an annual financial report at the Annual Meeting; file all financial reports required by Federal and Florida law, regulation, rule or established procedure; and perform such other duties as may be assigned to him/her by the Chairperson, the Board or the Executive Committee. The Treasurer may delegate part of his/her duties to an Assistant Treasurer as set forth in Article 5 below.

### ARTICLE 3. COMMITTEES.

Section 1. Designation and Appointment of Committees. Committees of the Board shall either be Standing Committees, as designated by these Bylaws, or Special Committees, as established by the Chairperson. Standing Committees or Special Committees shall have the power to establish Sub-Committees. The Chairperson of the Foundation shall appoint the members of all committees and designate their chairpersons, except as otherwise specified by these Bylaws. A majority of the members of Standing Committees, Special Committees and of any sub-committees must be Directors. All members of the committees shall have voting rights. One-third of the voting members of any Committee, except the Executive Committee as provided for below in these bylaws, shall constitute a quorum and a majority vote of the voting members of the Committee present, after a quorum has been declared, shall be required to enact business of the Committee. The actions of any committee shall be subject to review and approval by the Executive Committee, and to confirmation by the Board at its next ensuing meeting, except when the power to act is specifically granted to a committee by these Bylaws or by action of the Directors or Executive Committee. Each committee shall keep approved minutes and submit them to the Directors for review. Committees shall present an annual plan at the first meeting of the Board for the Foundation's calendar year.

Section 2. Standing Committees. The Directors shall have the following Standing Committees:

(i) Executive Committee. The Executive Committee of the Directors of the Foundation shall have and may exercise all powers and authority of the Board when the Directors are not in session, subject only to such restrictions or limitations as the Directors may from time to time specify, except that the Executive Committee shall have no authority to alter, amend, or repeal the Articles of Incorporation or Bylaws of the Foundation, to remove Directors or Officers or to elect Officers. The Executive Committee may elect Directors that have been recommended by the Membership & Board Management Committee, provided that the Membership & Board Management Committee circulates its recommendations to the full Board prior to the Executive Committee meeting where new directors will be elected. The Executive Committee shall meet at the call of the Chairperson of the Directors. A majority of the voting members of the Executive Committee shall constitute a quorum and a majority vote of

the voting members of the Committee present, after a quorum has been declared, shall be required to enact business of the Executive Committee. When urgency precludes a formal meeting, matters may be handled by telephone in accordance with provisions of these Bylaws and the requirements of Florida law regarding meetings of the Directors. All actions of the Executive Committee shall be reported to the Directors at the next ensuing meeting of the Board, or when deemed sufficiently important by the Chairperson and the University President, such actions shall be reported to the Directors within thirty (30) days after such action is taken, or at a meeting of the Directors if a meeting is held within that period of time. All actions of the Executive Committee shall be included in the minutes of the Board. Members of the Executive Committee shall be the Chairperson, Vice Chairperson(s), Treasurer and Secretary of the Foundation, the President of the University or his designee, the Chairpersons of each standing committee, and two (2) additional members as may be designated by the Chairperson. The University President shall participate at Executive Committee meetings in a non-voting capacity in the event he or she appoints a designee to serve on the Board and Executive Committee.

(ii) Development Management Committee. The Development Management Committee shall review, approve and recommend to the Directors all major fundraising initiatives and campaigns undertaken by the Foundation or the University and each of its components; carry out a regular fundraising program and coordinate the efforts of the Development Sub-Committee; prepare policies and strategies for the solicitation, receipt, acknowledgment, stewardship and recognition of financial support; and prepare standards for gift recognition including, without limitation, endowed chairs, endowed professorships, endowed lectureships, endowed scholarships, the naming of colleges, schools, centers, buildings, areas and other significant facilities and activities of the University, recognizing, however, that only the University Board of Trustees has the ability to recommend that state buildings and facilities be permanently named after donors.

(a) Development Sub-Committee. Each member of the Foundation board shall be a member of the Development Sub-Committee, which shall be known as the "Development Committee." The Development Committee, with the guidance and strategic direction provided by the Development Management Committee, shall be responsible for supporting the Foundation's overall efforts to secure private philanthropic financial support and for promoting the University's mission.

(iii) Finance Committee. The Finance Committee shall be responsible for the oversight of the fiscal matters of the Foundation, including but not limited to the preparation of the Foundation's annual budget, which shall be prepared before the beginning of the University's fiscal year, approved by the Directors and recommended by the University President to the Board of Trustees each year no later than sixty (60)

days following the beginning of the Foundation's fiscal year. The Board of Trustees must approve the Foundation budget before it can be enacted. The Finance Committee shall approve or reject gifts or bequests which impose unusual conditions on the Foundation or the University, subject to review and approval by the Executive Committee or the Directors. It shall periodically review the Foundation's performance against budget and monitor and coordinate the work of the Foundation's Assistant Treasurer and the Investment Sub-Committee, Audit Sub-Committee, and Real Estate Sub-Committee. The Finance Committee shall ensure that consistent and reliable financial practices are followed and that the current financial status of the Foundation is reported to the Executive Committee and the Directors regularly.

(a) The Investment Sub-Committee. The Investment Sub-Committee, with the guidance and recommendations of the Finance Committee and the investment consultants hired by the Foundation, shall be responsible for formulation of the Foundation's investment objectives, and for assisting the Directors in its oversight of the Foundation's investment portfolio and investment managers. The Investment Sub-Committee shall recommend to the Board investment policies, asset allocation policies and guidelines, and shall review and advise on any other investment-related matters as the Finance Committee may from time to time determine. The Investment Sub-Committee shall recommend engagement or termination of investment managers, consultants and custodians, evaluate the performance of investment managers, consultants and custodians and make periodic reports to the Finance Committee and the Board on investment performance and related matters. The Investment Sub-Committee shall meet at least quarterly to review the results of the investment portfolios and recommend appropriate adjustments, as necessary. All actions of the Investment Sub-Committee shall be reported to the Finance Committee.

(b) The Audit Sub-Committee. The Audit Sub-Committee shall be responsible for assisting the Directors in fulfilling its oversight responsibility with respect to the audit policies and system of internal controls of the Foundation. The Audit Sub-Committee 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 President and CEO of the Foundation immediately, and to the full Board at their next meeting thereafter. The annual audit report shall be submitted by the University President to the Board of Trustees for review no later than the end of the fourth month following the close of the organization's fiscal year. The annual audit report shall also be submitted to the Auditor General and to the Board of Governors no later than nine (9) months after the close of the Foundation's fiscal year. The audit shall be conducted in accordance with rules promulgated by the Board of Trustees and with the policies adopted by the Auditor General. The Audit Sub-committee shall recommend the engagement or termination of the external auditors and shall review their performance. The Audit Sub-Committee shall ensure the financial records of the Foundation are maintained in

accordance with generally accepted accounting principles and shall monitor compliance with internal controls and all requirements set forth in the Audit Charter, as may be amended from time to time by the Audit Sub-Committee.

(c) Real Estate Sub-Committee. The Real Estate Committee shall be responsible for developing and coordinating the Foundation's overall real estate strategy and objectives, and for reviewing and recommending to the Finance Committee and the Directors general real estate policies, guidelines, and best practices for achieving the Foundation's goals. The Committee shall review potential real estate acquisitions and provide recommendations to the Finance Committee with regard to the potential use or disposition of real property.

(iv) Membership & Board Management Committee. The Membership & Board Management Committee shall receive recommendations for nominees to the Board and as Officers, evaluate such recommendations, and present nominations for open positions to the Board at least seven (7) days prior to the Annual Meeting, or any meeting where new Directors will be chosen. The Membership & Board Management Committee shall advise new Directors of the responsibilities of membership; nominate individuals for special recognition as members of the Foundation; and monitor the attendance, participation and activity of Foundation members and Directors.

Section 3. Special Committees. The Chairperson of the Directors may establish Special Committees from time to time to assist the Directors in carrying out the purposes of the Foundation. The Chairperson shall report the establishment of all Special Committees and the names of their chairpersons and members to the Executive Committee and the Directors at the next ensuing regular meetings of the Executive Committee and Directors.

#### ARTICLE 4. SPECIAL MEMBERS OF THE FOUNDATION.

Section 1. Purpose of Special Members. The Directors may from time to time, acting by majority vote, establish special categories of membership in the Foundation for the purpose of honoring persons for contributions, service or achievement. The qualifications for special membership for each category shall be determined by the Directors as they deem necessary for the benefit of the Foundation and the University. Special members shall have no vote in meetings of the Foundation's members or Directors except as specifically provided in these bylaws.

Section 2. Special Member Categories. The Foundation shall have the following special member categories for honorary and recognition purposes:



- (i) Chairperson Emeritus. This category honors the Chief Executive Officers of the Foundation who have rendered extraordinary service to the Foundation. The Directors may elect a former Chairperson, after his/her term of office shall have expired, as Chairperson Emeritus of the Foundation. The Chairperson Emeritus shall be elected by a two-thirds vote of the Directors present.
- (ii) Director Emeritus. The Directors may elect a former Director, after his/her term of office shall have expired, as a Director Emeritus to honor those who have given distinguished service as members of the Board. The Director Emeritus shall be elected by a two-thirds vote of the Directors present.

## ARTICLE 5. EXECUTIVE AND ADMINISTRATIVE SUPPORT

There shall be a President and CEO of the Foundation. The President of the University shall approve and recommend to the Board a person to serve as President and CEO of the Foundation. After duly considering the recommendation of the University President, the Board shall appoint, by majority vote, the President and CEO of the Foundation, whose primary responsibilities are to manage the corporate affairs of the Foundation on a day-to-day basis, in accordance with policies established by the Directors, and to carry out the functions and duties of the position as prescribed by the Directors in consultation with the University President. The President and CEO shall report to the Board and the University President.

There may be an Assistant Secretary and an Assistant Treasurer to whom the Secretary or Treasurer may delegate part of their duties. The Assistant Secretary and Assistant Treasurer shall report to the Secretary and Treasurer respectively. Neither the President and CEO of the Foundation, the Assistant Secretary nor the Assistant Treasurer shall be considered members or officers of the Foundation nor shall they have voting rights.

## ARTICLE 6. FUNDS.

Section 1. Fund Categories. The assets of the Foundation shall be held in various Funds as established in these Bylaws or as the Directors shall designate, with as many subfunds and accounts within these groupings as shall be necessary or desirable to achieve the purposes of the Foundation and to comply with the terms of gifts to the Foundation. The Foundation's Finance and Audit Committee shall review these fund categories at least annually and will recommend changes needed to the Executive Committee and the Directors. "Funds" include General Funds, Designated Funds (including Building Funds), Endowment Funds and other special fund categories.

Section 2. General Funds. General Funds are funds which may be used for the general purposes of the Foundation, including administration of the Foundation's affairs, or funds with restrictions which do not seriously inhibit their use for general Foundation purposes. All donations to the Foundation shall be credited to the General Funds when received, including all principal and income from properties donated to, disposed of, or held by the Foundation, unless the terms of the gift shall require the Foundation to credit such donations or the income of principal from such properties to a specific Designated Fund, as described in the Bylaws, or to a specific use or purpose inconsistent with the general unrestricted use by the Foundation of such donation or the income therefrom.

Section 3. Designated Funds. Designated Funds of the Foundation will be established for each major academic and administrative unit of the University to receive donations to the Foundation which are designated for such purposes. Additional Designated Funds for other specific purposes may be established by the Executive Committee or Directors. The principal of all designated Donations shall be credited to such Designated Fund. Interest income from designated funds shall be credited to the Foundation's General Funds to offset additional university fundraising and support activities unless the terms of the gift specify otherwise.

Section 4. Building Funds. The Board may, from time to time, establish Building Funds for specifically designated capital projects. They shall be administered as Designated Funds.

Section 5. Endowment Funds. Endowment Funds, or Permanently Restricted net assets, are contributions including state matching that must be held and invested in perpetuity as stipulated by the Donor. Only the earnings generated by these investments may be expended and only in accordance with the donor's intent and the gift agreement. All endowment funds are pooled and invested as directed by the Board. Investment earnings/losses are distributed to each endowment on a yearly basis based on its pro-rated share of earnings/losses generated by the permanently restricted net assets. Unless stipulated by the donor, earnings shall not be permanently restricted. The Board will determine the percentage of yearly earnings to be distributed for spending and the percentage to be held in reserve as added principal. The added principal is available for future spending and although it is temporarily restricted, it may be used to calculate the endowment's average balance from which future distributions are based. Losses attributable to permanently restricted net assets must first reduce any added principal held in reserve prior to reducing the corpus of the endowment. Any permanently restricted net asset which has been reduced by losses must be reinstated to its original corpus before any future investment earnings are distributed for spending. No corpus including state matching may be reduced for spending. An administration fee, as approved by the Board, may be charged to

endowments. This fee will be covered by the endowment's investment earnings, but may not reduce an endowment's corpus.

#### Section 6. Ownership and Use of Funds.

(i) All Funds described herein shall be the property of the Foundation and shall be owned by the Foundation as defined in and limited by its Articles of Incorporation, Bylaws, and applicable Florida and Federal law and regulations. In such capacity, the Foundation shall have the ultimate authority and control over all property in the Funds, and the income derived there from, for the general purposes of the Foundation.

(ii) The assets and income of any Fund may be commingled with those of other unrestricted funds of the Foundation, or may be invested in units of a common investment fund which may be established or utilized by the Foundation, unless otherwise restricted by the terms of gift. The Foundation shall not have an obligation to commingle the assets for investment purposes and may, in its discretion, retain any assets received or hold the assets of a Fund as a separate unit for investment purposes. Any investment or reinvestment of assets shall be made only in such investments as are appropriate for a prudent fiduciary.

(iii) Specific expenses necessary or desirable for the proper administration of each Fund and subfund shall be charged to that Fund or subfund. General operational and administrative expenses shall be charged to each Fund or subfund in accordance with a formula approved by the Directors unless inconsistent with the terms of the gift or otherwise legally improper. Such charges shall be paid into the General Funds where they may be disbursed to pay such expenses. In the event such charges are inconsistent with the terms of the gift or otherwise legally improper, the Directors shall determine which Funds may be used to pay for such expenses.

(iv) These provisions shall not limit in any way the power and ability of the Directors to accept special gifts from donors which may be used for purposes specified by the donors, if such purposes fall within the Foundation's broad general purposes, and which may be subject to such ownership, income and distribution characteristics and restrictions as the Directors of the Foundation and the donors of such gifts may agree, but no characteristic or restriction shall jeopardize the Foundation's tax exempt status or its corporate charter. The Directors intend that all donations will be administratively grouped as a part of one or more of the Funds specified above or as may be established.

(v) Upon the voluntary or involuntary dissolution of the Foundation, or decertification of the Foundation by the Board of Trustees, the Directors shall, after paying or providing for all debts and obligations of the Foundation, transfer the assets of the Foundation to the University, subject to the conditions, restrictions and limitations to which the assets were subject when they were assets of the Foundation.

Section 7. Checks and Depositories. Except as may otherwise be specified in these Bylaws, the Directors shall provide by Resolution which Officers, Directors, or their designees are authorized to draw checks on the Funds of the Foundation and may impose any reasonable terms, conditions or limitation on such authority. Checks or drafts on the Funds of the Foundation shall be signed by any two of the Officers, Directors, or their designees authorized to do so by the Directors or by these Bylaws. Funds of the Foundation shall be deposited to the credit of the Foundation only in institutions approved by the Directors by resolution and only in financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

Section 8. Fiscal Year. The fiscal year of the Foundation shall be consistent with the fiscal year of the University.

## ARTICLE 7. APPEARANCES BEFORE THE BOARD.

### Section 1. Registration Procedures.

Individuals or group representatives who desire to be heard on a proposition before the Board shall register in advance of the meeting by completing a public comment form ("Form") specifying the agenda item or specific matter on which they wish to be heard. The Form shall be available at the Foundation's Board Relations office, and must be submitted no later than 11:00 a.m. on the business day preceding the Board meeting.

The Assistant Secretary, in consultation with University counsel, shall determine whether the speaker is entitled to be heard in accordance with applicable law. Only registered persons who timely submit a Form will be called on to speak during the public comment period of a Board meeting. Any person who has not timely registered to speak may request approval to be heard by submitting a Form to staff at a registration table at the Board meeting location no later than twenty (20) minutes prior to the scheduled commencement of the Board meeting. Persons submitting any such untimely requests shall be required to show good cause as to why the person was unable to timely submit the Form in accordance with these procedures. Any such untimely requests shall be considered at the sole discretion of the Chair.

### Section 2. Time Limits.

As a general matter, speakers shall be allotted a maximum of two (2) minutes to be heard on a proposition before the Board. At the discretion of the Chair, time limits may be extended or shortened depending on the number of speakers requesting to be heard. Organizations or groups wishing to address the Board on a proposition shall designate one representative to speak on their behalf, to ensure the orderly presentation of

information to the Board. If a speaker has requested to speak on more than one agenda item before the Board, the maximum time that will be allotted to any individual speaker during a Board meeting is five (5) minutes, regardless of the number of agenda items or topics to be addressed.

### **Section 3. Decorum.**

In order to proceed with the essential business of the Board in an orderly manner, the following rules of decorum shall be strictly observed:

1. Persons scheduled to speak shall be called by the Chair at the appropriate time during the meeting. Any person not immediately appearing at the podium when called upon by the Chair shall waive the right to any further participation at the Board meeting. Each speaker shall state for the record his or her name and the organization or group represented, if any. Substitutions for scheduled speakers will not be allowed except in exceptional circumstances as determined by the Chair.

2. Each speaker's remarks must be directed to the Chair or the Board as a whole and not to individual board members.

3. Speakers shall confine their comments solely to the proposition before the Board they have asked to speak on. Speakers may not use any form of profanity or loud abusive comments. The Chair may notify and warn speakers that their comments have gone beyond the subject matter for which they had signed up to address. The Chair may turn off the microphone or recess the meeting if a speaker persists in addressing irrelevant topics or engaging in inappropriate comments. The Chair has the authority after one warning to order the removal of the speaker from the meetings.

4. Speakers may not refuse to yield the podium when the Chair has advised that their time is up.

5. No clapping, applauding, heckling, shouting comments from the audience, or verbal outbursts in support or opposition to a speaker or his/her remarks shall be permitted. No signs or placards shall be allowed in the Board meeting. Persons exiting the Board meeting shall do so quietly.

6. Personal cellular telephone conversations shall be prohibited during Board meetings. Ringers must be set to silent mode to avoid disruption of proceedings.

Any individual or group representative who attempts to disrupt a Board meeting will be subject to appropriate action pursuant to law.

## **ARTICLE 78. CODE OF ETHICS.**

## Code of Ethics – Conflict of Interest

Directors stand in a fiduciary relationship to the University and the Foundation. Therefore, Directors shall act in good faith, with due regard to the interests of the University and the Foundation, and shall comply with the fiduciary principles and law set forth in the Code of Ethics for Public Officers and Employees, Chapter 112, Part III, Florida Statutes. Directors shall comport themselves in accord with the statutory Code of Ethics and the Conflict of Interest Policy attached to these Bylaws as Appendix “B”. Each Director shall annually complete and sign a disclosure form as required by said policy.

The Foundation shall maintain the highest ethical standards in all of its operations in order to protect and preserve the Foundation’s good name, business interests, and relationships with donors, beneficiaries, and the community at large, and shall adhere to the requirements of the Florida Whistle-blower’s Act, Sections 112.3187 – 112.31895, Florida Statutes.

## ARTICLE 89. MISCELLANEOUS PROVISIONS

### Indemnification

The Board shall, to the extent legally permissible, indemnify and defend each of its Directors, officers, employees, volunteers and other agents against all liabilities and expenses incurred in the connection with the disposition or defense of any action, suit or other proceeding, whether civil or criminal, in which such person may be involved by reason of Foundation service, except with respect to any matter in which such person shall have been adjudicated in any proceeding not to have acted in good faith; and further provided that no settlement shall be entered into without the prior consultation and approval of a duly authorized representative of the Board.

### Service of Process

Service of process may be made on the Office of the University’s General Counsel.

### Fiscal Year

The fiscal year of the Foundation shall commence on July 1 of each year and end on June 30.

### Foundation Records and Sunshine Laws

Public access to Board records will be governed by the provisions of Chapter 1004.28(5), Florida Statutes. Board meetings shall be governed by the provisions of the Open Meetings Law, Chapter 286, Florida Statutes. The Foundation shall maintain and/or dispose of all records made or received in connection with Foundation business in

accordance with a document retention schedule as the Board may adopt from time to time.

#### | ARTICLE ~~9~~10. AMENDMENTS.

Section 1. Amendments to Bylaws. These Bylaws may be altered, amended, rescinded, or repealed at any regular or special meeting of the voting Directors by the affirmative vote of two-thirds of the voting Directors present. Any amendment to the Bylaws, approved by the Board, shall be submitted by the University President to the Board of Trustees for approval prior to its effective date.

Section 2. Amendments to Articles of Incorporation. Articles of Incorporation of the Foundation may be altered or amended at any regular or special meeting of the Board by resolution approved by the affirmative vote of two-thirds of the voting Directors present, subject to approval by the Secretary of State of Florida as required by law and subject to any approval which may be required by the Board of Trustees. Written notice of any proposed amendment of the Articles of Incorporation shall be mailed to each Director not less than fifteen (15) days prior to any meeting at which such proposed amendment is to be considered.

Section 3. Requirements of Florida Law. All amendments to the Bylaws and Articles of Incorporation of the Foundation shall comply with Florida law and appropriate state rules and policies.

#### | ARTICLE ~~10~~11. OFFICE.

The office of the Foundation shall be located at the University.

#### | ARTICLE ~~11~~12. EMPLOYEES OF THE FOUNDATION

Any person employed by the Foundation shall not be considered to be an employee of the State of Florida by virtue of such employment. Any employee of the State of Florida who is assigned to work on Foundation matters shall not be considered an employee of the Foundation.

