FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE

Thursday, June 2, 2016
8:30 am
Florida International University
Modesto A. Maidique Campus
The Patricia & Phillip Frost Art Museum, room 105-107

Committee Membership:

Gerald C. Grant, Jr, *Chair;* Justo L. Pozo, *Vice Chair;* Cesar L. Alvarez; Leonard Boord; Natasha Lowell; Marc D. Sarnoff; Kathleen L. Wilson

Liaison:

Richard Brilliant, *Foundation Board of Directors*

AGENDA

1.	**Call to Order and Chair's Remarks**	**Gerald C. Grant, Jr.**
2.	**Approval of Minutes**	**Gerald C. Grant, Jr.**
3.	**Action Items**	
FA1.	**Proposed 2016-17 University and DSO Operating Budgets**	**Kenneth A. Jessell**
FA2.	**Proposed 2016-17 Fixed Capital Outlay Budget**	**Kenneth A. Jessell**
FA3.	**Request for Approval of FIU's 2017-18 Fixed Capital Outlay Legislative Budget Request, Consisting of the five-year Capital Improvement Plan**	**Kenneth A. Jessell**
FA4.	**Approval for FIU to Undertake a Competitive Bid Process to Sublease the Wolfsonian-FIU Annex Building and Parking Lot**	**Kenneth A. Jessell**
FA5.	**Internal Audit Plan, 2016 -17**	**Allen Vann**
FA6.	**Compliance Work Plan, 2016-17**	**Karyn Boston**

4. Discussion Items *(No Action Required)*

4.1	**Review of FIU Financial Statement Audit for Fiscal Year Ended June 30, 2015**	**Kenneth A. Jessell**
4.2	**Review of FIU Operational Audit Findings and Recommendations for Fiscal Year Ended June 30, 2015**	**Kenneth A. Jessell**
4.3	**Office of Internal Audit Status Report**	**Allen Vann**
4.4	**Financial Performance Review – Third Quarter FY 2015-16**	**Kenneth A. Jessell**
4.5	**University Compliance Report**	**Karyn Boston**

5. Reports *(For Information Only)*

5.1	**Athletics Update**	**Pete Garcia**
5.2	**Business Services Report**	**Aime Martinez**
5.3	**Emergency Management Status Report**	**Ruben D. Almaguer**
5.4	**Facilities and Construction Update**	**John Cal**
5.5	**Foundation Report**	**Richard Brilliant**
5.6	**Safety and Environmental Compliance Report**	**Ruben D. Almaguer**
5.7	**Treasury Report**	**Phong Vu**

6. New Business

6.1	**Senior Management Discussion of Audit Processes**	**Gerald C. Grant, Jr.**

7. Concluding Remarks and Adjournment — **Gerald C. Grant, Jr.**

The next Finance and Audit Committee Meeting is scheduled for Thursday, September 1, 2016

Finance and Audit Committee Meeting
Date: June 2, 2016

Subject: Approval of Minutes of Meeting held March 11, 2016

Proposed Committee Action:

Approval of Minutes of the Finance and Audit Committee meeting held on Friday, March 11, 2016 at the FIU, Modesto A. Maidique Campus, Parkview Hall, Multipurpose Room.

Background Information:

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Friday, March 11, 2016 at the FIU, Modesto A. Maidique Campus, Parkview Hall, Multipurpose Room.

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FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
MINUTES
MARCH 11, 2016

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 Gerald C. Grant, Jr. at 9:21 am on Friday, March 11, 2016, at the Modesto A. Maidique Campus, Parkview Hall, Multipurpose Room.

The following attendance was recorded:

Present	***Excused***
Gerald C. Grant, Jr., *Chair*	Justo L. Pozo, *Vice Chair*
Cesar L. Alvarez	
Leonard Boord	
Natasha Lowell	
Kathleen L. Wilson	

Trustees Jorge L. Arrizurieta and Alexis Calatayud and University President Mark B. Rosenberg were also in attendance.

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

2. Approval of Minutes

Committee Chair Grant asked that the Committee approve the Minutes of the meeting held on December 9, 2015. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meeting held on Wednesday, December 9, 2015.