#### | ARTICLE ~~12~~ 13. SEAL.

The corporate seal of the Foundation shall bear the words "FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC." and "MIAMI, FLORIDA" and the date "1969". The corporate seal shall be used only in connection with the transaction of business of the Board and of the University. The Secretary may affix the seal on any document signed on behalf of the corporation. Permission may be granted by the

Secretary for use of the seal in the decoration of any University building or in other special circumstances. The seal of the Board shall be consistent with the following form and design:

| ARTICLE 1~~43~~. PARLIAMENTARY PROCEDURE.

Where not addressed by these Bylaws, the Articles of Incorporation, or Florida law, all matters of procedure shall be governed by Roberts Rules of Order (latest edition).



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

January 9, 2014

**Subject: Proposed Regulation – FIU-1114 Tuition and Fee Refunds**

---

**Proposed Committee Action:**

Recommend approval by the Florida International University Board of Trustees (BOT) of the Proposed Regulation of Tuition and Fee Refunds FIU-1114 and delegate authority to the University President to approve any subsequent non-material amendments based on comments to the Regulation received from the State University System of Florida Board of Governors (BOG) or as a result of the regulation-making process.

---

**Background Information:**

The Tuition and Fee Refunds regulation, FIU-1114, is being proposed for adoption by the Board of Trustees. This new regulation sets forth the procedures for the refund and/or release of liability of tuition and associated fees. This regulation codifies the University's existing procedures for the refund of tuition and associated fees as reflected in the University's undergraduate and graduate catalogs.

A University regulation setting forth these procedures is required pursuant to BOG Regulation 7.002. Because this regulation is a "select" regulation under the BOG Regulation Development Procedures, after approval by the BOT, the regulation will be submitted to the BOG for its review and approval.

---

**Supporting Documentation:** Proposed Regulation FIU-1114 Tuition and Fee Refunds

**Facilitator/Presenter:** Kenneth A. Jessell

This page intentionally left blank

**THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES  
FLORIDA BOARD OF GOVERNORS**

**NOTICE OF PROPOSED REGULATION**

**REGULATION NO.:** FIU-1114

**REGULATION TITLE:** Tuition and Fee Refunds

**SUMMARY:** Board of Governors' Regulation 7.002 requires that each Board of Trustees adopt a regulation setting forth its procedures for the refund or release of liability of tuition and associated fees. This regulation codifies the University's procedures for the refund of tuition and associated fees.

**TEXT OF REGULATION:** The full text of the Notice of Proposed Regulation can be viewed below and on the website of The Florida International University Board of Trustees, <http://regulations.fiu.edu>. If you would like a copy of the Proposed Regulation, please contact Eli Deville, Chief of Staff, Office of the General Counsel, 305.348.2103.

**AUTHORITY:** BOG Regulation 7.002.

**NAME OF PERSON INITIATING PROPOSED REGULATION:** Kenneth Jessell, Senior Vice President and Chief Financial Officer.

ANY PERSON SEEKING TO COMMENT ON THE PROPOSED REGULATION MUST SUBMIT COMMENTS IN WRITING TO THE CONTACT PERSON LISTED BELOW. ALL WRITTEN COMMENTS MUST BE RECEIVED BY THE CONTACT PERSON WITHIN 14 CALENDAR DAYS OF THE DATE OF PUBLICATION OF THIS NOTICE.

**CONTACT PERSON REGARDING THE PROPOSED REGULATION:** Eli Deville, Chief of Staff, Office of the General Counsel, Florida International University, 11200 SW 8<sup>th</sup> Street, PC 511, Miami, FL 33199. Email: [devillee@fiu.edu](mailto:devillee@fiu.edu) Phone: 305.348.2103, Fax: 305.348.3272.

**DATE OF PUBLICATION:** December 9, 2013

**THE FULL TEXT OF THE PROPOSED REGULATION IS PROVIDED BELOW:**

## **FIU 1114 - Tuition and Fee Refunds.**

1. A refund of tuition and associated University fees (not including fees identified as non-refundable and credit card transaction fees) may be granted on behalf of a student in the following circumstances:
  - a. Involuntary call to active military duty.
  - b. Death of the student or member of his or her immediate family (parent, step-parents, spouse, child, sibling, or grandparents).
  - c. Illness of the student of such severity or duration, as confirmed in writing by a physician, that completion of the grading period is precluded.
2. A refund of tuition and associated University fees (other than fees identified as non-refundable and any credit card transaction fees) may be sought by or on behalf of a student on account of other exceptional circumstances beyond the control of the student which preclude a student from completing the grading period. In such instances, the award of a refund is within the sole discretion of the University.
3. A refund of tuition and any associated University fees may be granted on behalf of a student when an error by the University results in an overcharge. In such case, the amount refunded will be the amount paid in excess of the amount actually due to the University.
4. To be eligible for a refund under paragraphs 1, 2 or 3 of this regulation, a request for refund must be filed by a student or representative with the Office of the Registrar within six (6) months following the close of the grading period in which the payment sought to be refunded was made. Appropriate documentation to support the request for refund must be provided with the request for refund. A decision and any applicable refund will be provided by the University no later than 60 days after receipt of a request for refund. In the event a request for refund is denied, the Office of the Registrar shall notify the student or representative of the decision and also notify the student or representative that the decision may be appealed to Vice-President for Enrollment or designee, by filing an appeal within thirty (30) days after the date of the decision of the Office of the Registrar denying the refund as specified in said notification. At the conclusion of the appeals process, the decision of the Vice-President or his/her designee shall be final.
5. Tuition and associated fees paid by or on behalf of a student, other than fees identified as non-refundable and applicable credit card transaction fees, will be refunded automatically by the University if a student officially withdraws from a course prior to the end of the applicable drop/add period or the University cancels a course and does not provide any alternative mechanism for completing the course.
6. Twenty-five percent of the tuition and associated fees paid by or on behalf of a student, other than fees identified as non-refundable and applicable credit card transaction fees, will be refunded automatically by the University if a student officially withdraws from a course after the end of the applicable drop/add period and, in the case of semester long classes, prior to the end of the fourth full week of classes and in all other cases, the deadline specified by the Office of the Registrar.
7. Refunds and any adjustments to refunds will be made in accordance with applicable laws and regulations governing financial aid and scholarships as well as the terms of any applicable scholarship.
8. Except as provided in this regulation, tuition and associated fees are non-refundable.
9. The refundability of charges for non-credit programs is determined by the President or designee on a program by program basis. Unless such charges are identified as being refundable by the program, all such charges are non-refundable.

*Authority- BOG Regulation 7.002. History–New \_\_\_\_\_ -13*

**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES**

**Finance and Audit Committee**

January 9, 2014

**Subject: Review of Operational Audit for Fiscal Year Ended June 30, 2013**

---

**Proposed Committee Action:**

None. Discussion Item.

---

**Background information:**

The findings and recommendations of the State of Florida Auditor General's Operational Audit of the University for the fiscal year ended June 30, 2013 are submitted for Board of Trustees review.

---

**Supporting Documentation:** Operational Audit for Fiscal Year ended June 30, 2013

**Facilitator/Presenter:** Kenneth A. Jessell

This page intentionally left blank

# FLORIDA INTERNATIONAL UNIVERSITY

---

## Operational Audit



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2012-13 fiscal year are listed below:

Albert Maury, Chair  
Michael M. Adler, Vice Chair  
Sukrit Agrawal  
Cesar L. Alvarez  
Dr. Jose J. Armas  
Jorge L. Arrizurieta  
Robert T. Barlick, Jr.  
Dr. Thomas A. Breslin to 7-31-12(1)  
Marcelo Claure  
Mayi de la Vega  
Laura Farinas to 5-5-13 (2)  
Gerald C. Grant Jr.  
C. Delano Gray from 8-1-12 (1)  
Claudia Puig  
Liane M. Sippin from 5-6-13 (2)

Dr. Mark B. Rosenberg, President

Notes: (1) Faculty senate chair.  
(2) Student body president.

The audit team leader was Michael K. Hollinger, and the audit was supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



---

## FLORIDA INTERNATIONAL UNIVERSITY

---

---

### EXECUTIVE SUMMARY

---

Our operational audit disclosed the following:

#### BOARD POLICIES

Finding No. 1: The University's investment policies needed to be enhanced to address the continuing education requirements of Section 218.415(14), Florida Statutes.

#### PERSONNEL AND PAYROLL

Finding No. 2: The University's remuneration to some administrative employees exceeded the limitation contained in Section 1012.976(2), Florida Statutes.

#### PURCHASES OF GOODS AND SERVICES

Finding No. 3: The University needed to enhance its procedures to ensure the timely cancellation of credit card accounts.

#### MOTOR VEHICLE UTILIZATION

Finding No. 4: Vehicle usage logs were not always complete and did not always evidence supervisory review.

#### INFORMATION TECHNOLOGY

Finding No. 5: The University's information technology security controls related to user authentication and logging and monitoring of system activity needed improvement.

---

### BACKGROUND

---

The Florida International University (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty senate chair and student body president also are members.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and Board of Governors' Regulations. The University President is selected by the Trustees and confirmed by the Board of Governors. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

The results of our financial audit of the University for the fiscal year ended June 30, 2013, will be presented in a separate report. In addition, the Federal awards administered by the University are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2013, will be presented in a separate report.

## FINDINGS AND RECOMMENDATIONS

### Board Policies

#### Finding No. 1: Investment Policy

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes.

As the University has opted to invest other than as prescribed by Section 218.415(17), Florida Statutes, it is required to adopt a written investment policy that includes the elements specified by Section 218.415, Florida Statutes. Pursuant to Section 218.415(14), Florida Statutes, the University's investment policy must provide for the continuing education of officials responsible for making investment decisions or the chief financial officer. Such officials must annually complete eight hours of continuing education in subjects or courses of study related to investment practices and products.

Our review disclosed that University Policy No. 1160.010, *Investment Policy*, did not include the requirement for continuing education related to investments, contrary to Florida Statutes. In response to our inquiry, we were provided documentation to evidence that the University's chief financial officer completed the continuing education required by Florida Statutes. However, the lack of a specific requirement for continuing education in the University's investment policy increases the risk that such required continuing education may not be obtained by University officials responsible for making investment decisions.

Subsequent to our inquiry, the Board amended University Policy No. 1160.010 to include the requirement for continuing education.

**Recommendation:** The University should continue its efforts to ensure that its investment policy complies with Section 218.415, Florida Statutes.

### Personnel and Payroll

#### Finding No. 2: Remuneration of Administrative Employees

Section 1012.976(2), Florida Statutes, stipulates that a State university administrative employee may not receive more than \$200,000 in annual remuneration<sup>1</sup> from appropriated State funds. This limitation does not apply to university teaching faculty, or medical school faculty or staff, pursuant to Section 1012.976(3), Florida Statutes. Section 1012.945(2), Florida Statutes, requires that each full-time equivalent teaching faculty member who is paid wholly from State funds teach a minimum of 12 classroom contact hours per week, and any faculty member who is assigned other responsibilities must teach a minimum number of classroom contact hours in proportion to 12 classroom hours per week as such especially assigned other duties and responsibilities bear to 12 classroom contact hours per week.

<sup>1</sup> Remuneration means salary, bonuses, and cash-equivalent compensation paid to a State administrative employee for work performed, excluding health insurance and retirement benefits.

Our review of the remuneration paid to 13 employees totaling \$4,133,893 (\$2,196,315 from appropriated State funds), disclosed 2 employees whose remuneration totaling \$405,022 was paid from appropriated State funds during the 2012-13 fiscal year. Collectively the amount paid exceeded the remuneration limitations by \$5,022, as follows:

- Vice President of External Relations – Responsible for University brand management, leadership of initiatives and events to create brand synergy among units as it relates to marketing, branding, media relations, public relations, and community events. Excess remuneration paid from appropriated State funds totaled \$929.
- Associate General Counsel – Responsible for the management of general legal matters, advisement to University officials on legal aspects of policy, assistance in the formulation of University policies, and interaction with members of the University Community. Excess remuneration paid from State funds totaled \$4,093.

Based on our review of these employees' actual responsibilities, none of the employees served as teaching faculty with classroom contact hours pursuant to the provisions of Section 1012.945(2), Florida Statutes, or medical school staff at any time during the 2012-13 fiscal year. The University agreed with our finding, and indicated that it would reimburse the \$5,022 to the appropriated State funds from other University resources.

---

**Recommendation:** The University should review the salaries of all employees working in an administrative capacity to ensure that salaries are paid within the limitations provided in Section 1012.976(2), Florida Statutes. Also, the University should restore the amount of remunerations paid in excess of the amounts allowed by Statute to its appropriated State funds from other University resources.

---

|  |
|--|
| <b>Purchases of Goods and Services</b> |
|--|

---

**Finding No. 3: Credit Card Cancellation**

---

The University's Departmental Card Guidelines and Procedures Manual (Manual) for departmental credit cards and Travel and Entertainment Manual for travel and entertainment credit cards require that cardholders terminating employment with the University stop using the credit card, immediately or at a minimum of two weeks prior to their last working date, and notify the University's Credit Card Solution Administrator. In addition, the employees must complete a Departmental Card Cancellation Form, cut the card in half and attach the pieces of the card to the form; obtain supervisor or business unit approver's signature; and mail the card to the Credit Card Solution Team. The cardholder's approver must also send an email to the Credit Card Solution Administrator when a cardholder leaves the University.

Our review of nine employees terminated during the 2012-13 fiscal year with a total of ten credit card accounts, including one employee that had a departmental card and a travel and entertainment card, disclosed that the University's controls over credit card cancellation needed improvement, as follows:

- For six of the former employees, the University did not notify the bank of the employee's termination of employment until 7 to 35 days after the cancellation forms were submitted by the former employees. For one of the former employees with two accounts, a departmental card and a travel and entertainment card, the cancellation forms were never received by the University's Credit Card Solution Department; therefore, the actual date of surrender and destruction of the cards was unknown.
- For two of the former employees, the University did not notify the bank of the termination date of the credit card accounts until 13 days after the employee's termination date.
- For the eight former employees noted above, the departmental cardholders' approvers did not send an email to the Credit Card Solution Administrator when the cardholders terminated employment with the University.

We subsequently examined the credit card activity for these ten accounts and our test disclosed that no charges were made with the cards after the employee terminated employment. However, the untimely cancellation of credit card accounts of former employees increases the risk of unauthorized credit card usage.

---

**Recommendation:** The University should strengthen procedures to ensure that credit card accounts of former employees are timely cancelled.

---

|                                  |
|----------------------------------|
| <b>Motor Vehicle Utilization</b> |
|----------------------------------|

---

**Finding No. 4: Monitoring Vehicle Fuel Consumption**

---

University records indicated during the 2012-13 fiscal year, fuel expenses totaled approximately \$459,000. The University has a computerized fuel system in place that is programmed to identify the University vehicle by wireless interface prior to fueling and automatically captures the vehicle's current odometer reading, date and time of transaction, fuel quantity, and fuel type. The system allows each vehicle to pump only up to its maximum capacity and prevents fueling of vehicles that are not equipped with the system. The system also provides for the input of an allotted number of gallons by month and fuel transaction limits for each vehicle. The system does not allow a vehicle to be fueled in excess of what is programmed for the vehicle by authorized personnel, unless this control is overridden. The automated process only takes place on those vehicles that had the fuel systems installed and programmed and the system generates several reports that provide management vehicle fuel usage information, such as transaction date, vehicle operator, odometer reading, and fuel quantity for each refueling. University procedures provide for the Vehicle Services Department (Department) to forward the fuel system reports with fuel bills to the appropriate department head for review. Any inconsistencies noted by the department heads are to be reported to the Department.

We selected 18 vehicles to determine the reasonableness of fuel consumption for the period January through March 2013. We reviewed the information shown on the fuel system reports for these vehicles such as, the odometer readings, miles per gallon computations, and quantity of fuel pumped. We also compared the odometer readings shown on the fuel system reports to the applicable vehicle trip logs. The following deficiencies were noted for 12 of the 18 vehicles tested:

- The odometer readings, as shown on the fuel system report on the dates of fueling the vehicles, were not within the range of miles driven for the same dates as shown on the vehicle's trip logs. The differences noted in odometer readings ranged from 340 to 38,809 miles. Procedures had not been implemented during the period tested to compare these records and document the reasons for these differences.
- The fuel system reports for these vehicles did not evidence supervisory review.

Under these circumstances, the University has limited assurance of the accuracy of the fuel system reports that are being used by management to monitor the reasonableness of fuel consumption and there is increased risk that unauthorized use of University fuel may occur. Similar findings were noted in our report Nos. 2010-096 and 2012-092. Subsequent to our inquiries, on June 17, 2013, University Policy 540.005, *Acquisition, Assignment, and Use of University Vehicles*, was revised to require the completion of vehicle trip logs, and the verification of the vehicle fuel consumption reports against the mileage recorded in the fuel management system.

---

**Recommendation:** The University should continue its efforts to monitor the reasonableness of fuel consumption by comparing odometer readings on the fuel system reports to vehicle odometer readings and document such efforts.

---

|                               |
|-------------------------------|
| <b>Information Technology</b> |
|-------------------------------|

**Finding No. 5: Security Controls – User Authentication and Logging and Monitoring of System Activity**

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed that certain University security controls related to user authentication and logging and monitoring of system activity needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising University data and IT resources. However, we have notified appropriate University management of the specific issues. Without adequate security controls related to user authentication and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of University data and IT resources may be compromised. A similar finding was communicated to University management in connection with our report No. 2012-092.

**Recommendation:** The University should improve IT security controls related to user authentication and logging and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

|                              |
|------------------------------|
| <b>PRIOR AUDIT FOLLOW-UP</b> |
|------------------------------|

The following table provides information on recurring audit findings for the University:

| Current Fiscal Year<br>Finding Numbers | Preceding Fiscal Year Audit Report<br>and Finding Numbers | Second Preceding Fiscal Year Audit<br>Report and Finding Numbers |
|--|---|--|
| 4                                      | 2012-092, Finding No. 4                                   | 2010-096, Finding No. 9  |
| 5                                      | 2012-092, Finding No. 9                                   | NA   |

NA – Not Applicable

|   |
|---|
| <b>OBJECTIVES, SCOPE, AND METHODOLOGY</b> |
|---|

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

We conducted this operational audit from February 2013 to September 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, safeguarding of assets, and identifying weaknesses in those controls.

- Determine whether management had taken corrective actions for findings included in our report No. 2012-092.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2012-13 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

#### AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

#### MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

| Scope (Topic)   | Methodology  |
|---|--|
| Information technology (IT) access privileges and separation of duties. | Tested selected access privileges over the database and finance applications to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed. |
| Deactivation of employee IT access.                                     | Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely deactivated.   |
| IT data loss prevention.  | Reviewed written security policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.   |
| IT logical access controls and user authentication.                     | Reviewed selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.   |
| IT logging and monitoring.  | Reviewed procedures and reports related to the capture, review, maintenance, and retention of selected system and security event logs.   |
| Board and committee meetings.   | Reviewed Board and committee minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to public, and maintenance of minutes).   |
| Internal audit function (inspector general).                            | Reviewed the internal audit function to determine whether the University followed professional requirements and provided for peer review of reports issued.  |
| Textbook affordability.   | Examined supporting documentation to determine whether the University's procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.  |
| Investments.  | Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.  |
| Student receivables.  | Determined whether student receivables were properly authorized, documented, and properly recorded. Determined adequacy of collection efforts and whether uncollectible accounts written-off were properly approved. Determined whether restrictions on student records and holds on transcripts and diplomas were adequate and enforced for delinquent accounts.  |



**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

| Scope (Topic)  | Methodology  |
|--|--|
| Student fee deferments.  | Examined supporting documentation to determine whether the University had authorized student fee deferments in accordance with statutory authority.  |
| Parking citation receivables.  | Tested parking citations to determine the effectiveness of collection procedures.  |
| Tangible personal property.  | Tested property items to determine whether tangible personal property inventory was complete, being used consistently with requirements of controlling laws, and recorded in the subsidiary ledgers.   |
| Donation, acquisition, or construction of capital assets involving outside entities. | Reviewed documentation for donation, acquisition, or construction of capital assets involving an outside entity and determined whether such transactions and agreement were appropriate.   |
| Florida residency determination and tuition.   | Tested student registrations to determine whether the University documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, 1009.24, and 1009.286(2), Florida Statutes, and Board of Governors (BOG) Regulation 7.005. |
| Tuition differential fees.   | Reviewed payments from tuition differential fees collected to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.  |
| Tuition rates.   | Reviewed tuition fees charged for select programs to determine compliance with the University Board policies and Florida BOG regulations.  |
| Distance learning fees.  | Determined whether distance learning fees were assessed and collected as provided by Section 1009.24(17), Florida Statutes.  |
| Terminal pay.  | Reviewed the University's policies and procedures for terminal pay to ensure consistency with Florida law. Tested former employees to determine appropriateness of terminal pay.   |
| Severance pay.   | Reviewed severance pay provisions in selected contracts to determine whether the University was in compliance with Florida Statutes.   |
| Administrative employees' compensation.  | Reviewed administrative employees' compensation to determine whether compensation did not exceed limits provided in Florida law.   |
| President's compensation.  | Determined whether the President's compensation was in accordance with Florida law, BOG Regulations, and University policy.  |
| Electronic funds transfers and payments.   | Reviewed University policies and procedures related to electronic funds transfers and payments. Tested supporting documentation to determine whether selected electronic funds transfers and payments were properly authorized and supported.                |



**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

| Scope (Topic)   | Methodology   |
|---|---|
| Rebate revenues.                                      | Determined whether rebates revenues received from purchasing programs were allocated to the appropriate University funds.   |
| Purchasing card transactions.                         | Tested transactions to determine whether purchasing cards were administered in accordance with University policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.  |
| Travel expenses.                                      | Tested executive foreign, and out-of-state travel expenses to determine whether the travel was reasonable, adequately supported, and for University purposes.   |
| Contractual agreements.                               | Determined whether contractual services were supported by Board-approved contracts. Also, examined and tested the aforementioned contracts to determine whether they were properly awarded and executed, whether contract terms were adequately supported, and whether vendors carried adequate insurance.  |
| Procurement of goods and services.                    | Reviewed University policies and procedures related to the procurement of goods and services to ensure the competitive vendor selection process. Tested purchases subject to competitive bids/proposals to determine compliance with bid requirements.  |
| Construction administration.                          | For selected major construction projects, tested payments and supporting documentation to determine compliance with University policies and procedures and provisions of laws and rules. Also, for construction management contracts, determined whether the University monitored the selection process of architects and engineers, construction managers, and subcontractors by the construction manager. |
| Insuring architects and engineers.                    | Determined whether the Board had adopted a policy establishing minimum insurance coverage requirements for design professionals, such as architects and engineers. Examined recent construction projects to determine whether architects and engineers provided evidence of the required insurance.   |
| Direct material purchases.                            | Tested construction projects in process and reviewed supporting documentation evidencing procedures used by the University when considering direct material purchases.  |
| Direct-support organizations – conflicts of interest. | Determined whether the University had established policies and procedures to avoid potential conflicts of interest with vendors who were doing business with the University and made donations to the University's direct-support organizations.  |
| Vehicle fuel usage.                                   | Tested vehicle and related fuel management reports to determine whether reports were accurate and reviewed by supervisory personnel, and whether the vehicle's reported miles per gallon appeared reasonable.   |

EXHIBIT B  
MANAGEMENT'S RESPONSE



OFFICE OF FINANCE & ADMINISTRATION

December 12, 2013.

Mr. David Martin, CPA  
Auditor General  
State of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin,

Enclosed is our response to the preliminary and tentative findings and recommendations for the Operational Audit of Florida International University for the fiscal year ended June 30, 2013. We will implement the recommendations identified during the audit in accordance with the enclosed schedule of responses.

We appreciate the thoroughness and professionalism of your staff in completing the audit. The resulting recommendations will assist us in improving our operations and safeguarding our resources.

If you have any questions or need additional information, please do not hesitate to contact me at [kjessell@fiu.edu](mailto:kjessell@fiu.edu)

Sincerely,

A handwritten signature in blue ink, appearing to read "K. Jessell", is written over a light blue circular stamp.

Kenneth A. Jessell Ph.D.  
Senior Vice President for Finance & Administration and CFO

cc: Mark B. Rosenberg, President  
Douglas Wartzok, Provost and Executive Vice President

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

**FLORIDA INTERNATIONAL UNIVERSITY**  
**Responses to Preliminary and Tentative Findings**  
**Operational Audit – Fiscal Year Ended June 30, 2013**

**Finding No. 1: The University's investment policies needed to be enhanced to address the continuing education requirements of Section 218.415(14), Florida Statutes**

The University concurs with this finding and recommendation. As reflected in the finding, University Policy 1160.010 Investment Policy was amended by the Board of Trustees on September 10, 2013 to include the requirement for continuing education.

**Finding No. 2: The University's remuneration to some administrative employees exceeded the limitation contained in Section 1012.976(2), Florida Statutes**

The University concurs with this finding and recommendation. The University will periodically review salaries of all employees working in an administrative capacity to ensure that salaries are paid within the limitation of Florida Statute 1012.976 (2). The University restored the \$5,022 of remunerations paid in excess of the amounts allowed by Statute to its appropriated State funds from other University resources during October 2013.

**Finding No. 3: The University needed to enhance its procedures to ensure the timely cancellation of credit card accounts.**

The University concurs with this finding and recommendation. While the procedures for cardholders terminating employment are robust, the audit finding pointed out a gap in enforcement. Cancellation form compliance is quite high, and reconciling feeds from the Human Resources system of terminated employees provides a cross check for any missing forms. But there is also a requirement that the Credit Card Solutions Team (CCST) be notified by email as soon as notice is given that an employee will be terminating or transferring. This email allows CCST to cancel the credit card even before the cancellation form and the card pieces are received. This procedure has not been routinely followed. Indeed, frequently the department will retain the forms and not submit them to the CCST until the employee's final day of service. This leaves a period of time when the card information is at risk for electronic purchases even though the physical card has been destroyed.

The Credit Card Solutions Team (CCST) has strengthened its procedures to ensure the timely cancellation of university issued credit cards.

The Departmental Card Manual was updated to include additional guidance on departmental responsibilities and sanctions resulting from non-compliance, effective October 2013. Departments are now at risk for losing credit card privileges for their entire department if they fail to provide required email termination notices, or otherwise fail to comply with the correct and timely card cancellation protocols.

Additionally, the CCST has implemented measures to improve the card cancellation procedure awareness to the university community. A reminder has been published in the Panther Post Newsletter alerting units to the correct card cancellation procedure, a presentation was made to the University's Finance Managers and a reminder will be sent via the dedicated program listserv to alert cardholders as well.

The CCST has increased the cardholder reconciliation between the bank's system and the Human Resources PantherSoft System from monthly to weekly. This comparison is used to identify terminated cardholders with

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

active card profiles that may not have been previously captured by the daily term log, effective September 27, 2013.

**Finding No. 4: Vehicle usage logs were not always complete and did not always evidence supervisory review.**

The University concurs with this finding and recommendation. Policy 540.005 was revised effective July 1, 2013 to ensure that all university vehicle users complete a daily vehicle trip log for the vehicles assigned to them. The required items on the trip log include check-out and check-in dates and time, beginning and ending mileage and purpose of the trip and gas consumption. Supervisory review of the vehicle usage is required.

The verification of the gas consumption versus the mileage traveled per the mileage log is being conducted by Vehicle Services personnel against the fuel management system to determine if the amount used is reasonable fuel consumption for the vehicle. This analysis is reviewed by the Vehicle Services' supervisor and any discrepancies are communicated to the department.

The discrepancies in the odometer readings noted in the audit report are being addressed in cooperation with Fuelmaster, the fuel management system company, in order to identify the cause of the inaccurate odometer readings as reported by the fuel management system. Once the cause is identified, we will take corrective measures on the entire fleet, as necessary. In addition, the university is also researching alternative fuel and mileage tracking systems which may provide improved and more efficient tracking, fuel consumption and vehicle usage information.

**Finding No. 5: The University's information technology security controls related to user authentication and logging and monitoring of system activity needed improvement.**

The Federal Information Security Management Act (FISMA) requires all 'Federal' Agencies to implement the highest level of information technology security controls. These security controls standards have been created and are maintained by the National Institute of Standards and Technology (NIST). To ensure that the Florida University system maintains the highest level of computer security, each university has been working towards implementing the security standards recommended by NIST.

NIST findings concerning password expirations periods have determined that more frequent password expiration periods do not make computer systems more secure. In fact short password expiration periods have been shown to potentially adversely affect system security. NIST's draft publication 800-118 'Guide to Enterprise Password Management', identifies the following potential security problems associated with short password terms:

- End users create easy, simpler-to-remember passwords that are less secure;
- The more frequent the expiration cycle, the more likely end-users will create written password helps (i.e. Sticky notes, spreadsheet entries, etc.);
- Frequent expirations cycles increased password management workloads for IT helpdesk staff and can reduce end-user productivity.

In conclusion, the University will evaluate NIST's guidance for password length and complexity standards as a more viable alternative than short password expiration periods.

The University has implemented monitoring and logging capabilities for all our privileged data base users within applicable environments in our administrative application systems.

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: Office of Internal Audit Status Report**

---

**Proposed Committee Action:**  
None. Discussion Item.

---

**Background Information:**

The Office of Internal Audit Report provides the status of audits, work in progress and follow-up activities since the Finance and Audit Committee last met on September 10, 2013.

---

**Supporting Documentation:** Office of Internal Audit Status Report

**Facilitator/Presenter:** Allen Vann

This page intentionally left blank



# **Office of Internal Audit Status Report**

**BOARD OF TRUSTEES**

**January 9, 2014**

**Date:** January 9, 2014  
**To:** Board of Trustees and Finance and Audit Committee  
**From:** Allen Vann, Audit Director  
**Subject:** **OFFICE OF INTERNAL AUDIT STATUS REPORT**

---

I am pleased to provide you with the quarterly update on the status of our office's work activities. Since our last update to you on September 10, 2013, we completed the following audits:

1. **Controls over Salary Costs Directly Charged to Federal Awards** – During fiscal year 2012 the University expended \$119 million from governmental and corporate grants; the overwhelming majority of dollars charged were derived from salary costs. We audited those salary costs to verify that the University has effective controls and good procedures to support those charges.

Our audit disclosed that the University's controls and procedures in this area were mostly adequate and effective. However, we did identify opportunities where internal controls could be strengthened, which in turn will further reduce the risk to the University; particularly in the areas of effort reporting and certification, and monitoring for the appropriate reporting of instructional activities and the vetting of direct charges for administrative and clerical staff. The audit resulted in ten recommendations that management agreed to implement.

2. **FIU HealthCare Network's (FIU-HCN) Billing, Collections, and Electronic Medical Record Systems** The primary objective of our audit was to determine if FIU-HCN's established controls and procedures are adequate to ensure that the electronic health records' sensitive data has proper information security measures for confidentiality, integrity and availability; medical services are accurately and timely billed, collected, and recorded; and FIU-HCN policies and procedures, applicable laws, rules and regulations are complied with.

Overall, our audit disclosed that the FIU-HCN's controls and procedures were mostly adequate. Nevertheless, there were many areas where internal controls need strengthening, particularly in patient record keeping and patient account reviews. Also,



IT controls related to electronic health records need improvement. The audit resulted in thirty recommendations that management agreed to implement.

- 3. Kovens Conference Center's Auxiliary Operations** – The Center, managed by the FIU Chaplin School of Hospitality and Tourism Management, is in a 57,640 square foot building constructed in 1995 at the Biscayne Bay Campus. It is fully equipped with state-of-the-art telecommunication resources and catering facilities. While almost a million dollars in revenues are generated annually, mostly from conference services, the Center has sustained systemic deficits over the years.

The primary objectives of our audit were to ensure that Center's revenue and expenditure streams were properly accounted for and financial controls and procedures were in place. The Center's business practices were also reviewed to try and identify the challenges it faces in becoming a self-supporting auxiliary operation as required.

Overall, our audit disclosed that the Center's established controls and procedures were good and its revenue and expenditure streams were for the most part properly accounted for. Nevertheless, our audit identified some areas, particularly financial management and revenue recognition that need to be addressed so that the Center achieves its goal of self-sustainability. The audit resulted in seven recommendations, that management agreed to implement.

## **INVESTIGATIONS**

We assisted the University Police in performing an investigation. The allegations that prompted the investigation were found to be unsubstantiated.

## **WORK IN PROGRESS**

We are currently working on the following audits:

1. Student Activity and Service Fees (Student Affairs)
2. College of Business (Academic Affairs)
3. Purchasing Practices for Commodities (Office of the Controller)
4. Frost Art Museum (Academic Affairs)
5. School of Computing and Information Sciences (College of Engineering and Computing)
6. University Lab Safety (Environmental Health and Safety)
7. Sub-Recipient Monitoring (Division of Research)
8. Award and Administration-Retail/Vending Contracts (Office of Business Services)

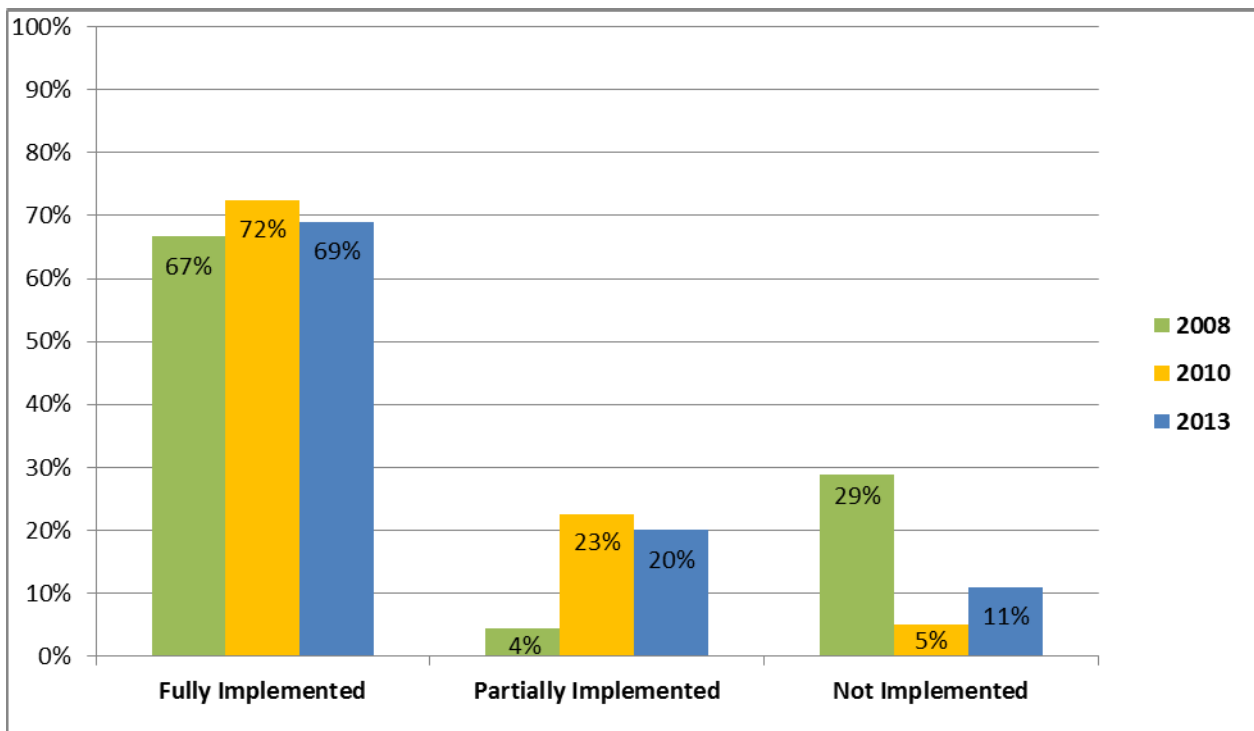
## **PROFESSIONAL DEVELOPMENT**

The Internal Audit staff continues to take advantage of professional development opportunities. Two staff members attended the Annual Conference of the Association of Healthcare Internal Auditors and two other staff members attended the Annual Conference of the Association of College and University Auditors. In addition, I attended the State University Audit Council meeting at the University of Florida in Gainesville.

## FOLLOW-UP ACTIVITIES

About every three years, our Office will test, on a sample basis, management's self-reported data to assure that they in-deed have implemented the recommendations. Accordingly, we selectively tested 10% of the 351 recommendations that were issued by our office and the State of Florida Auditor General between May 1, 2010 and September 30, 2012.

Based on our testing we have concluded that management's implementation rate has been comparable to the results of the last two follow-up audits conducted in 2008 and 2010 as depicted in the following chart:



Overall, our audit disclosed that 69% of past recommendations tested were fully implemented and 20% were partially implemented and are still in the process of being addressed. Only four of the 35 recommendations tested were not acted upon but according to management will be completed shortly.

In addition to the above, twice a year we survey management on their progress completing past recommendations. According to management, 45 of the 57 recommendations we are tracking, which were due for implementation were completed. The remaining 12 recommendations were partially implemented. Details follow:

| Areas Audited  | Total Due for Implementation | Implemented | Partially Implemented |
|--|------------------------------|-------------|-----------------------|
| University College- FIU Online   | 12                           | 12          | 0                     |
| Division of Student Affairs  | 10                           | 9           | 1                     |
| Wolfsonian-FIU   | 10                           | 5           | 5                     |
| Herbert Wertheim College of Medicine   | 9                            | 8           | 1                     |
| Office of Enrollment Services/<br>Undergraduate Education/<br>Athletics Department | 8                            | 4           | 4                     |
| Athletics Department   | 2                            | 2           | 0                     |
| University Libraries   | 2                            | 1           | 1                     |
| School of Journalism and Mass Communication  | 2                            | 2           | 0                     |
| Facilities Management Department   | 2                            | 2           | 0                     |
| <b>Totals</b>  | <b>57</b>                    | <b>45</b>   | <b>12</b>             |
| <b>Percentage</b>  | <b>100%</b>                  | <b>79%</b>  | <b>21%</b>            |

Updates for the 12 partially implemented recommendations as follow:

*Division of Student Affairs – 1 partially implemented*

**Audit of the Student Health Services (May 2013)**

Recommendation 1.3 – Follow-up with the Student Financial Services and develop a reconciliation process to ensure that medical fees charged on student accounts are collected.

Management's Action Plan to Complete: Meeting was held and issues discussed. Received and finalized details in the PantherSoft Report with Student Financials on October 1, 2013. Developed a reconciliation process utilizing the report on October 16, 2013. During testing phase several discrepancies in the data were identified and therefore we continue to work with Student Financials to reach a satisfactory resolution.

Original Target Date: July 2013

New Target Date: December 2013

Wolfsonian-FIU – 5 partially implemented

**Audit of the Wolfsonian-FIU (April 2013)**

1. Recommendation 9.3 –Human Resources to complete the background and fingerprint checks for those who have not had them and for any future employee hired who is responsible for handling cash or managing cash transactions.

Management's Action Plan to Complete: Pre-employment requirement was added to all impacted positions. We continue to coordinate with Human Resources to schedule appointments to complete remainder of staff.

Original Target Date: April 2013

New Target Date: December 2013

2. Recommendation 9.4 – In light of the security concerns over the permanent collection expressed in the report, consult with the Provost and Human Resources with a view towards performing more extensive criminal background checks, including fingerprinting, for all staff having access to the collection.

Management's Action Plan to Complete: Pre-employment requirement was added to all impacted positions. We continue to coordinate with Human Resources to schedule appointments to complete remainder of staff.

Original Target Date: May 2013

New Target Date: December 2013

3. Recommendation 10.8 – Conduct a business impact analysis for each affected department. The results of the analysis should be incorporated into the contingency plan.

Management's Action Plan to Complete: The Wolfsonian-FIU is currently working through FIU's new Continuity of Operations Planning program to implement business impact analyses, in addition to revising its museum-specific disaster mitigation plan to align with the Continuity of Operations Plan.

Original Target Date: April 2013

New Target Date: March 2014

4. Recommendation 10.9 – Perform formal contingency plan testing with key personnel. Test results should be formally reviewed and corrective actions taken to ensure the plan's ability to support the operations and protect its data in the event of a disaster.

Management's Action Plan to Complete: Contingent on completion of Recommendation 10.8.

Original Target Date: April 2013

New Target Date: April 2014

5. Recommendation 10.10 – The Wolfsonian-FIU should move forward as expeditiously as possible with its plan to upgrade/replace the security monitoring system.

Management's Action Plan to Complete: The installation of a new security monitoring system at 1001 Washington Avenue will be completed by November 30, 2013. The relocation and installation of the camera and DVR equipment in the Annex will start January 2014 and be completed by March 31, 2014.

Original Target Date: July 2013

New Target Date: March 2014

**Herbert Wertheim College of Medicine (HWCOC) – 1 partially implemented**

**Audit of the HWCOC Information Systems Security Controls (October 2012)**

Recommendation No. 3.7 – Develop and implement a formal audit log review process.

Management's Action Plan to Complete: Workstation audit review procedure and checklist includes user activity review. HWCOC IT will provide reporting on NeighborhoodHelp and Data Organization for Medical Education logs and distribute to application owners for periodic review of user access. There is a system in place that keeps track of user access to the identified applications and is periodically reviewed with their supervisor to ensure the access is the minimum necessary to perform their job duties.

Original Target Date: December 2012

New Target Date: January 2014

**Office of Enrollment Services/Undergraduate Education/Athletics – 4 partially implemented**

**Audit of the University's Compliance with The National Collegiate Athletic Association's (NCAA) Student-Athlete Eligibility Requirements (February 2013)**

1. Recommendation 1.1 – Ensure that all forms submitted by student-athletes declaring their chosen major are input into the system before the third year of enrollment.

Management's Action Plan to Complete: The system to automate the continuing eligibility certification process is nearing completion. Projections from project design team show this system as being tested during the spring of the 2013-14 academic year.

Original Target Date: May 2013

New Target Date: August 2014

2. Recommendation 5.1 – Collaborate with the University's Admissions Office to verify that the University's special admission procedure is published in the course catalog issued each academic year or other official document.

Management's Action Plan to Complete: This will be a point of emphasis for the new Athletic Compliance Office Director and disclosed to candidates during the hiring process.

Original Target Date: June 2013

New Target Date: August 2014

3. Recommendation 7.1 – Ensure that advisors are not enrolling student-athletes into classes without consulting the student-athlete.

Management's Action Plan to Complete: This will be a point of emphasis for the new Student-Athlete Academic Center Director and disclosed to candidates during the hiring process.

Original Target Date: May 2013

New Target Date: August 2014

4. Recommendation 9.1 – Consider revising the Panther Degree Audit or developing a custom report to include the amount of electives available to student-athletes.

Management's Action Plan to Complete: The initial automated athletics page has been completed and is ready for trials during spring 2014.

Original Target Date: August 2013

New Target Date: August 2014

#### University Libraries –1 partially implemented

#### **Audit of the University Libraries (September 2012)**

Recommendation No. 1.1 – Use and periodically update the Library Collection Policy Statements.

Management's Action Plan to Complete: The collection development policy is in the final stage of completion and approval and is expected to be live on the library website by mid-December.

Original Target Date: March 2013

New Target Date: December 2013

This page intentionally left blank



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: Financial Performance Review - First Quarter FY 2013-14**

---

**Proposed Committee Action:**  
None. Discussion Item.

---

**Background Information:**  
The Financial Summary Overview provides the budget variance analysis for the first quarter of Fiscal Year 2013-14.

---

**Supporting Documentation:** Financial Summary Overview, First Quarter FY 2013-14

**Facilitator/Presenter:** Kenneth A. Jessell

This page intentionally left blank

**Florida International University**  
**Financial Summary Overview <sup>1</sup>**  
**FY 2013-14**

|   | Year To Date<br>September 2013 |                     |             |             |
|---|--------------------------------|---------------------|-------------|-------------|
|   | Budget                         | Current Year Actual | Variance    |             |
|   |                                |                     | \$          | %           |
| (\$ in millions)                                |                                |                     |             |             |
| <b>Revenue / Receipts</b>                       |                                |                     |             |             |
| <b>University</b>                               |                                |                     |             |             |
| Educational and General (net) <sup>2</sup>      | 137.1                          | 139.4               | 2.3         | 2%          |
| University                                      | 123.1                          | 125.1               | 2.0         | 2%          |
| College of Medicine                             | 14.1                           | 14.4                | 0.3         | 2%          |
| FIU Self-Insurance Program                      | -                              | 0.0                 | 0.0         | 0%          |
| Auxiliary Enterprises                           | 62.7                           | 65.3                | 2.6         | 4%          |
| Intercollegiate Athletics                       | 9.5                            | 9.8                 | 0.3         | 3%          |
| Activities and Service                          | 6.6                            | 6.6                 | 0.1         | 1%          |
| Technology Fee                                  | 3.8                            | 3.9                 | 0.1         | 4%          |
| Board Approved Fees                             | 0.2                            | 0.1                 | (0.1)       | -55%        |
| Contracts and Grants                            | 25.6                           | 29.1                | 3.5         | 14%         |
| Student Financial Aid                           | 60.9                           | 65.7                | 4.8         | 8%          |
| Concessions                                     | 0.1                            | 0.1                 | (0.0)       | -7%         |
| <b>Direct Support Organizations</b>             |                                |                     |             |             |
| FIU Athletic Finance Corp                       | 0.9                            | 1.3                 | 0.4         | 48%         |
| FIU Foundation Inc                              | 4.7                            | 7.0                 | 2.3         | 50%         |
| FIU Health Care Network                         | 0.9                            | 0.3                 | (0.6)       | -69%        |
| FIU Research Foundation                         | -                              | 0.0                 | 0.0         | 0%          |
| Interfund Adjustments <sup>3</sup>              | (9.0)                          | (8.7)               | 0.3         | -3%         |
| <b>Total Operating Revenues</b>                 | <b>304.0</b>                   | <b>319.9</b>        | <b>15.9</b> | <b>5%</b>   |
| University Treasury (net)                       | 2.7                            | 5.2                 | 2.5         | 90%         |
| FIU Foundation Inc                              | 1.3                            | 9.5                 | 8.2         | 630%        |
| <b>Total Investment Revenues</b>                | <b>4.0</b>                     | <b>14.6</b>         | <b>10.6</b> | <b>264%</b> |
| <b>Total Revenues / Receipts</b>                | <b>308.0</b>                   | <b>334.5</b>        | <b>26.5</b> | <b>9%</b>   |
| <b>Expenses</b>                                 |                                |                     |             |             |
| <b>University</b>                               |                                |                     |             |             |
| Educational and General (net)                   | 81.0                           | 73.6                | 7.4         | 9%          |
| University                                      | 72.1                           | 66.6                | 5.5         | 8%          |
| College of Medicine                             | 8.9                            | 7.0                 | 1.9         | 21%         |
| FIU Self-Insurance Program                      | 0.1                            | 0.0                 | 0.0         | 66%         |
| Auxiliary Enterprises                           | 39.2                           | 34.8                | 4.3         | 11%         |
| Intercollegiate Athletics                       | 7.1                            | 7.6                 | (0.5)       | -7%         |
| Activities and Service                          | 9.1                            | 8.4                 | 0.6         | 7%          |
| Technology Fee                                  | 2.3                            | 1.7                 | 0.7         | 28%         |
| Board Approved Fees                             | 0.1                            | -                   | 0.1         | 100%        |
| Contracts and Grants                            | 24.2                           | 28.1                | (3.9)       | -16%        |
| Student Financial Aid                           | 66.3                           | 70.4                | (4.1)       | -6%         |
| Concessions                                     | 0.2                            | 0.1                 | 0.1         | 27%         |
| <b>Direct Support Organizations</b>             |                                |                     |             |             |
| FIU Athletic Finance Corp                       | 0.6                            | 0.5                 | 0.0         | 3%          |
| FIU Foundation Inc                              | 9.8                            | 4.0                 | 5.8         | 59%         |
| FIU Health Care Network                         | 1.1                            | 1.0                 | 0.1         | 13%         |
| FIU Research Foundation                         | 0.0                            | 0.0                 | 0.0         | 48%         |
| Interfund Adjustments <sup>3</sup>              | (9.0)                          | (8.7)               | (0.3)       | 3%          |
| <b>Total Expenses</b>                           | <b>231.9</b>                   | <b>221.6</b>        | <b>10.3</b> | <b>4%</b>   |
| Principal Payment of Debt <sup>4</sup>          | -                              | 1.8                 | (1.8)       | 0%          |
| <b>Change in Net Assets (incl. Investments)</b> | <b>76.1</b>                    | <b>111.2</b>        | <b>35.1</b> | <b>46%</b>  |
| <b>Change in Net Assets (excl. Investments)</b> | <b>72.1</b>                    | <b>96.5</b>         | <b>24.5</b> | <b>34%</b>  |

**Notes:**

- <sup>1</sup> *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: At fiscal year-end, E&G expenses will include year end commitments (encumbrances) which have not yet been invoiced.*
  - *Unrealized gains and losses: The investment results are recognized as revenues in the budget however GASB accounting principles require that it be recorded as a non-operating revenue / expense.*
- <sup>2</sup> *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.*
- <sup>3</sup> *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.*
- <sup>4</sup> *Principal payment of debt reflected above per BOG requirement that debt service payments be shown on a cash basis.*

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: Treasury Report**

---

**Proposed Committee Action:**  
None. For information only.

---

**Background Information:**

The Treasury Report provides an update on the University's liquidity position, investments performance, University and Direct Support Organization outstanding debt, treasury summary and financial condition for the quarter ending September 30, 2013.

---

**Supporting Documentation:** Treasury Report

**Facilitator/Presenter:** Phong Vu

This page intentionally left blank

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**TREASURY REPORT**

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

For quarter ending September 30, 2013

**OVERVIEW**

The University's total liquidity position of \$348.4 million was 1.8 times the University debt position of \$188.0 million at the quarter end and 1.5 times total debt of \$228.1 million, which includes Direct Support Organization ("DSO") outstanding balances. These results were lower than both the liquidity to university debt ratio (2.2x) and the liquidity to total debt ratio (1.7x) for the same period last year. The variance was largely due to higher debt that resulted from the issuance of Parking Garage 6 bonds.

**LIQUIDITY**

**Real Days Payable**

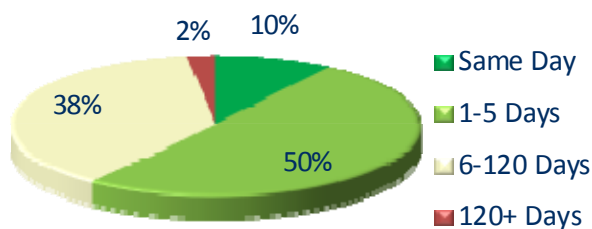
\$175.6 million, or 50 percent, of the liquidity position was accessible within 5 business days (See *Liquidity Allocation* chart for detail). The university had 51 real days payable<sup>1</sup> ("RDP") versus 73 RDP in FY2013. The variance in RDP was due mainly to the higher outflows in FY2014 (see details in Uses section)

**Stress Tests**

Treasury analyzes the effect of negative market performance on its liquidity position by generating 10,000 one-year investment performance simulations. At quarter end, the scenario with the bottom decile (the lowest 1,000) equity performance generates a projected 4 percent portfolio loss scenario that would equate to \$13.9 million in unrealized losses. Liquidity, as measured by 5-day accessibility, would drop to \$169.7 million, or 48.7 percent of the total current available cash and investment balances. RDP would fall to 50 days based on FYTD outflows.

The scenario of the bottom decile of overall portfolio performance represents a 5 percent loss, or \$16.7 million. This would result in a projected drop in liquidity to \$159.5 million, or 46 percent of the total current available balances. This balance translates into 45 RDP based on FYTD outflows.

**LIQUIDITY ALLOCATION**



<sup>1</sup> Real Days Payable represents the available balance of liquid funds divided by the average cash outflows of the university. The calculation uses the available balance in the university's bank accounts plus the market value of investments that are accessible within 5 business days as its balance of liquid funds.

## Sources<sup>2</sup>

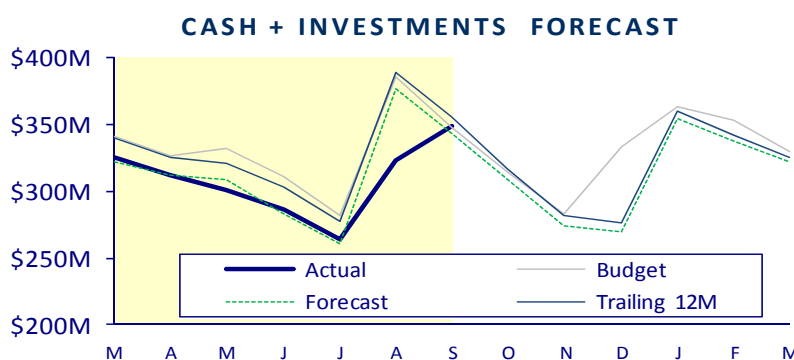
The University started the fiscal year with \$62.6 million in cash balances<sup>3</sup>. Total FYTD inflows (state and operational) were \$348.6 million as compared to \$306.1 million for the same period in the prior fiscal year. On average, \$5.3 million flowed into the university each business day FYTD versus \$4.7 million/day in FY2013.

## Uses

FYTD, the university expended \$271.2 million and ended the period with \$140.1 million in cash balances. In FY 2013 Q1, uses totaled \$255.5 million and ended the period with \$119.7 million in cash balances. The FYTD velocity cash outflows increased to \$4.1 million/day from \$3.9 million/day in 2013 Q1. The increase in outflow was primarily due to \$12.8 million in higher payroll disbursements and a \$1.5 million increase in accounts payable disbursements.

## Forecast and Budget

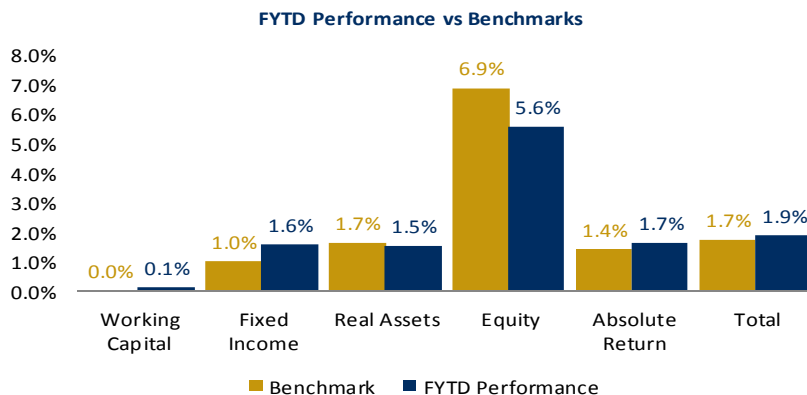
Combined Cash and Investment Balances continue to follow historical seasonality. Actual balances at the end of FY 2014 Q1 were 1.4 percent higher than the rolling forecast, flat to the budget and 1.9 percent lower than Q1 of prior year. The August variance versus the forecast and budget was driven by the timing of student payments (and enrollment cancellation date) in the first week of September. For the next quarter, the university should experience a steady drawdown in the balances lasting through the second quarter of FY 2014, when the start of the Spring 2014 semester will generate large cash inflows (See *Cash + Investment Forecast* chart for month-by-month projections).



## INVESTMENTS

### Performance

FIU's operating portfolio continues to outperform the State Treasury investment pool ("SPIA"), returning 4.6 percent since inception versus the SPIA's 3.0 percent for the same time. So far, in FY 2014, the portfolio is up 1.9 percent. This compares to 3.5 percent for the same period last year. The Strategic Capital and Reserve Pools gained 2.6 percent while the Working Capital Pool gained 0.1 percent. Returns from the SPIA totaled 0.2 percent during the same period (See



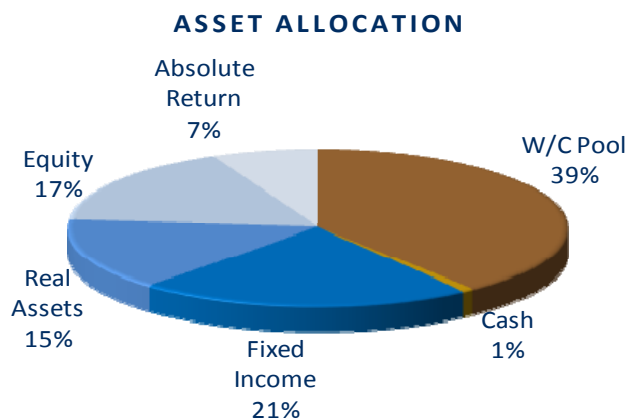
<sup>2</sup> Sources reported include transfers from the state, transfers from any bond proceeds on debt funded projects and cash from operations. The Treasury Summary details transfers from the state in the W/C (Working Capital Pool) Transfers.

<sup>3</sup> Cash includes Working Capital Pool assets and cash balances in the concentration bank account.



*FYTD Performance vs. Benchmarks* chart for additional performance detail by asset class). This compares to 0.3 percent for the Working Capital Pool and 4.5 percent for the Strategic and Reserve Capital Pools for FYTD for the same period last year.

Two asset classes underperformed their benchmarks for the period: Real Assets (1.5 percent versus 1.7 percent benchmark), Equity (5.6 percent versus 6.9 percent benchmark).



#### Composition

Asset allocations at the end of FY 2014 Q1 remained within policy guidelines (See *Asset Allocation* chart for detail of asset allocation at quarter end).

The quarter-end market value of the University's operating funds portfolio and cash is \$348.4 million. This balance reflects an increase of \$62.0 million or 17.8 percent, from the previous quarter and was in line with the quarter-to-quarter seasonality of cash flows. The total portfolio market value was \$7.0 million less than the market value the end of FY 2013 Q1.

## DEBT

### Total

The University and DSOs ended FY 2014 Q1 with \$228.1 million in outstanding debt versus \$205.0 million for the same period in FY 2013. The weighted average interest rate for the University and DSO issuances was 4.3 percent. At the end of FY 2014 Q1, 93.2 percent (\$212.6 million) of the University and DSOs' outstanding debt was fixed rate debt and 6.8 percent (\$15.5 million) was variable rate debt. All of the variable rate debt are obligations of the Direct Support Organizations (Athletics Finance Corporation, FIU Foundation).

### Housing

The University's Housing debt consists of revenue bonds for the Housing System. The outstanding housing debt was \$110.0 million at the end of FY 2014 Q1. This compares to \$114.0 million at the end of FY 2013 Q1. The year over year decrease was due to the scheduled principal payments as included in the debt service. The weighted average interest rate for the housing bonds, at the end of FY 2014 Q1, was 4.1 percent. The housing bonds are rated A+/A/Aa3 (Fitch/S&P/Moody's).

### Parking

The University's Parking debt consists of revenue bonds for the Parking System. The outstanding parking debt was \$78.0 million at the end of FY 2014 Q1. This compares to \$50.0 million at the end of FY 2013 Q1. The year over year increase was due to the issuance of Parking Garage 6 bonds. This increase was partially offset by the redemption of the 1995 Parking Bonds and scheduled principal payments as included in the debt service. The weighted average interest rate for the parking bonds, at the end of FY 2014 Q1, was 4.6 percent. The parking bonds are rated A+/AA-/Aa3 (Fitch/S&P/Moody's).

On August 22, 2013 the Florida Division of Bond Finance sold \$48.4 million of fixed rate, tax exempt revenue bonds for the Parking System. The bonds included \$33.5 million in new funding and \$14.9 million of refunding bonds. The refunding resulted in gross debt service savings of approximately \$1.1 million. The bonds were sold in a competitive sale to Wells Fargo Bank at a bid TIC of 4.6999%. The closing for the transaction occurred on September 26, 2013.

**Direct Support Organizations**

Currently, DSOs' outstanding debt of \$40.1 million includes stadium bonds with \$32.7 million outstanding and a Foundation loan with \$7.4 million outstanding. In FY 2013 Q1, DSOs had outstanding debt of \$40.9 million including \$33.4 million of stadium bonds and \$7.5 million outstanding for the Foundation loan. The average interest rate for the stadium bonds was 4.5 percent and 4.2 percent for the Foundation Loan. Neither of the DSOs' debt is rated.

**OVERVIEW**
**Liquidity Position**

|                           |                   |
|---------------------------|-------------------|
| Cash + W/C Pool           | \$ 140,062        |
| Strategic + Reserve Pools | 208,309           |
| <b>Total</b>              | <b>\$ 348,371</b> |

**Debt Position**

|                 |                   |
|-----------------|-------------------|
| University Debt | \$ 187,985        |
| DSO Debt        | 40,121            |
| <b>Total</b>    | <b>\$ 228,106</b> |

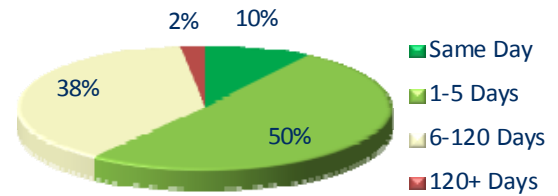
|                           |             |
|---------------------------|-------------|
| Liquidity/University Debt | <b>1.85</b> |
| Liquidity/Total Debt      | <b>1.53</b> |

**LIQUIDITY**
**Availability**

|              |                   |
|--------------|-------------------|
| Same Day     | \$ 33,612         |
| 1-5 Days     | 175,653           |
| 6-120 Days   | 131,350           |
| 120+ Days    | 7,756             |
| <b>Total</b> | <b>\$ 348,371</b> |

**Real Days Payable (<5 Days)**

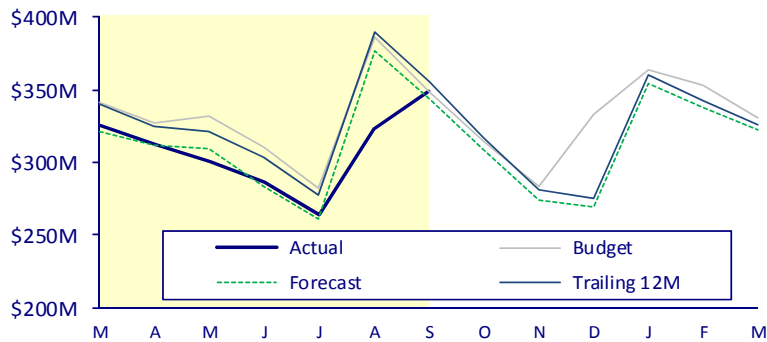
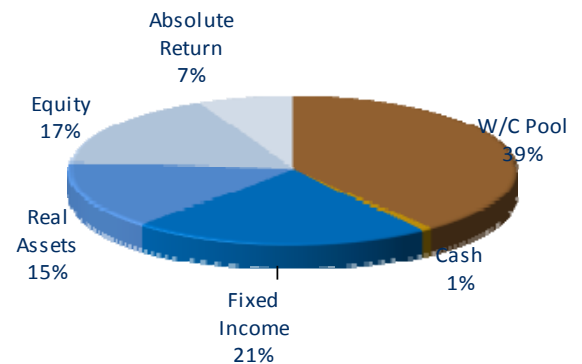
|              |           |
|--------------|-----------|
| MTD Outflows | <b>40</b> |
| QTD Outflows | <b>51</b> |
| YTD Outflow  | <b>51</b> |

**LIQUIDITY ALLOCATION**

**CASH SOURCES AND USES**

| Sources                  | MTD               | QTD               | YTD               |
|--------------------------|-------------------|-------------------|-------------------|
| Opening W/C Pool Balance | \$ 108,623        | \$ 58,977         | \$ 58,977         |
| Opening Cash Balance     | 9,141             | 3,634             | 3,634             |
| From State               | 17,703            | 63,150            | 63,150            |
| From Operations          | 113,594           | 285,503           | 285,503           |
| Uses                     |                   |                   |                   |
| To Payroll               | (37,575)          | (103,362)         | (103,362)         |
| To Operations            | (28,947)          | (87,088)          | (87,088)          |
| To Students              | (42,477)          | (80,751)          | (80,751)          |
| <b>Cash + W/C Pool</b>   | <b>\$ 140,062</b> | <b>\$ 140,062</b> | <b>\$ 140,062</b> |

**INVESTMENTS**

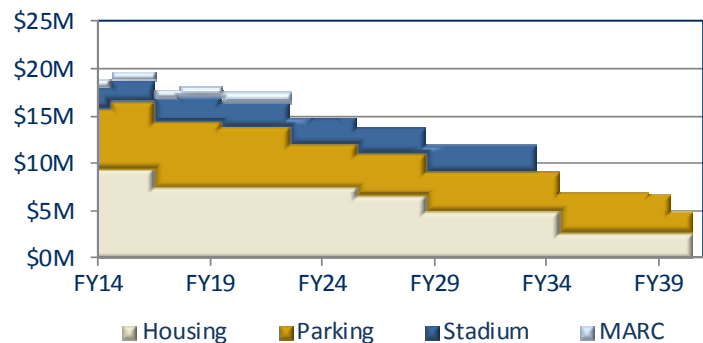
| Cash + W/C Pool           | Balance           | FYTD        | Last 1Y     |
|---------------------------|-------------------|-------------|-------------|
| W/C Pool                  | \$ 137,266        | 0.1%        | 1.3%        |
| Cash                      | 2,796             | 0.0%        | 0.0%        |
| Strategic + Reserve Pools |                   |             |             |
| Fixed Income              | 74,824            | 1.6%        | 1.5%        |
| Real Assets               | 50,985            | 1.5%        | -3.8%       |
| Equity                    | 58,059            | 5.6%        | 16.9%       |
| Absolute Return           | 24,441            | 1.7%        | 9.4%        |
| <b>Total</b>              | <b>\$ 348,371</b> | <b>1.9%</b> | <b>3.0%</b> |

**CASH + INVESTMENTS FORECAST**

**ASSET ALLOCATION**

**DEBT**

| University                    | O/s Balance       | Avg. Rate   |
|-------------------------------|-------------------|-------------|
| Housing (Aa3/A/A+)*           | \$ 110,000        | 4.1%        |
| Parking (Aa3/AA-/A+)*         | 77,985            | 4.6%        |
| Direct Support Organizations  |                   |             |
| AFC (Stadium)                 | 32,749            | 4.5%        |
| Foundation (MARC)             | 7,373             | 4.2%        |
| <b>Total Outstanding Debt</b> | <b>\$ 228,106</b> | <b>4.3%</b> |

\*(Moody's/S&amp;P/Fitch)

|                    |         |       |
|--------------------|---------|-------|
| Fixed Rate Debt    | 212,618 | 93.2% |
| Variable Rate Debt | 15,489  | 6.8%  |

**ANNUAL DEBT SERVICE**


|  | <u>2014 YTD Actuals</u> | <u>2013 FY Actuals</u> |
|--|-------------------------|------------------------|
| <b><u>ASSETS (Uses of Funds)</u></b>                     |                         |                        |
| <b>Current Assets</b>                                    |                         |                        |
| Cash and Cash Equivalents                                | \$ 39,493,298           | \$ 38,052,530          |
| Adjustments to Fair Market Value                         | 23,822,565              | 20,074,015             |
| <b>Total Current Assets</b>                              | <b>\$ 63,315,862</b>    | <b>\$ 58,126,546</b>   |
| <b>Noncurrent Assets</b>                                 |                         |                        |
| Due from Component Units/University                      |                         |                        |
| Athletics Operations Loan                                | \$ 4,739,420            | \$ 4,739,420           |
| Stadium Expansion Loan                                   | -                       | -                      |
| <b>Total Non-Current Assets</b>                          | <b>\$ 4,739,420</b>     | <b>\$ 4,739,420</b>    |
| <b>TOTAL ASSETS</b>                                      | <b>\$ 68,055,282</b>    | <b>\$ 62,865,966</b>   |
| <b><u>LIABILITIES AND CAPITAL (Sources of Funds)</u></b> |                         |                        |
| Accounts Payable   | \$ -                    | \$ 2,397               |
| Accrued Salaries & Wages                                 | -                       | 1,722                  |
| Due to/(from) Component Units                            | -                       | -                      |
| <b>Total Liabilities</b>                                 | <b>\$ -</b>             | <b>\$ 4,119</b>        |
| <b>Total Capital (Net Assets)</b>                        | <b>\$ 68,055,282</b>    | <b>\$ 62,861,846</b>   |
| <b>TOTAL LIABILITES AND CAPITAL</b>                      | <b>\$ 68,055,282</b>    | <b>\$ 62,865,966</b>   |

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: Business Services Report**

---

**Proposed Committee Action:**  
None. For information only.

---

**Background Information:**  
The Office of Business Services Report provides information on services, sales, investments and venues.

---

**Supporting Documentation:** Business Services Report

**Facilitator/Presenter:** Aime Martinez

This page intentionally left blank

THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES  
Finance and Audit Committee  
January 9, 2014

BUSINESS SERVICES REPORT

---

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

Updates

- **Parking Garage 6**, opening in 2015, will include 2,000 new parking spaces, classrooms and over 30,000 sq. ft. of retail.
- **GoldenTouch Haircut & Shaves**, FIU's first barbershop, had a very strong first quarter with almost 5,000 haircuts and grooming services conducted from August through November.
- FIU's new technology store, **Panther TECH**, will open in the Graham Center this coming spring. The store will service and sell electronics such as tablets, phones and computers and will feature brands like Microsoft, Dell and Apple to name a few.
- **Fresh Food Company**, FIU's fully renovated all-you-care-to-eat restaurant located in GC, has proven very successful with sales exceeding 10% vs. prior year.
- **The Management and New Growth Opportunity (MANGO) building**, opening fall 2014, will feature Panda Express, Starbucks and Taco Bell with over 6,000 sq. ft. of indoor/outdoor seating designed to foster collaboration and community engagement.



Quick Facts

**Services under Management**

- 46 Food and Retail Venues, Beverage & Snack Vending, FIU *One Card* Program, Office Supplies, Printing and Copying, Multi-use Facilities, Property Management and University-Wide Advertising.

Coming this spring...

**FIU Panther Tech**

SUPPORT | SALES | SERVICE



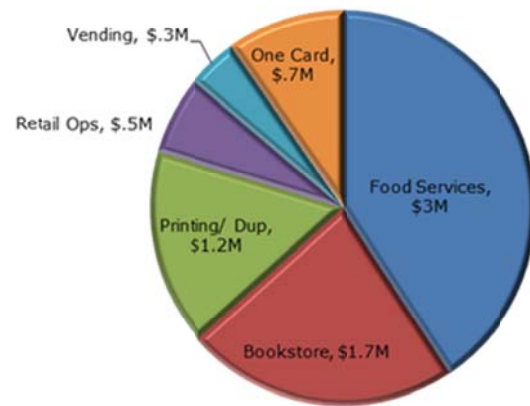
## Investments

- In fiscal year 2013-14 Business Services plans to invest \$8.9M to build out new facilities, expand services and increase indoor and outdoor seating to help foster affinity and retention at FIU. Business Services will also contribute over \$1.8M to fund university initiatives, provide scholarships, underwrite student services and support FIU facilities.

## Revenues

- Business Services manages sales of over \$41M annually in Business Services operations. Revenues from operations in fiscal year 2013-14 are on pace to exceed the estimated \$7.5M; through the month of October, revenue is up 5% vs. budget.

FY 2013-14 Revenue Projection



## Barnes & Noble at FIU

- Barnes and Noble textbook rental program showed a 37% increase over prior year. In fall 2012 students rented 13,802 titles and in fall 2013 they rented 18,992. Online textbook orders have also been increasing over prior year with \$566,411 in orders processed in fall 2013 vs. \$454,000 in orders processed in fall 2012.

## FIU One Card/Wells Fargo

- Over 58,000 *One Cards* have been issued. Links to Wells Fargo accounts continue to climb through orientations augmented by new services like passport photos and student rewards pilot.

## Marketing and Consumer Insights

- Development of the Quality Assurance Program is underway with key underpinnings derived from quality of consumer insights, retail operations, finance and contract compliance.
- “Mystery Snack Attack” campaign kicks off on 12/3; 6 iPads will be given away through spring with clues communicated across our digital platforms.

## Beverage and Snack Vending

- Year to date sales are up 18% over prior year and more than 50% of the sales are generated through credit card transactions.



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: Athletics Update**

---

**Proposed Committee Action:**  
None. For information only.

---

**Background Information:**

The Athletics Update provides a fundraising report and financial highlights since the Finance and Audit Committee last met on September 10, 2013.

---

**Supporting Documentation:** Athletic Update

**Facilitator/Presenter:** Pete Garcia

This page intentionally left blank



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
**January 9, 2014**

**ATHLETICS UPDATE**

---

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

**Fundraising Report**

**FIU Foundation, Inc.**  
**Recap of Statement of Activities**  
**Through the Period Ended June 30, 2013 (in thousands)**

|          | <b>Budget</b> | <b>Actual</b> | <b>Variance</b> |
|----------|---------------|---------------|-----------------|
| Revenues | \$1,000       | \$1,146       | \$146           |

**Financial Highlights**

Based on Athletics Finance Corporation, Audited Financial Statements for the period ended June 30, 2013:

- Year-to-date Net Income excluding debt service was \$2.89 million and favorable \$22 thousand vs. budget
  - Primary drivers include:
    - Favorable Operating Expenses \$30,129
    - Offset by unfavorable Operating Revenues \$8,224

The debt coverage covenant requirement was met for the period ending June 30, 2013.

This page intentionally left blank

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: Emergency Management Status Report**

---

**Proposed Committee Action:**  
None. For information only.

---

**Background Information:**

The Emergency Management Status Report provides the following updates: training and exercises; preparedness; and a complete report detailing the test results and the enhancements of the new Emergency Notification System.

---

|                                  |                                      |
|----------------------------------|--------------------------------------|
| <b>Supporting Documentation:</b> | Emergency Management Status Report   |
|                                  | Emergency Notification System Report |

|                               |                   |
|-------------------------------|-------------------|
| <b>Facilitator/Presenter:</b> | Ruben D. Almaguer |
|-------------------------------|-------------------|

This page intentionally left blank



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**EMERGENCY MANAGEMENT STATUS REPORT**

---

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

**Training and Exercises**

On November 14, 2013, Department of Emergency Management (DEM) staff facilitated a bomb threat table top exercise with the University President and his executive staff. This exercise enabled FIU police to explain their procedures for handling potential threats and afforded staff the opportunity to ask questions and clarify any concerns.

DEM staff continues to train departments on the University's web based continuity of operations planning tool known as FIU Ready. All units are expected to have a completed plan. To date, there are 126 plans in the system.

**Preparedness**

DEM staff continues to conduct informational sessions and training on emergency preparedness, hurricane preparedness and FIU's new emergency notification system to various units throughout the University.

DEM staff is participating in monthly conference calls with the other state university system emergency managers to discuss common concerns, best practices and trends within emergency management.

**Emergency Notification System**

Staff from DEM, FIU Police and the Division of Information Technology selected Blackboard as the vendor for a new emergency notification system. This system was implemented at the beginning of October and was successfully tested university wide on October 31, 2013. A complete report of the test results and the enhancements of the new system is attached.

This page intentionally left blank





**Emergency Management**  
FLORIDA INTERNATIONAL UNIVERSITY



## **Emergency Notification System Report**

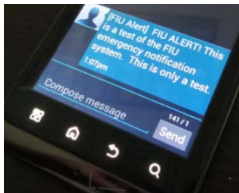
October 31, 2013

Fall Semester

## Section I: Background

Florida International University (FIU) currently employs multiple communication platforms for emergency notification of its campus community. These platforms include: cellular phone text messaging, university voice over internet protocol (VOIP) campus wide telephone system, outdoor speakers, emergency callboxes, email, social media (Facebook® and Twitter®) and automated voice calls. All of these systems as a whole are known as FIU Alert™.

FIU recently replaced Inspiron Logistic's™ Wireless Emergency Notification System (WENS™) with Blackboard Connect™. Blackboard Connect™ allows for the integration of the separate platforms for a more efficient, faster and automated activation. Another significant improvement from Blackboard Connect™ is that the subscriber lists on the FIU Alert™ system will now be updated daily rather than once per semester.



**Text Messaging:** An FIU Alert text message will be sent to registered cell phones.



**FIU Email:** All FIU email accounts will receive the alert.



**Outdoor Speakers:** An audible message will be broadcast via speakers located throughout all campuses.



**Facebook®:** The official FIU Facebook page will be updated with the alert.



**FIU VOIP Phones:** All university phones will play an audible alert and display a short text message.



**Twitter®:** The official FIU Twitter account will tweet the alert.



**Emergency Callboxes:** These callboxes, used to contact FIU police directly, are located throughout all campus buildings, residences halls and parking garages will play an audible alert.



**Voice Call:** Users will receive a telephone call with a recorded alert.

## Section II: Emergency Notification Test Criteria

An announced University full scale test of the new FIU Alert™ emergency notification system was conducted on October 31st, 2013 at 10:00 a.m. to determine the capability, reach, effectiveness and limitations of the new FIU Alert™ system as a whole. Success was measured on whether the system delivered a message clearly, if it was timely and if it reached the overwhelming majority of the community's population (all currently enrolled students, faculty and staff). Of critical interest for this test was whether the Blackboard Connect™ system would correctly activate the existing systems that were previously activated separately (outdoor speakers, VOIP phones and emergency callboxes), which was a primary objective of the upgrade project.

## Section III: Chronology of Events

The FIU Alert™ was initiated at FIU Police's Dispatch Center. At approximately 10:00 a.m., the police communications operator on duty logged into the Blackboard Connect™ system interface to initiate the FIU Alert emergency notification test messages.

Immediately following the test, an online survey was conducted to gather feedback from students, faculty and staff. The test message read as follows:

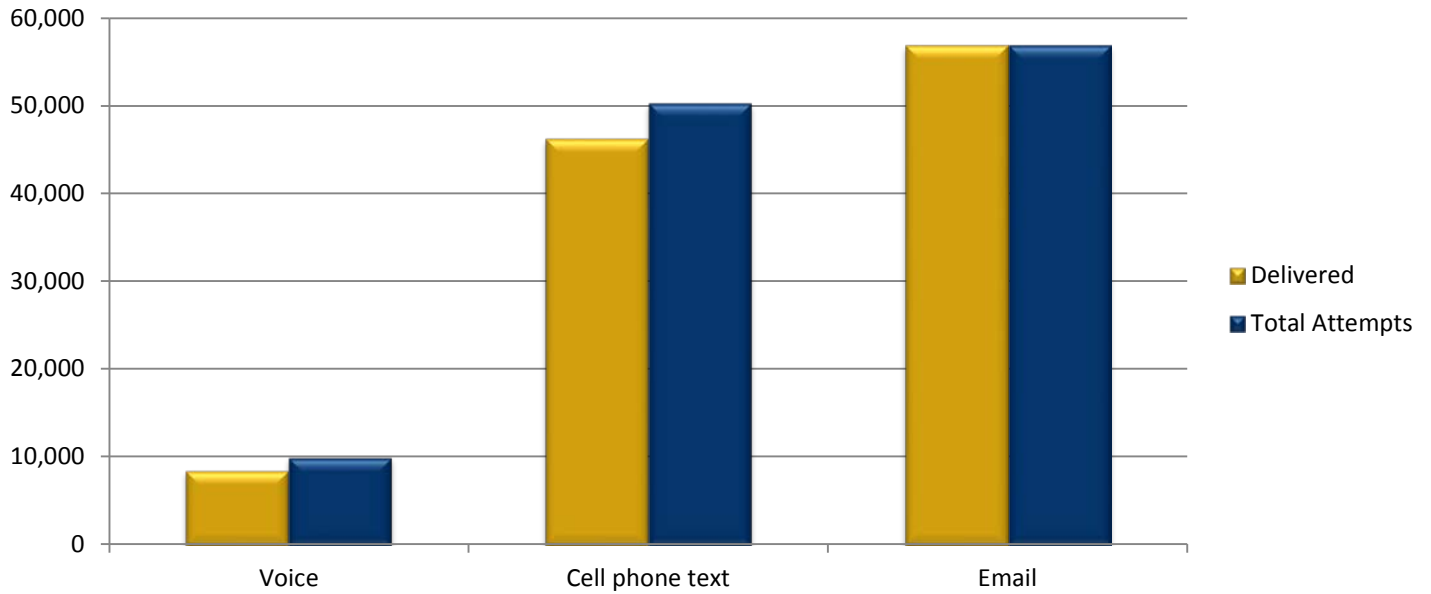
**FIU ALERT! This is a test of the FIU emergency notification system. This is only a test. Please take a moment to fill out this short [survey](https://fiu.qualtrics.com/SE/?SID=SV_5mqV2Ju2pJ1Rsji):  
[https://fiu.qualtrics.com/SE/?SID=SV\\_5mqV2Ju2pJ1Rsji](https://fiu.qualtrics.com/SE/?SID=SV_5mqV2Ju2pJ1Rsji).**

The cell phone text and Twitter messages were shortened to comply with character length limitations of those platforms. The survey is critical to providing feedback for the test as the systems tested provide some data, but not all data necessary to measure effectiveness of the system.

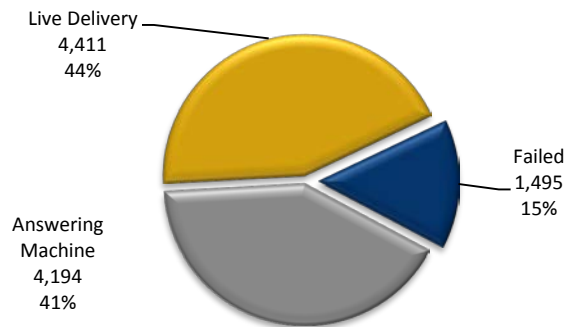
## Section IV: Blackboard Connect™ Performance Evaluation Data

The Blackboard Connect™ system provides data on delivery success rates for cell phone text messaging and voice calls. The Blackboard Connect™ system also provides data on how long it took for the messages to leave the system, but does not provide data on how long it takes for the message to reach the subscriber. The FIU VOIP phone system provides data on whether devices connected to the system were activated. It also provides data on how long it takes to activate all devices connected to the system.

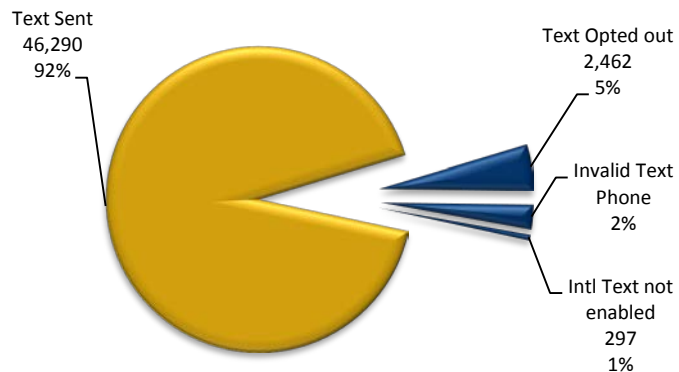
## Blackboard Connect™ Device Deliveries



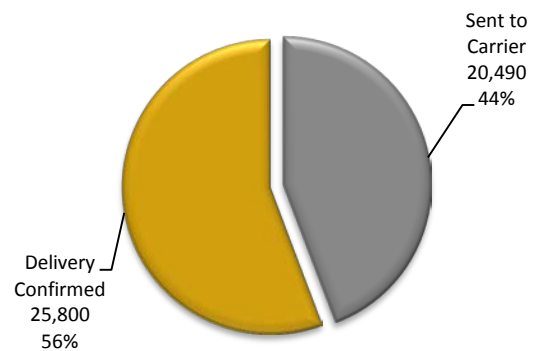
### Voice Call Delivery



### Text Deliveries



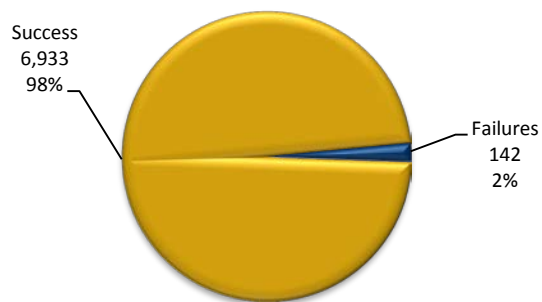
### Text Delivery Confirmation



## Section V: FIU VOIP Phone System Performance Evaluation Data

- Broadcast initiated: 10:00:46
- Last device activated at: 10:03:19

### FIU VOIP Phone System Delivery



## Section VI: Analog Systems (Outdoor speakers and callboxes) Performance Evaluation Data

Working but some speakers need volume adjustment:

- AHC1, AHC3, WC, GC

Working partially (One of the speakers not working):

- MARC, WPAC, PA, ECS, VH, B10, PCA, W01, W02, W03

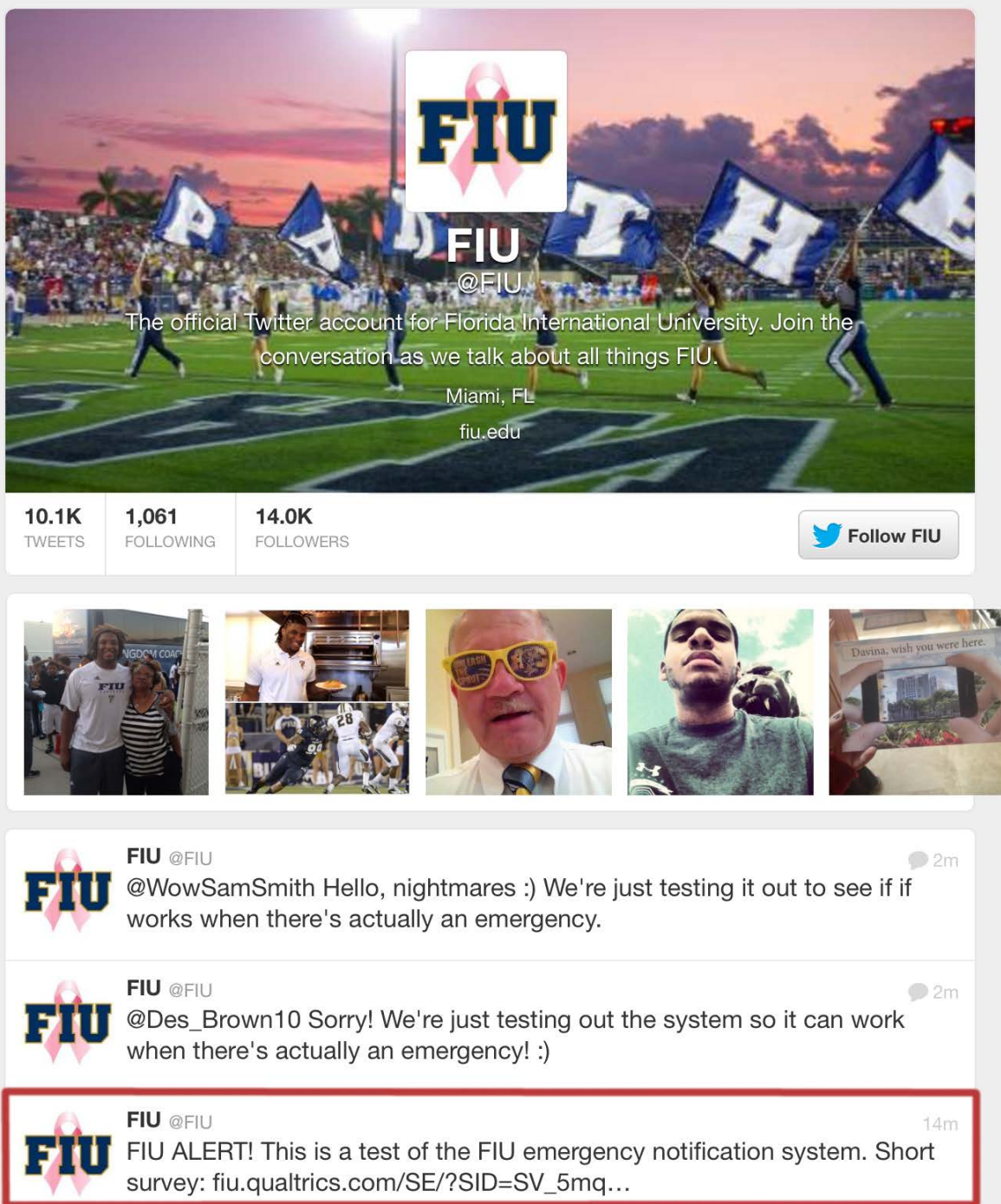
Not Working:

- AC1, WUC (taken down due to renovations)








## Section VII: Social Media: Facebook® & Twitter® Performance Evaluation Data

- Blackboard Connect™ successfully posted to the FIU Twitter® account.
- Could not post to Facebook®.



**FIU**  
@FIU  
The official Twitter account for Florida International University. Join the conversation as we talk about all things FIU.  
Miami, FL  
fiu.edu

10.1K TWEETS   1,061 FOLLOWING   14.0K FOLLOWERS   [Follow FIU](#)

**FIU** @FIU 2m  
@WowSamSmith Hello, nightmares :) We're just testing it out to see if it works when there's actually an emergency.

**FIU** @FIU 2m  
@Des\_Brown10 Sorry! We're just testing out the system so it can work when there's actually an emergency! :)

**FIU** @FIU 14m  
**FIU ALERT!** This is a test of the FIU emergency notification system. Short survey: [fiu.qualtrics.com/SE/?SID=SV\\_5mq...](https://fiu.qualtrics.com/SE/?SID=SV_5mq...)



## Section VIII: Web & Outdoor Large Digital Displays

FIU Media Relations directs the main FIU webpage ([www.fiu.edu](http://www.fiu.edu)) and the outdoor large digital display boards. Because these systems are manually operated, they are not used in the initial primary stage of rapid general notification. Instead, these may be used for follow up messages.

The screenshot displays the FIU website interface. At the top, the address bar shows 'www.fiu.edu/'. The navigation menu includes links for Home, About Us, Admissions, Academics, Research, Life at FIU, Athletics, News, and Giving. The FIU logo and 'FLORIDA INTERNATIONAL UNIVERSITY' are prominently displayed. A secondary navigation bar contains links for Apply Now, Phonebook, A to Z Index, 简体中文, and a Tools dropdown menu. A search bar is located on the right. The main content area features a large orange banner with the heading 'Important Announcement'. The text on the banner reads: 'This is a test of the FIU emergency notification system. This is only a test. During an emergency this page would be updated with pertinent information.' Below this, it says 'Please take a moment to fill out a [survey about this test](#)'. On the left side of the banner, there is a vertical 'WEBSITE FEEDBACK' button. The footer section includes a 'Welcome to Fall 2013!' message, a 'OneStop Enrollment Services' link, and a list of links: myFIU, Campus Maps, ShopFIU, and Parking. On the right, a 'Welcome to FIU' sidebar lists links for Future Students, Current Students, Faculty & Staff, and Alumni. Two images are shown in the footer: one of the Panthermonium building with the text 'Panthermonium set the' overlaid, and another of a TEDx event at FIU.

www.fiu.edu/

Home About Us Admissions Academics Research Life at FIU Athletics News Giving

**FIU** FLORIDA INTERNATIONAL UNIVERSITY

[Apply Now](#) [Phonebook](#) [A to Z Index](#) [简体中文](#) [Tools](#) [Search](#)

## Important Announcement

This is a test of the FIU emergency notification system. This is only a test. During an emergency this page would be updated with pertinent information.

Please take a moment to fill out a [survey about this test](#)

WEBSITE FEEDBACK

Welcome to Fall 2013!

[OneStop Enrollment Services](#)

[myFIU](#)  
[Campus Maps](#)  
[ShopFIU](#)  
[Parking](#)

Welcome to FIU

- Future Students
- Current Students
- Faculty & Staff
- Alumni

Panthermonium set the

TEDx FIU  
x = independently organized TED event

## Section IX: Issues & Solutions

### Students Opting Out from Cell Phone Text Messages

Due to contractual obligations between Blackboard Connect™ and the individual wireless carriers, a welcome text message must be sent to each subscriber of the system to provide an opportunity to opt out. At the time of the test 2,461 students had opted out of the system. Since students must opt in when they enroll for classes, a solution to keep student opted in is being explored.

### Email Delays

For this test, email was sent from Blackboard Connect™ to all FIU email accounts. This resulted in very large delays, up to several hours for some individuals. A solution where emails are sent from within FIU servers, but initiated by Blackboard Connect™ has been devised and will soon be tested.

### Voice Call Numbers

Automated voice calls to alternate telephone numbers provided by students, faculty and staff were sent to individuals who were not students, faculty or staff. This caused some alarm to individuals who did not know that the message was just a test. Better education about signing up for the system and more clarity in the instructions should alleviate the problem.

### FIU VOIP Phone Failures

FIU VOIP phone failures are currently being investigated by the Division of Information Technology's UTS Voice Services team. Solutions to the majority of the failures have already been found (96 out of 142). The remaining 46 equipment failures still need to be investigated.

### Faltering Sound Quality on Analog Systems (Speakers and Emergency Callboxes)

An issue where the recorded voice quality falters over time has been reported from the analog systems. The voice has been described as being "robotic" but still understandable. A solution to this problem is being investigated with the vendor of the system.

### Failure to Post to Facebook®




Blackboard Connect™ was unable to post to the FIU Facebook® account because the credentials saved were not up-to-date. Credentials have been updated to prevent this from happening in the future.











## Section X: Survey Results

Sample size for the survey was 3,195. This is the largest survey sample following a test yet. The questions and results are as follows:





### 1. What best describes your affiliation to Florida International University?

| # | Answer  |   | Response | %    |
|---|---------|---|----------|------|
| 1 | Student |  | 2,630    | 83%  |
| 2 | Faculty |  | 227      | 7%   |
| 3 | Staff   |  | 316      | 10%  |
|   | Total   |   | 3,173    | 100% |







### 2. On October 31st, 2013 at 10:00 a.m., the University conducted a University-wide test of the FIU Alert emergency notification system. How did you receive the test message? (Mark all that apply)

| # | Answer                      |   | Response | %   |
|---|-----------------------------|---|----------|-----|
| 1 | University email            |  | 1,487    | 47% |
| 2 | University telephone system |  | 612      | 19% |
| 3 | Cell phone text message     |  | 2,585    | 81% |
| 4 | Outdoor speaker             |  | 470      | 15% |
| 5 | FIU Website                 |  | 49       | 2%  |
| 6 | Facebook or Twitter         |  | 33       | 1%  |
| 7 | Friend / co-worker          |  | 25       | 1%  |
| 8 | Emergency call box          |  | 157      | 5%  |
| 9 | I did not receive it        |   | 50       | 2%  |







### 3. Where were you located when the test alert was sent out?

| # | Answer                    |   | Response | %    |
|---|---------------------------|---|----------|------|
| 1 | On campus outdoors        |  | 164      | 5%   |
| 2 | On campus indoors         |  | 993      | 31%  |
| 3 | Off campus                |  | 1,979    | 62%  |
| 4 | Did not receive the alert |  | 40       | 1%   |
|   | Total                     |   | 3,176    | 100% |

### 4. If you did receive the test message, how long after 10:00 am did you receive the message?

| # | Answer                   |   | Response | %    |
|---|--------------------------|---|----------|------|
| 1 | Within 5 minutes         |  | 1,897    | 61%  |
| 2 | Between 5 to 10 minutes  |  | 629      | 20%  |
| 3 | 10 minutes to 15 minutes |  | 175      | 6%   |
| 4 | 15 minutes to 30 minutes |  | 171      | 5%   |
| 5 | More than 30 minutes     |  | 166      | 5%   |
| 6 | Did not receive alert    |  | 93       | 3%   |
|   | Total                    |   | 3,131    | 100% |

### 5. If you had difficulties receiving the alert, which best describes why? (Mark all that apply)

| # | Answer  |   | Response | %   |
|---|---|---|----------|-----|
| 1 | I do not have a cellphone   |  | 29       | 6%  |
| 2 | I am not able to receive text messages                                    |  | 50       | 10% |
| 3 | I am faculty/staff and are not signed up to receive cellphone text alerts |  | 30       | 6%  |
| 4 | I have not liked FIU on Facebook/ I am not following FIU on Twitter       |  | 169      | 33% |
| 5 | Could not hear the alert clearly, (Please specify your location)          |  | 116      | 22% |
| 6 | Other (Please briefly describe problem)                                   |  | 181      | 35% |

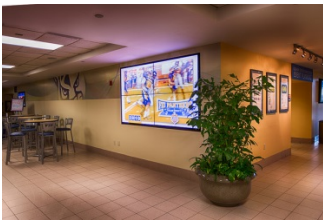
## Section XI: Future Enhancements and Expansion



**TV ticker:** A cable television ticker system has already been purchased and is in the process of being implemented.



**All FIU related social media:** Many University units have their own social media accounts to communicate with their stakeholders. These could be integrated into FIU Alert™.



**Indoor digital displays:** Many University departments already utilize digital displays for routine information. These will be integrated to FIU Alert™.



**Desktop Computers:** Computers connected to the FIU computer network will be integrated into FIU Alert™.



**All FIU related webpages:** Integrating individual university unit pages such as colleges and student services through Rich Site Summary (RSS) feeds is currently being investigated.



**Large exterior message boards:** These are located by the main University entrances. They are in the process of being upgraded with more modern solutions that can be integrated with the FIU Alert™ system.

## Section XII: Summary

- The overall integration of all the communication platforms was mostly successful with a few errors and issues that are in the process of being resolved.
- Adding the link to the survey to as many notification methods as possible increased participation in the survey by about 50% as compared to previous tests.
- Full scale tests remain the most effective way to identify and correct weaknesses or vulnerabilities in the system. These tests will continue on a regular basis, at least once a semester, and will be tested at different times of the day.
- An ongoing effort to educate members of the FIU community who may dismiss alerts or opt out of the system will continue with the goal of increasing the reach and overall effectiveness of the system.

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: University Compliance Program Report**

---

**Proposed Committee Action:**  
None. For information only.

---

**Background Information:**

The University Compliance Program Report provides updates on the following: status of compliance initiatives and activities; standards and procedures; education and training; monitoring and reporting; response and prevention; and risk assessment.

---

**Supporting Documentation:** University Compliance Program Report

**Facilitator/Presenter:** Joann Bova

This page intentionally left blank



**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES**

**Finance and Audit Committee**

January 9, 2014

**UNIVERSITY COMPLIANCE PROGRAM REPORT**

---

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

The Office of University Compliance and Integrity has been actively involved in a number of initiatives since its last report on the status of the University's Compliance and Ethics Program to the Finance and Audit Committee of the Florida International University Board of Trustees. Following is our current report on the status of the program.

**Current Compliance Initiatives and Activities**

- *Mandatory Reporting of Known or Suspected Child Abuse, Neglect or Abandonment for Universities.* The university policy on Mandatory Reporting of Child Abuse, Abandonment or Neglect was approved by the Operations Committee on April 1, 2013 and the University President on June 8, 2013. The policy has been posted in the University's Policies and Procedures Library and is presented to all new employees at orientation. On August 20, 2013, the University's in-house subject matter expert, Dr. Maureen Kenny, conducted training on this amended law and all University administrators have received training.

In April 2014, during Child Abuse Awareness month, Dr. Maureen Kenny will provide annual University-wide training for employees who administer or oversee summer camps or activities or programs involving minors on campus.

- *Florida International University Drug-Free Campus/ Workplace and Drug and Alcohol Abuse Prevention Policy Notification Statement.* This office took a lead role in the development of the updated annual notification regarding the University's drug and alcohol abuse prevention policy and program, as required by the Higher Education Act of 1965, as amended. A short version of the notification was created and disseminated through the University e-mail system to University students and employees through the Division of Student Affairs (SA) and the Division of Human Resources (HR) in August, 2013. This notification contains a link to a longer version of the notification which provides comprehensive details of the information required by the U.S. Department of Education.

Both versions of the notification have been posted on the SA and HR websites and will be updated, posted and emailed to employees and students annually.

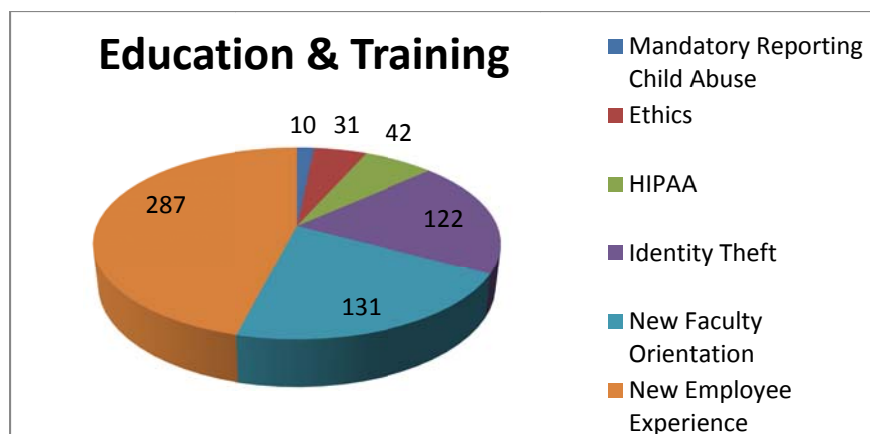
- *University Compliance Program Advisory Committee.* The University Compliance Program Advisory Committee (“UCPAC”) held its first meeting on November 1, 2013. The Committee consists of representatives in mid-to-upper level management positions from the College of Medicine, Office of the Controller, Division of Research, Enrollment Services, Environmental Health & Safety, Equal Opportunity Programs and Diversity, Human Resources, IT Security, Office of the General Counsel, Risk Management and University Compliance. The advisory committee will meet on a quarterly basis and serves as a forum for information-sharing and awareness-raising to help ensure accountability for compliance throughout the University and to inform gap assessments performed by the office. Any issues which need to be addressed promptly will be escalated to senior management. Additionally, the UCPAC will take or recommend actions to promote an organizational culture that encourages a commitment to compliance, integrity and ethical conduct.

### Standards and Procedures

- The American Federation of State, County and Municipal Employees (AFSCME) collective bargaining agreement was ratified on August 19, 2013 and, as a result of the new agreement’s terms, many related AFSCME employment policies needed to be addressed. Accordingly, 37 AFSCME policies were archived, 26 policies were readopted and posted, and 5 new policies were added to the University’s Policies and Procedures Library.
- Other University policies which have been added, updated or revised since the last report to this Board include the following:
  - Division of Research:
    - Human Subjects Approval Prior to Award Processing
    - Animal Subjects Approval Prior to Award Processing
    - Stipend and Other Payments to Students and Temporary Personnel on Sponsored Projects
  - University Treasurer:
    - University Investment Policy (updated following this Board’s approval in September, 2013)
  - Division of Information Technology:
    - Data Stewardship Procedure
    - Gramm-Leach-Bliley Act Safeguards to Protect Confidential Financial Information

## Education and Training

- Ongoing collaboration continues between this office and the Division of Human Resources, Talent Management and Development (“TMD”), to find a solution for a University-wide integrated system for registration, certification and evaluation of compliance-related education and training. TMD recently arranged a vendor demonstration by Skillsoft, an eLearning resource solution with a library of over 6,000 interactive courses for online training. The courses are short and cover topics in business, finance, human resources, talent management, project management, compliance and risk, legal compliance, IT security and certification, environmental health and safety, etc. This mobile-ready, eLearning resource is currently being reviewed by the employees who attended the demonstration who will provide feedback to TMD.
- The Academic Health Center/College of Medicine Compliance Officer and the IT Security Office have finalized and launched the online HIPAA Privacy and Security training, which became available on June 25, 2013 to all HWCOM workforce members who need to receive this training. As described above, the Division of Human Resources is exploring build out of the university-wide learning management system and once available, the HIPAA Privacy and Security online training will be utilized in that environment.
- The IT Security Office and the Office of University Compliance and Integrity participated in the Department of Homeland Security’s National Cyber Security Awareness month during October. The purpose of this initiative was to educate the general public on how to create a safe, secure and resilient cyber environment and infrastructure. Informational brochures and handouts on identify theft and security awareness were distributed to employees and students during peak hours in the University’s Graham Center to raise awareness of IT security at FIU.
- This office met with several mid-level managers in the Controller’s Office and Facilities Management to identify the training needs of their staff on compliance-related topics. Facilities Management will receive a compliance presentation during their next employees’ quarterly meeting. The Controller’s Office is currently identifying the appropriate topics for compliance training and we will participate at their next departmental meeting.
- This office implemented a series of Lunch and Learn trainings this fiscal year to educate university employees on topics such as Compliance and Ethics, Code of Ethics, the Ethics and Gift Policy, Records Management, University Policy Development and the Vulnerable Persons Act/Mandatory Reporting Law. Sessions have been held at the Modesto Maidique and Engineering Campuses and are scheduled to take place at the Biscayne Bay Campus in 2014.
- Education and Training sessions held in FY 2013-14 to date, are as follows:



| Training                           | Sessions  | Attending  |
|------------------------------------|-----------|------------|
| Mandatory Reporting of Child Abuse | 1         | 10         |
| Ethics                             | 3         | 31         |
| HIPAA                              | 4         | 42         |
| Identity Theft                     | 6         | 122        |
| New Faculty Orientation            | 1         | 131        |
| New Employee Experience            | 11        | 287        |
| <b>TOTAL</b>                       | <b>26</b> | <b>623</b> |

### Monitoring and Reporting

- *Internal/External Inquiries.* The office received a total of 24 inquiries this fiscal year: three external inquiries and 21 internal inquiries. Most of the inquiries were related to issues involving Academic Affairs, Student Affairs, or Human Resources.
- *Employee Survey.* An anonymous survey tool has been developed for distribution to faculty, staff and students to gauge employee awareness of the Compliance & Ethics Program and their compliance-related responsibilities. The survey is currently being reviewed by the Office of the General Counsel and will be circulated in early 2014. We anticipate presenting the results to the Board at the June 2014 meeting. The survey will aid in raising awareness of the compliance and ethics program, the anonymous hotline reporting tool, and help in determining the compliance-related training needs of any specific unit or division, with the overall objective of improving our understanding of needed services and actions.

### Response and Prevention

- In November this office received an inquiry regarding a possible breach of privacy. Upon review of the compromised information, we determined there was no security or privacy breach, and the release of information was a minor FERPA violation which was detected and promptly addressed. FERPA regulations did require that a notation be placed in the file of each of the



affected students and a statement was provided to the University Registrar to be placed in the students' files.

### Risk Assessment

- The Interim University Compliance Officer has requested an assessment of the University Compliance and Ethics program since this program was instituted at FIU in 2005 and it has not been evaluated or audited previously. It is common, as with many other programs, for a compliance and ethics program to be assessed or evaluated routinely to determine efficacy and possible areas of improvement. The assessment should be conducted by a third party reviewer and this office has identified two compliance officers who would be available to perform an assessment: the compliance officer from Ohio State University and the system-wide compliance officer from the University of Texas System. This matter will be presented at the next meeting of the University's Compliance Program Advisory Committee for their consideration and comment.

This page intentionally left blank

**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: Safety and Environmental Compliance Report**

---

**Proposed Committee Action:**  
None. For information only.

---

**Background Information:**

The Safety and Environmental Compliance Report provides the status of compliance issues since the Finance and Audit Committee last met on September 10, 2013.

---

**Supporting Documentation:** Safety and Environmental Compliance Report

**Facilitator/Presenter:** Ruben D. Almaguer

This page intentionally left blank



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT**

---

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

**Issue: National Pollutant Discharge Elimination System (NPDES) Stormwater Phase II MS4 Permit Audit (5 year)**

**Agency:** Florida Department of Environmental Protection (FDEP)

**Status:** Update: On July 10, 2013, FIU received the final FDEP inspection report for the five-year – NPDES Stormwater Permit covering the Modesto A. Maidique Campus (MMC) and Biscayne Bay Campus (BBC). A total of fifteen (15) items were identified in the audit receiving a marginal or unsatisfactory rating. As of December 2, 2013, FIU Environmental Health and Safety (EH&S) completed and received approval on fourteen (14) items that were outlined in the audit. The outstanding item, which consists of FIU storm drain outfalls, is still currently being reviewed by the FDEP pending approval.

**Issue: MMC Annual Biomedical Waste Inspection**

**Agency:** Florida Department of Health (FDOH)

**Status:** New: FDOH conducted their annual inspection of the MMC biomedical waste facilities on September 23, 2013. The inspection included record, training, manual and on-site locations review. No violations were observed and FIU is in full compliance with state requirements.

**Issue: Bureau of Radiation Control Radioactive Material License Inspection**

**Agency:** FDOH

**Status:** New: FIU Broad Scope Radioactive Material License requires semi-annual leak testing of 34 sealed radiation sources. Analysis results are pending.

**Issue: Annual Life Safety Code Compliance Inspections and Other Life Safety Code Activities**

**Agency:** State Fire Marshal

**Status:** New: Annual State Fire Marshal's life safety inspections completed. Completed final inspection of the Stocker AstroScience Center and Academic Health Center (AHC) 4 and 60% of

AHC 5. Completed pre-construction conferences for Royal Caribbean Cruise Line Building (BBC), PG-6 (MMC) and Miami Children's Urgent Care Center (MMC). All fire alarm systems received their annual inspection and fire extinguisher systems received their monthly inspection.

**Issue: FIU Emergency Response Service (PanthERS) System**

**Agency:** Florida International University

**Status:** New: FIU's Emergency Response Service System known as "PanthERS" will function for the purpose of "Closing the Gap" between the time an emergency occurs on campus and professional emergency response resources arrive from outside the campus. The PanthERS System is projected to be fully operational by 2016, with the first element (PanthERS SQUAD) expected to begin responding by the 4<sup>th</sup> Quarter of the 2013-14 fiscal year.

**Issue: FIU Laboratory Safety Awareness – Making Safety a Priority Training Status**

**Agency:** Florida International University

**Status:** Update: As of December 2, 2013, 786 students, faculty and staff completed the Laboratory Safety Awareness training. To promote a "culture of laboratory safety", the Division of Research (DoR) and EH&S have collaborated to establish a Laboratory Safety Task Force.

**Issue: FIU AAALAC Accreditation Review Status**

**Agency:** Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) International

**Status:** New: FIU recently completed the application and evaluation process for AAALAC Accreditation on November 13-14, 2013. The AAALAC Accreditation is considered the "gold standard" pertaining to animal research conduct and animal welfare. EH&S played an important role throughout the entire process by ensuring compliance for risk assessments, medical evaluations (if needed), respiratory protection program and hazard evaluations. The site visit by the AAALAC Accreditors was successful. Two mandatory findings and seven suggestions were provided by the site visitors. As of December 2, 2013, FIU DoR, Institutional Animal Care and Use Committee and EH&S are currently addressing the items identified during the visit.

**Issue: FIU Scientific, Instructional & Commercial Diving Safety Program**

**Agency:** U.S. Department of Labor Occupational Safety and Health Administration (OSHA) and American Academy of Underwater Sciences (AAUS)

**Status:** New: FIU's Aquarius Reef Base (ARB) facility passed a certification inspection by the American Bureau of Shipping and United States Navy on August 13, 2013. ARB also passed the FINAL FIU EH&S review for general OSHA and Fire Safety Code requirements on August 14,

2013. ARB is finalizing arrangements to have an independent outside contractor complete a comprehensive OSHA Commercial Diving Standards review in the near future.

This page intentionally left blank



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**  
January 9, 2014

**Subject: Facilities and Construction Update**

---

**Proposed Committee Action:**  
None. For information only.

---

**Background Information:**  
The Facilities and Construction Update provides an overview and the status of University projects.

---

**Supporting Documentation:** Facilities and Construction Update

**Facilitator/Presenter:** John Cal

This page intentionally left blank



**THE FLORIDA INTERNATIONAL UNIVERSITY**  
**BOARD OF TRUSTEES**  
**Finance and Audit Committee**

January 9, 2014

**FACILITIES AND CONSTRUCTION UPDATE**

*As of December 6, 2013*

---

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

**Projects Completed**

- **Science Classroom Complex (SCC)/Academic Health Center 4 (AHC-4) (BT-876) -** \$57.5M Public Education Capital Outlay (PECO) project budget. A/E – Perkins + Will; CM – DPR. FIU has occupied and used the facility since March '13. DPR submitted the Guaranteed Maximum Price (GMP) for the build-out of a wet lab in the 5<sup>th</sup> floor shell space, subject to Department of Research (DoR) funding. DPR has also continued the customized build-out of lab areas as individual researchers are assigned to specific locations.
  - The customized mass spectrometer lab on the 1<sup>st</sup> floor has been completed.
  - Clinical space has been installed on the west side of the 4<sup>th</sup> floor for Behavioral Science. The clinic will occupy the space following furniture delivery scheduled for mid-January.
  - The build-out of four wet labs on the 2<sup>nd</sup> floor has begun. Case-work will be delivered in January with lab completion projected for early February.
  - Construction Documents (CD's) for the build-out of the 3<sup>rd</sup> floor wet labs are being drafted. Construction is subject to DOR funding.
- **Parkview Housing 2013 (BT-889)\* -** \$55.1M (multiple sources) project budget. A/E: HADP/HKS Joint Venture; CM – Moss. This residence opened on-time and under budget with the official ribbon cutting ceremony on August 21, 2013. Moss has addressed all punch-list items and responded to warranty calls. The project remains on track for Leadership in Energy and Environmental Design (LEED) Gold Certification, exceeding the original commitment to Silver. Project savings were invested in a lighted rubberized fitness track surrounding the preserve area. An additional drainage structure will be installed during the holiday break at 14<sup>th</sup> street and University Drive.

*\*Please note: As the project has been completed, this entry will be removed from future Board of Trustees reports*

- **Satellite Chiller Plant (BT-834)\*** - \$14.1M (PECO) project budget/\$7.6M funded. E/A - SGM Engineering; CM - Poole & Kent. The facility has been completed and is operational. Coordination and integration with the main chiller plant continues. Additional funding (\$7.0M) has been requested in the FY14-15 Capital Improvement Plan (CIP) to complete the original project scope requiring two (2) generators and three (3) additional chillers and cooling towers along with required infrastructure (e.g. extended chilled water lines). The generators are the most mission critical urgent need. The project achieved Owner Direct Purchase (ODP) tax savings of \$73,947.

*\*Please note: As the funded project has been completed, this entry will be removed from future Board of Trustees reports unless additional funding is provided in the upcoming legislative session.*

### **Projects Under Construction**

- **Stocker AstroScience Center (BT-814)** - \$4.4M (multiple sources) project budget. A/E - Siddiq Khan & Associates (SKA); CM - Stobs Brothers. The official ribbon cutting with the Stocker family took place on November 12<sup>th</sup>. Punch list discrepancies, civil, and landscaping issues are pending. The Certificate of Occupancy (CO) is anticipated for mid-December with classes scheduled for the upcoming Spring Semester. The project achieved ODP tax savings of \$20,378.68.
- **Academic Health Center 5 (BT-877/895)** - \$44.9 M (multiple sources) project budget. A/E - Perkins + Will; CM - Skanska. The Robert Stempel College of Public Health and Social Work (\$23.3M) and the International Hurricane Center project (\$15.0 M) have been combined into one project; the University's DoR contributed an additional \$6.6M for research facilities. The building shell has been completed and exterior fenestration will be water tested by the end of December 2013. Interior partitions and mechanical systems are now being installed. A competitive furniture mock-up was conducted in November-December with four (4) manufacturers and included user participation. Procurement is scheduled for January 2014. The audio-visual design has been completed and procurement strategies are under review. User changes, SFM requirements and constructability issues all impacted the scheduled delivery date slipping from March to April 2014. The slippage has no adverse impact on academic or research activities; the building will be ready for Fall 2014. User move-in is scheduled to begin early summer 2014. Current ODP tax savings are \$388,000 surpassing the 1% goal of \$385,000. Target delivery date: April 2014.

- **Management and New Growth Opportunities (MANGO) Mixed-Use College of Business Building- (BT-886)** - \$35.7M (multiple sources) project budget. A/E - HOK; CM-Arellano. The building has been “topped” off. Second, third and fourth floors framing is up and mechanical system duct work are being installed. Pre-cast mockup has been reviewed and approved for the finish. Glazing mock-up is being developed and will be tested prior to presenting for final review on site. Additional program changes initiated by the College of Business are being reviewed for design, cost and schedule impact. These changes include a shift from an open plan to individual faculty offices. The hanging of the pre-cast panels will start in the second week of January. First floor food service designs have been completed. Food service equipment orders will be placed in January for a March delivery. First floor framing will start early January 2014. To take advantage of the holiday break, water and sewer connections will begin the week of December 16<sup>th</sup> and will continue through January. Current ODP savings tally \$257,502.87 toward the 1% goal of \$370,524. Target delivery date: July 2014.
- **Parking Garage 6 (BT-868)** - \$42.6M (bond) project budget. A/E - PGAL; CM - Facchina. This facility will reuse the PG5/Market Station design: approximately 2,000 vehicle spaces and 35,000 square feet of shell space. The project will incorporate site specific modifications such as improved traffic lanes at the SW 112th Avenue entry, a traffic circle at Palm Avenue, and a pedestrian bridge across the loop road. Facchina Construction submitted an acceptable GMP proposal of \$34,272,731 at Design Development. FIU issued the Notice to Proceed November 7<sup>th</sup>. Facchina will update the GMP at each design milestone with final confirmation at 100% CD's in January. Preliminary site work has begun; Lot 1 will be closed December 14<sup>th</sup>. Planning with Miami-Dade Expressway Authority and Florida Department of Transportation continues. Target delivery date: January 2015.

### **Projects in Design**

- **Ambulatory Care Center (BT-870)** - \$8.6M (County bond) project budget. A/E - AECOM; CM - Klewin. The A/E has submitted 100% CD's for SFM and FIU review. Klewin will deliver a GMP proposal by December 16<sup>th</sup>. Contractor mobilization is targeted for January 2014, assuming successful negotiation of the GMP. The project budget is extremely tight and under duress; it includes no furniture, fixtures and equipment and minimal telecommunication. The project schedule is also tight. Target delivery date: November 2014.

- **Student Academic Support Center (SASC) (BT-882)** - \$30.9M (PECO) project budget/\$25.8M PECO/GR funded. A/E – Gould Evans; CM – Balfour Beatty. While the original project required \$30.9M, FIU will move forward with the anticipated funding of \$25.8M, adjusting the program to fit the budget. We also anticipate that a reduction in funding of \$1,686,722 due to a Department of Education administrative error will be restored in the legislative session. The project is currently at 50% CD's. CM will resubmit a GMP in late January 2014. Program and interior design changes have impacted the design schedule by one month; final design is expected in January 2014. Target delivery date: June 2015 (pending impact of program changes and acceptable GMP).

### **Projects in Planning Stage**

- **Recreation Center Expansion (BT-903)** - \$8.6M (Capital Improvement Trust Fund) project budget. A/E – TBD; CM – TBD. The building program was approved November 26, 2013. A/E advertisement was posted on the Florida Administrative Weekly on November 27th. AE submittals are due January 3, 2014. CM advertisement posting scheduled for January 10, 2014. The project will expand the existing facility into Parking Lot #8 by approximately 22,000 square feet and will include a basketball/volleyball gym, a weight training room, and locker room addition. Target delivery date: May 2016 (as stated in Program and to be validated by selected A/E)

**THE FLORIDA INTERNATIONAL UNIVERSITY  
BOARD OF TRUSTEES**

**Finance and Audit Committee**

January 9, 2014

**Subject: Foundation Report**

---

**Proposed Committee Action:**

None. For information only.

---

**Background information:**

The Florida International University Foundation, Inc. Report contains the Financial Statements Recaps and Investment Summaries as of October 31, 2013.

---

|                                  |   |
|----------------------------------|---|
| <b>Supporting Documentation:</b> | FIU FOUNDATION, INC. – Financial Statements Recaps and Investment Summaries, October 31, 2013 |
|----------------------------------|---|

|                               |                   |
|-------------------------------|-------------------|
| <b>Facilitator/Presenter:</b> | Richard Brilliant |
|-------------------------------|-------------------|

This page intentionally left blank



**FIU FOUNDATION, INC.**

**FINANCIAL STATEMENTS RECAP  
& INVESTMENT SUMMARIES**

**October 31, 2013**

This page intentionally left blank

**FIU FOUNDATION, INC.**  
**Recap of Statement of Activities**  
**For the Period Ended October 31, 2013**

*(In Thousands of Dollars)*

|   | <b>2013-14</b>       | <b>2013-14</b>        |                        | <b>2013-14</b>       | <b>2012-13</b>        | <b>2012-13</b>        |
|---|----------------------|-----------------------|------------------------|----------------------|-----------------------|-----------------------|
|   | <b>4-Month</b>       | <b>4-Month</b>        |                        | <b>Annual</b>        | <b>4-Month</b>        | <b>Total Year</b>     |
|   | <b><u>Budget</u></b> | <b><u>Actuals</u></b> | <b><u>Variance</u></b> | <b><u>Budget</u></b> | <b><u>Actuals</u></b> | <b><u>Actuals</u></b> |
| <b>REVENUES:</b>                          |                      |                       |                        |                      |                       |                       |
| <u>Contributions:</u>                     |                      |                       |                        |                      |                       |                       |
| Endowments                                | \$ 1,408             | \$ 4,616              | \$ 3,209               | \$ 18,847            | \$ 3,275              | \$ 9,920              |
| Non-Endowed Funds:                        |                      |                       |                        |                      |                       |                       |
| Scholarship & Programs                    | \$ 4,111             | \$ 4,413              | \$ 302                 | \$ 19,569            | \$ 3,616              | \$ 9,554              |
| Building Funds                            | \$ 9                 | \$ 72                 | \$ 63                  | \$ 3,901             | \$ 166                | \$ 4,959              |
| Unrestricted Annual Revenues              | \$ 202               | \$ 218                | \$ 16                  | \$ 1,259             | \$ 189                | \$ 532                |
| Pledged Revenue                           | \$ -                 | \$ (1,277)            | \$ (1,277)             | \$ -                 | \$ 507                | \$ 8,033              |
| <b>TOTAL CONTRIBUTIONS</b>                | <b>\$ 5,730</b>      | <b>\$ 8,043</b>       | <b>\$ 2,313</b>        | <b>\$ 43,576</b>     | <b>\$ 7,753</b>       | <b>\$ 32,999</b>      |
| <u>Other Revenues:</u>                    |                      |                       |                        |                      |                       |                       |
| MARC Building                             | \$ 565               | \$ 926                | \$ 362                 | \$ 1,672             | \$ 902                | \$ 1,917              |
| Foundation Enterprise Holdings I          | \$ 63                | \$ 70                 | \$ 8                   | \$ 227               | \$ 68                 | \$ 209                |
| Foundation Enterprise Holdings II         | \$ 15                | \$ 11                 | \$ (4)                 | \$ 130               | \$ -                  | \$ 2,927              |
| Foundation Enterprise Holdings III        | \$ -                 | \$ 1,350              | \$ 1,350               | \$ -                 | \$ -                  | \$ -                  |
| Estimated Investment Returns              | \$ 2,377             | \$ 15,185             | \$ 12,808              | \$ 12,726            | \$ 5,746              | \$ 21,258             |
| Administrative Reserve                    | \$ -                 | \$ (0)                | \$ (0)                 | \$ 2,800             | \$ -                  | \$ 2,743              |
| <b>TOTAL OTHER REVENUES</b>               | <b>\$ 3,019</b>      | <b>\$ 17,543</b>      | <b>\$ 14,524</b>       | <b>\$ 17,555</b>     | <b>\$ 6,716</b>       | <b>\$ 29,054</b>      |
| <b>TOTAL REVENUES</b>                     | <b>\$ 8,749</b>      | <b>\$ 25,586</b>      | <b>\$ 16,837</b>       | <b>\$ 61,132</b>     | <b>\$ 14,469</b>      | <b>\$ 62,052</b>      |
| <b>EXPENSES:</b>                          |                      |                       |                        |                      |                       |                       |
| <u>University Programs:</u>               |                      |                       |                        |                      |                       |                       |
| Scholarships & Programs                   | \$ 5,104             | \$ 3,144              | \$ 1,960               | \$ 14,106            | \$ 2,104              | \$ 11,739             |
| Building Funds                            | \$ 2,485             | \$ 623                | \$ 1,862               | \$ 3,552             | \$ 7                  | \$ 1,056              |
| Unrestricted Annual Expenses              | \$ 425               | \$ 367                | \$ 57                  | \$ 926               | \$ 313                | \$ 811                |
| <b>TOTAL UNIVERSITY PROGRAMS EXPENSES</b> | <b>\$ 8,013</b>      | <b>\$ 4,134</b>       | <b>\$ 3,880</b>        | <b>\$ 18,584</b>     | <b>\$ 2,424</b>       | <b>\$ 13,606</b>      |
| <u>Operational:</u>                       |                      |                       |                        |                      |                       |                       |
| MARC Building                             | \$ 253               | \$ 160                | \$ 93                  | \$ 904               | \$ 98                 | \$ 816                |
| Foundation Enterprise Holdings I          | \$ 33                | \$ 25                 | \$ 7                   | \$ 171               | \$ 17                 | \$ 131                |
| Foundation Enterprise Holdings II         | \$ 20                | \$ 10                 | \$ 9                   | \$ 79                | \$ -                  | \$ 11                 |
| Foundation Enterprise Holdings III        | \$ -                 | \$ 0                  | \$ (0)                 | \$ -                 | \$ -                  | \$ -                  |
| Administrative Reserve                    | \$ 586               | \$ 487                | \$ 99                  | \$ 1,743             | \$ 456                | \$ 1,541              |
| General Reserve                           | \$ 1,971             | \$ 624                | \$ 1,347               | \$ 6,686             | \$ 96                 | \$ 905                |
| Administrative Fee                        | \$ -                 | \$ (0)                | \$ 0                   | \$ 2,800             | \$ -                  | \$ 2,743              |
| <b>TOTAL OPERATIONAL EXPENSES</b>         | <b>\$ 2,862</b>      | <b>\$ 1,306</b>       | <b>\$ 1,556</b>        | <b>\$ 12,384</b>     | <b>\$ 668</b>         | <b>\$ 6,148</b>       |
| <b>TOTAL EXPENSES</b>                     | <b>\$ 10,876</b>     | <b>\$ 5,440</b>       | <b>\$ 5,435</b>        | <b>\$ 30,968</b>     | <b>\$ 3,092</b>       | <b>\$ 19,754</b>      |
| <b>EXCESS REVENUES OVER EXPENSES</b>      | <b>\$ (2,127)</b>    | <b>\$ 20,145</b>      | <b>\$ 22,272</b>       | <b>\$ 30,164</b>     | <b>\$ 11,377</b>      | <b>\$ 42,298</b>      |

\*These financial statements recaps reflect revenues and expenses on a modified accrual basis.

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

This page intentionally left blank

Florida International University Foundation, Inc.  
Performance Summary  
Ending October 31, 2013

| <u>Fund/Manager/Inception Date</u>                        | <u>Market Value</u>  | <u>Current Allocation</u> | <u>Tactical Target Allocation</u> | <u>Strategic Target Allocation</u> | <u>Current Month</u><br>9/30/2013<br>10/31/2013 | <u>Calendar</u><br>YTD 2013<br>12/31/2012<br>10/31/2013 | <u>Fiscal</u><br>YTD<br>6/30/2013<br>10/31/2013 | <u>Trailing</u><br>1 Year<br>10/31/2012<br>10/31/2013 | <u>Trailing</u><br>3 Year<br>10/31/2010<br>10/31/2013 | <u>Trailing</u><br>5 Year<br>10/31/2008<br>10/31/2013 | <u>Trailing</u><br>10 Year<br>10/31/2003<br>10/31/2013 | <u>Since Investment Inception</u> |
|---|----------------------|---------------------------|-----------------------------------|------------------------------------|---|---|---|---|---|---|--|-----------------------------------|
| <b>Total Fund (6/30/00)</b>                               | <b>\$204,923,648</b> | <b>100.0%</b>             | <b>100.0%</b>                     | <b>100.0%</b>                      | <b>2.9%</b>                                     | <b>14.8%</b>  | <b>7.7%</b>                                     | <b>16.8%</b>  | <b>9.0%</b>   | <b>10.0%</b>  | <b>6.1%</b>  | <b>4.1%</b>                       |
| Total Fund Composite                                      |                      |                           |                                   |                                    | 2.8%  | 14.5%   | 7.1%  | 16.2%   | 9.0%  | 10.4%   | 6.0%   | 3.4%                              |
| <b>Total Equity Accounts (6/30/00)</b>                    | <b>\$120,563,664</b> | <b>58.8%</b>              | <b>48.1%</b>                      | <b>55.0%</b>                       | <b>4.1%</b>                                     | <b>24.5%</b>  | <b>12.1%</b>                                    | <b>27.1%</b>  | <b>11.1%</b>  | <b>11.9%</b>  | <b>7.1%</b>  | <b>3.5%</b>                       |
| Total Equity Composite                                    |                      |                           |                                   |                                    | 4.0%  | 24.1%   | 11.2%   | 26.5%   | 13.2%   | 14.1%   | 7.2%   | 2.3%                              |
| <b>Total Fixed Income Accounts (6/30/00)</b>              | <b>\$44,175,061</b>  | <b>21.6%</b>              | <b>22.0%</b>                      | <b>22.0%</b>                       | <b>1.6%</b>                                     | <b>2.4%</b>   | <b>3.3%</b>                                     | <b>3.4%</b>   | <b>6.5%</b>   | <b>10.4%</b>  | <b>6.4%</b>  | <b>6.8%</b>                       |
| Total Fixed Income Composite                              |                      |                           |                                   |                                    | 1.5%  | 4.7%  | 4.6%  | 5.4%  | 5.5%  | 8.2%  | 5.5%   | 6.1%                              |
| <b>Total Alternative Investments (3/1/02)</b>             | <b>\$35,212,711</b>  | <b>17.2%</b>              | <b>24.5%</b>                      | <b>23.0%</b>                       | <b>0.9%</b>                                     | <b>8.2%</b>   | <b>2.5%</b>                                     | <b>10.1%</b>  | <b>7.8%</b>   | <b>7.0%</b>   | <b>4.8%</b>  | <b>5.2%</b>                       |
| Total Alternative Composite                               |                      |                           |                                   |                                    | 0.8%  | 6.1%  | 1.4%  | 7.8%  | 4.8%  | 5.0%  | 3.5%   | 3.3%                              |
| <b>Total Cash &amp; Equivalents Investments (6/30/10)</b> | <b>\$4,972,212</b>   | <b>2.4%</b>               | <b>5.5%</b>                       | <b>0.0%</b>                        | <b>0.1%</b>                                     | <b>1.1%</b>   | <b>0.3%</b>                                     | <b>1.4%</b>   | <b>2.5%</b>   | <b>N/A</b>  | <b>N/A</b>   | <b>2.4%</b>                       |
| 90 Day Treasury Bills                                     |                      |                           |                                   |                                    | 0.0%  | 0.0%  | 0.0%  | 0.1%  | 0.1%  | 0.1%  | 1.6%   | 0.1%                              |

*Note: Balance does not include \$9,723,491.78 received from the liquidation of Cohen & Steers in September 2013, and \$6,666,287.62 received from the liquidation of Ironwood I in October 2013.*

*Total liquidation proceeds equal \$16,389,779.40 at 10/31/13 and are still part of the investment pool. New managers are being reviewed for the investment of these funds.*

Florida International University Foundation, Inc.  
Preliminary Performance Summary  
Ending October 31, 2013

| <u>Asset Class:</u><br>Manager/Fund (Inception Date)<br>Benchmark                          | Market<br>Value | Current<br>Alloc. | Tactical<br>Target<br>Alloc. | Strategic<br>Target<br>Alloc. | Current<br>Month<br>9/30/2013<br>10/31/2013 | Calendar<br>YTD 2013<br>12/31/2012<br>10/31/2013 | Fiscal<br>YTD<br>6/30/2013<br>10/31/2013 | Trailing<br>1 Year<br>10/31/2012<br>10/31/2013 | Trailing<br>3 Year<br>10/31/2010<br>10/31/2013 | Trailing<br>5 Year<br>10/31/2008<br>10/31/2013 | Since<br>Investment<br>Inception |
|--|-----------------|-------------------|------------------------------|-------------------------------|---|--|--|--|--|--|----------------------------------|
| <b>INTECH Broad LCG (11/22/11)</b><br>Russell 1000 Growth Index                            | \$15,882,067    | 7.8%              | 7.3%                         | N/A                           | 4.9%<br>4.4%                                | 25.9%<br>26.2%                                   | 13.3%<br>12.9%                           | 28.1%<br>28.3%                                 | N/A<br>16.8%                                   | N/A<br>17.5%                                   | 22.1%<br>21.4%                   |
| <b>Wells Fundamental Select LCG (11/9/11)</b><br>Russell 1000 Growth Index                 | \$16,649,531    | 8.1%              | 7.3%                         | N/A                           | 5.0%<br>4.4%                                | 26.8%<br>26.2%                                   | 15.8%<br>12.9%                           | 30.8%<br>28.3%                                 | N/A<br>16.8%                                   | N/A<br>17.5%                                   | 22.3%<br>21.4%                   |
| <b>iShares Russell 1000 Growth Fund (07/31/11)</b><br>Russell 1000 Growth Index            | \$21,085,887    | 10.3%             | 6.0%                         | N/A                           | 4.4%<br>4.4%                                | 25.8%<br>26.2%                                   | 13.0%<br>12.9%                           | 28.1%<br>28.3%                                 | N/A<br>16.8%                                   | N/A<br>17.5%                                   | 16.4%<br>16.6%                   |
| <b>Wedge Capital Large Cap Value QVM (12/29/06)</b><br>Russell 1000 Value Index            | \$15,656,288    | 7.6%              | 6.0%                         | N/A                           | 4.3%<br>4.4%                                | 27.5%<br>25.8%                                   | 11.1%<br>8.5%                            | 29.9%<br>28.3%                                 | 16.5%<br>16.8%                                 | 16.5%<br>14.1%                                 | 4.6%<br>3.8%                     |
| <b>Advisory Research SMID Cap Value (11/1/12) <sup>3</sup></b><br>Russell 2500 Value Index | \$12,778,957    | 6.2%              | 5.0%                         | N/A                           | 3.3%<br>4.1%                                | 25.7%<br>27.5%                                   | 13.0%<br>10.8%                           | 28.8%<br>33.4%                                 | N/A<br>17.2%                                   | N/A<br>17.3%                                   | 28.8%<br>33.4%                   |
| <b>IronBridge Small Cap Core Equity (12/2/03)</b><br>Russell 2000 Small Cap Index          | \$11,105,324    | 5.4%              | 5.0%                         | N/A                           | 3.8%<br>2.5%                                | 26.2%<br>30.9%                                   | 11.3%<br>13.0%                           | 31.1%<br>36.3%                                 | 15.2%<br>17.7%                                 | 14.8%<br>17.0%                                 | 8.6%<br>8.6%                     |
| <b>Morgan Stanley Buy Write (12/06/11)</b><br>CBOE Buy Write Index<br>S&P 500 Index        | \$16,393,638    | 8.0%              | 6.5%                         | N/A                           | 3.0%<br>3.6%<br>4.6%                        | 19.0%<br>9.5%<br>25.3%                           | 7.5%<br>4.4%<br>10.1%                    | 18.7%<br>7.6%<br>27.2%                         | N/A<br>8.3%<br>16.6%                           | N/A<br>8.6%<br>15.2%                           | 17.0%<br>9.4%<br>22.2%           |
| <b>Subtotal: Domestic Equity (6/30/00)</b>   | \$109,551,692   | 53.5%             | 43.0%                        | 35.0%                         | 4.1%  | 25.2%  | 12.1%                                    | 27.7%  | 13.8%  | 13.4%  | 4.4%                             |
| <b>Thornburg International Equity (1/31/11)</b><br>MSCI EAFE Index                         | \$3,591,852     | 1.8%              | 1.7%                         | N/A                           | 0.9%<br>3.4%                                | 11.7%<br>20.1%                                   | 10.7%<br>15.3%                           | 16.5%<br>26.9%                                 | N/A<br>8.4%                                    | N/A<br>12.0%                                   | 3.7%<br>7.1%                     |
| <b>Wentworth Hauser &amp; Violich (3/31/10)</b><br>MSCI EAFE Index                         | \$3,766,792     | 1.8%              | 1.7%                         | N/A                           | 5.0%<br>3.4%                                | 20.2%<br>20.1%                                   | 13.2%<br>15.3%                           | 25.0%<br>26.9%                                 | 8.0%<br>8.4%                                   | N/A<br>12.0%                                   | 7.0%<br>8.1%                     |
| <b>Aberdeen Emerging Markets (7/31/13)</b><br>MSCI Emerging Markets                        | \$3,653,328     | 1.8%              | 1.7%                         | N/A                           | 4.1%<br>4.9%                                | N/A<br>0.3%                                      | N/A<br>10.9%                             | N/A<br>6.5%                                    | N/A<br>0.3%                                    | N/A<br>15.4%                                   | 7.1%<br>9.8%                     |
| <b>Subtotal: International Equity (6/30/00)</b>  | \$11,011,972    | 5.4%              | 5.1%                         | 20.0%                         | 3.3%  | 13.3%  | 11.3%                                    | 18.0%  | 2.2%   | 6.7%   | 1.4%                             |
| <b>TOTAL EQUITY INVESTMENTS</b>  | \$120,563,664   | 58.8%             | 48.1%                        | 55.0%                         |   |  |  |  |  |  |                                  |
| <b>Core Fixed Income Managed Accounts</b>  |                 |                   |                              |                               |   |  |  |  |  |  |                                  |
| <b>Newfleet Asset Management (5/31/2001)</b><br>Barclays Custom Index                      | \$13,690,237    | 6.7%              | 7.0%                         | N/A                           | 2.1%<br>1.5%                                | -1.0%<br>-1.2%                                   | 3.0%<br>2.3%                             | -1.0%<br>-0.9%                                 | 5.7%<br>4.8%                                   | 10.3%<br>8.8%                                  | 6.7%<br>6.4%                     |
| <b>Shenkman Convertible Bond Fund (12/23/11)</b><br>BofA ML All US Convertibles Index      | \$10,455,488    | 5.1%              | 5.0%                         | N/A                           | 1.8%<br>2.1%                                | 10.6%<br>20.3%                                   | 5.6%<br>9.4%                             | 12.0%<br>23.9%                                 | N/A<br>11.0%                                   | N/A<br>17.8%                                   | 10.3%<br>18.6%                   |
| <b>Brandywine Global Opp Bond (1/1/08)</b><br>Citigroup World Gov't Bond Index             | \$9,714,794     | 4.7%              | 5.0%                         | N/A                           | 0.6%<br>1.0%                                | -2.9%<br>-2.0%                                   | 0.7%<br>3.9%                             | -0.6%<br>-3.1%                                 | 5.3%<br>0.9%                                   | 11.2%<br>4.9%                                  | 6.8%<br>4.1%                     |
| <b>First Eagle (7/11/12)</b><br>BofA Merrill Lynch US High Yield Master II TR              | \$10,314,542    | 5.0%              | 5.0%                         | N/A                           | 1.6%<br>2.5%                                | 5.7%<br>6.3%                                     | 3.8%<br>4.8%                             | 7.9%<br>8.8%                                   | N/A<br>8.9%                                    | N/A<br>18.0%                                   | 9.8%<br>10.9%                    |
| <b>TOTAL FIXED INCOME INVESTMENTS</b>  | \$44,175,061    | 21.6%             | 22.0%                        | 22.0%                         |   |  |  |  |  |  |                                  |

Florida International University Foundation, Inc.  
Preliminary Performance Summary  
Ending October 31, 2013

| Asset Class:<br>Manager/Fund (Inception Date)<br>Benchmark  | Market<br>Value      | Current<br>Alloc. | Tactical<br>Target<br>Alloc. | Strategic<br>Target<br>Alloc. | Current<br>Month<br>9/30/2013<br>10/31/2013 | Calendar<br>YTD 2013<br>12/31/2012<br>10/31/2013 | Fiscal<br>YTD<br>6/30/2013<br>10/31/2013 | Trailing<br>1 Year<br>10/31/2012<br>10/31/2013 | Trailing<br>3 Year<br>10/31/2010<br>10/31/2013 | Trailing<br>5 Year<br>10/31/2008<br>10/31/2013 | Since<br>Investment<br>Inception |
|---|----------------------|-------------------|------------------------------|-------------------------------|---|--|--|--|--|--|----------------------------------|
| <b>Hedge Funds</b>  |                      |                   |                              |                               |   |  |  |  |  |  |                                  |
| Archstone Offshore (5/1/10)<br>HFR FOF: Diversified   | \$9,270,806          | 4.5%              | 4.5%                         | N/A                           | 1.9%<br>1.3%                                | 11.9%<br>6.1%                                    | 4.3%<br>2.6%                             | 13.9%<br>7.8%                                  | 5.6%<br>2.6%                                   | N/A<br>3.5%                                    | 5.2%<br>2.4%                     |
| Ironwood Partners (3/1/04)<br>HFR FOF: Conservative   | \$253,036            | 0.1%              | 4.5%                         | N/A                           | N/A<br>0.6%                                 | 6.1%<br>5.4%                                     | 1.1%<br>1.8%                             | 9.2%<br>6.9%                                   | 6.7%<br>2.5%                                   | 6.2%<br>2.8%                                   | 4.2%<br>2.4%                     |
| Ironwood Partners (NDM Gift) (8/1/05)<br>HFR FOF: Conservative  | \$2,472,444          | 1.2%              | 1.3%                         | N/A                           | 1.4%<br>0.6%                                | 7.6%<br>5.4%                                     | 2.5%<br>1.8%                             | 10.7%<br>6.9%                                  | 7.3%<br>2.5%                                   | 6.6%<br>2.8%                                   | 3.9%<br>2.1%                     |
| Titan Advisors (3/1/07)<br>HFR FOF: Diversified   | \$9,821,982          | 4.8%              | 5.0%                         | N/A                           | 1.1%<br>1.3%                                | 9.6%<br>6.1%                                     | 5.1%<br>2.6%                             | 10.7%<br>7.8%                                  | 6.4%<br>2.6%                                   | 7.4%<br>3.5%                                   | 5.4%<br>0.8%                     |
| Subtotal: Total Hedge Funds (3/31/02)   | \$21,818,268         | 10.6%             | 15.3%                        | N/A                           | 1.4%  | 9.6%   | 3.9%                                     | 11.7%  | 6.4%   | 6.1%   | 5.0%                             |
| <b>Private Equity</b>   |                      |                   |                              |                               |   |  |  |  |  |  |                                  |
| DTC Private Equity II (\$5 Million) <sup>1</sup> (12/15/05)   | \$3,464,282          | 1.7%              | 3.0%                         | N/A                           |   |  | 0.4%                                     |  |  |  | 8.2%                             |
| DTC Private Equity III (\$2.5 Million) <sup>1</sup> (07/10/08)  | \$1,526,927          | 0.7%              | 1.5%                         | N/A                           |   |  | 0.0%                                     |  |  |  | 11.8%                            |
| Greenspring Global Partners IV (\$2.5 Million) <sup>1</sup> (8/8/08)                                  | \$2,354,782          | 1.1%              | 1.5%                         | N/A                           |   |  | 0.0%                                     |  |  |  | 14.0%                            |
| Greenspring Global Partners V (\$2.5 Million) <sup>1</sup> (1/19/12)                                  | \$1,122,027          | 0.5%              | 1.5%                         | N/A                           |   |  | 0.0%                                     |  |  |  | 15.6%                            |
| Greenspring Opportunities II (\$2 Million) <sup>1</sup> (2/14/13)                                     | \$863,091            | 0.4%              | N/A                          | N/A                           |   |  | 0.0%                                     |  |  |  | 20.0%                            |
| Medley Opportunity Fund II (\$2 Million) <sup>1</sup> (9/14/12)                                       | \$1,124,896          | 0.5%              | N/A                          | N/A                           |   |  | 0.0%                                     |  |  |  | 3.5%                             |
| Apollo EPF Fund II (\$2 Million) <sup>1</sup> (11/02/12)  | \$330,733            | 0.2%              | N/A                          | N/A                           |   |  | 0.0%                                     |  |  |  | -9.3%                            |
| PE Cash Distributions   | \$337,500            | 0.2%              | N/A                          | N/A                           |   |  |  |  |  |  |                                  |
| Subtotal: Private Equity (12/31/05)   | \$11,124,238         | 5.4%              | 7.5%                         | N/A                           | 0.0%  | 13.6%  | 0.1%                                     | 14.9%  | 16.5%  | 11.8%  | 10.0%                            |
| <b>Other Alternatives</b>   |                      |                   |                              |                               |   |  |  |  |  |  |                                  |
| Foundation Enterprise Holdings I (3/31/11) <sup>1</sup>   | \$574,000            | 0.3%              | 0.4%                         | N/A                           |   |  | 0.0%                                     |  |  |  | 2.5%                             |
| JMOF - Raymond James CEF (2/1/2013)   | \$991,783            | 0.5%              | 0.0%                         | N/A                           | 0.3%  | N/A  | 0.9%                                     | N/A  | N/A  | N/A  | 0.7%                             |
| PIMCO All Assets All Authority (7/18/12) <sup>2</sup><br>50% MSCI World/50% Barclays Global Aggregate | \$124,048            | 0.1%              | 1.0%                         | N/A                           | 1.3%<br>2.5%                                | -2.5%<br>9.9%                                    | 3.0%<br>8.1%                             | 0.1%<br>11.4%                                  | N/A<br>7.1%                                    | N/A<br>10.0%                                   | 5.6%<br>12.1%                    |
| Student Investment Management Fund (3/31/09)  | \$256,515            | 0.1%              | 0.1%                         | N/A                           | 3.4%  | 14.4%  | 6.4%                                     | 14.8%  | 7.6%   | N/A  | 5.4%                             |
| SunTrust Balanced Annuity Account (10/22/03)<br>70% Barclays Aggregate/30% S&P 500                    | \$323,859            | 0.2%              | 0.2%                         | N/A                           | 2.6%<br>0.8%                                | 11.2%<br>-1.1%                                   | 7.0%<br>1.4%                             | 12.7%<br>-1.1%                                 | 7.7%<br>3.0%                                   | 11.2%<br>6.1%                                  | 6.2%<br>4.8%                     |
| Subtotal: Other Alternatives (10/31/03)   | \$2,270,205          | 1.1%              | 1.7%                         | N/A                           | 0.9%  | 5.5%   | 2.8%                                     | 6.1%   | 5.5%   | 8.1%   | 4.7%                             |
| <b>TOTAL ALTERNATIVE INVESTMENTS</b>  | <b>\$35,212,711</b>  | <b>17.2%</b>      | <b>24.5%</b>                 | <b>23.0%</b>                  |   |  |  |  |  |  |                                  |
| <b>Cash &amp; Cash Equivalents</b>  |                      |                   |                              |                               |   |  |  |  |  |  |                                  |
| State of Florida Treasury Fund (7/01/10)<br>90 Day Treasury Bills                                     | \$4,972,212          | 2.4%              | 0.5%                         | N/A                           | 0.1%<br>0.0%                                | 1.1%<br>0.0%                                     | 0.3%<br>0.0%                             | 1.4%<br>0.1%                                   | 2.5%<br>0.1%                                   | N/A<br>0.1%                                    | 2.4%<br>0.1%                     |
| <b>TOTAL CASH &amp; EQUIVALENTS INVESTMENTS <sup>4</sup></b>  | <b>\$4,972,212</b>   | <b>2.4%</b>       | <b>5.5%</b>                  | <b>0.0%</b>                   |   |  |  |  |  |  |                                  |
| <b>TOTAL FUND</b>   | <b>\$204,923,648</b> | <b>100.0%</b>     | <b>100.0%</b>                | <b>100.0%</b>                 |   |  |  |  |  |  |                                  |

\*These are short-term liquid funds

<sup>1</sup> For these investments, the returns displayed represent the internal rate of return.

<sup>2</sup> Deferred compensation

<sup>3</sup> The strategy and benchmark expanded to small/mid cap effective 11.1.12

<sup>4</sup> Balance does not include \$9,723,491.78 received from the liquidation of Cohen & Steers in September 2013, and \$6,666,287.62 received from the liquidation of Ironwood I in October 2013.

Total liquidation proceeds equal \$16,389,779.40 at 10/31/13 and are still part of the investment pool. New managers are being reviewed for the investment of these funds.

This page intentionally left blank



**Variance Notes:**

[1] The change in contributions receivable for the period ended October 31, 2013 totals \$(1.3 million), representing an excess of pledged payments over new signed gift agreements, net of the related allowance for uncollectable pledges and the 1.41% discount. The entire pledged revenue component is a variance as this non-cash item is not budgeted.

Below is an aging schedule of all Foundation contributions receivable as of October 31, 2013 net of a 0.65% allowance for doubtful accounts and proposed write-offs totaling \$773,349:

|                        | <b>Current Year</b>  | <b>1 - 2 Years</b>   | <b>3 - 4 Years</b>   | <b>5+ Years</b>      | <b>TOTAL</b>         |
|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Non-Endowed*</b>    | \$ 6,704,840         | \$ 4,603,356         | \$ 1,938,515         | \$ 971,686           | \$ 14,218,397        |
| <b>Endowed*</b>        | \$ 3,694,034         | \$ 6,185,043         | \$ 14,316,889        | \$ 33,817,755        | \$ 58,013,722        |
| <b>COMBINED TOTAL*</b> | <b>\$ 10,398,874</b> | <b>\$ 10,788,399</b> | <b>\$ 16,255,404</b> | <b>\$ 34,789,441</b> | <b>\$ 72,232,119</b> |

*\* Receivables on the statement of financial position total \$68 million and are discounted by \$4.5 million to their present value. The total also includes other receivables totaling \$219,330.*

[2] The positive variance for MARC Building revenues is a result of unrealized gains related to the derivative liability on the swap portion of the building loan. Adding to the positive variance is the fact that the budgeted 5% allowance for vacancies did not materialize since occupancy remains at 100%.

[3] Foundation Enterprise Holdings III is a new line item and therefore did not have a budget. In July 2013, FIU Foundation closed on the gift of real property located on 100 East Flagler Street (floors 2, 8 and 9) in Miami, Florida. The property was transferred to Foundation Enterprise Holdings III, a single member LLC with FIU Foundation as its sole member. The value of the building, furniture and equipment totaling \$1.35 million is recognized as a contribution. Expenses related to the building (e.g. condominium association fees, property taxes, insurance, repairs and maintenance, etc.) will initially be funded from proceeds on the recent sale of The Women's Club.

[4] Investment returns for fiscal year 2013-14 were projected at 6.0% or \$12.7 million, based on a beginning balance of \$200 million. The monthly budgeted returns were forecasted based on our asset allocation and the historical performance of indexes for each asset class. Fiscal year-to-date investment gains on the portfolio through October 31, 2013 totaled approximately 7.7%, or \$15.2 million. The biggest contributors to these gains were equities (our largest asset class), which were up 12.1%, followed by fixed income and alternative investments, which delivered returns of 3.3% and 2.5%, respectively.

[5] The positive \$2 million variance in scholarships and program expenses is mainly due to timing. The processing of several scholarships, reimbursements to DSO's, and event-related invoices mainly in the College of Medicine, College of Business Administration, and College of Nursing and Health Sciences will occur in the second quarter.

[6] The following building funds are anticipated to be transferred to the University in FY 2013-14: \$1.5 million for the Hospitality Management Dining Facility; \$1.2 million for the MANGO Building; \$764,000 for Stocker Astrophysics Center; and \$85,000 for furniture and equipment in the College of Law. Of those amounts, \$2.5 million were anticipated in the first quarter, but due to delays in reimbursement requests from the University, the majority of these funds will not be requested until the second and third quarters of the fiscal year.

[7] The positive \$1.3 million variance in General Reserve expenses is mainly attributed to timing of Capital Campaign expenses.

This page intentionally left blank