3. Action Items

FA1. Finance and Audit Committee Charter

University General Counsel M. Kristina Raattama presented the proposed revisions to the Finance and Audit Committee Charter for Committee review, noting that part of the Finance and Audit Committee's responsibilities is to periodically review the Charter and recommend any proposed revisions for the Board's approval. Ms. Raattama added that she and Allen Vann, Chief Audit Executive, and Karyn Boston, Chief Compliance and Privacy Officer, conducted the review of the Charter, noting that Senior Vice President of Administration and Chief Financial Officer Kenneth A. Jessell also participated in the assessment. She stated that available resources in higher education in addition to the corporate sector were reviewed. Ms. Raattama indicated that the Charter benchmarked well as it relates to audit oversight, adding that the proposed revisions primarily relate to the University's compliance program.

She next provided an overview of the proposed changes, delineating key changes in the sections pertaining to General Activities and Responsibilities and Specific Responsibilities: Financial Reporting, noting that going forward the Charter should be reviewed every two years instead of periodically. She added that the recommendations to reduce the Committee's separate sessions with the Chief Audit Executive to once a year and to remove the Committee's separate sessions with senior management were based on the limited value to the Committee given the open meetings requirement under Florida Sunshine Law.

Trustees engaged in a discussion regarding the proposed reduction in separate sessions with the Chief Audit Executive, the removal of the Committee's separate sessions with senior management, and the reduction in minimum committee membership from four to "at least 3". Mr. Vann noted that he has open communication with the Committee and senior management but also the independence required for a transparent board reporting relationship. Ms. Raattama added that currently the Committee has six members, indicating that the reduction in minimum committee membership is proposed in order to avoid the potential of a tie.

The Committee amended the proposed Charter revisions to increase the minimum committee membership from four to five and to maintain the separate sessions with the Chief Audit Executive and with senior management as currently prescribed in the Charter.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Florida International University Board of Trustees approve the proposed revisions to the Finance and Audit Committee Charter, as amended.

FA2. Investment Policy Amendment
Sr. VP and CFO Jessell presented the revisions to the University's Investment Policy for Committee review, noting that the proposed amendment was ratified by the University Investment Committee on November 19, 2015. He added that the proposed change recognizes the University's desire to invest funds in a socially responsible manner. He further noted that the University will integrate environmental, social and governance factors into the investment due diligence process, provided that they do not conflict with the safety, liquidity and return objectives required by the Florida Statutes.

A discussion ensued where Trustees inquired as to the oversight and implementation and maintenance of the proposed socially responsible investments. Trustees Alexis Calatayud and Kathleen Wilson concurred that socially responsible investing is very much wrapped up in FIU's identity.

A motion was made and seconded that the FIU Board of Trustees Finance and Audit Committee recommend to the Florida International University Board of Trustees adoption of revisions to the University's Investment Policy. The motion did not receive full support from the Committee members, therefore, in light of questions raised about the policy and a lack of clear consensus, the proposed amendment to the University's Investment Policy was tabled in order to allow for further review prior to consideration by the Board.

FA3. Proposed Amendment to Regulation - FIU-115 Skateboarding, Skates, Scooters, Ripstiks, Hoverboards, and other Similar Devices and High Risk Activities on University Property

Ms. Raattama presented the proposed amendment to Regulation - FIU-115 for Committee review, noting that Regulation FIU-115 Skateboarding, Skates, Scooters, Ripstiks, Hoverboards, and other Similar Devices and High Risk Activities on University Property is being amended to revise grammatical errors and to include the use and operation of hoverboards.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Florida International University Board of Trustees approve the proposed Amendment to the Regulation of the Skateboarding, Skates, Scooters, Ripstiks, Hoverboards, and other Similar Devices and High Risk Activities on University Property FIU-115 and delegate authority to the University President to approve any subsequent amendments that are based on comments to the Regulation received from the Florida Board of Governors and as a result of the regulation-making process.

FA4. Approval of Amendment to the 2010-20 Campus Master Plan for the Modesto A. Maidique Campus to accommodate the construction of two (2) intramural/athletics department practice fields

Sr. VP and CFO Jessell presented the request to approve an amendment to the 2010-20 Campus Master Plan for the Modesto A. Maidique Campus to accommodate the construction of two (2) intramural/athletics department practice fields (the Project) for Committee review. He noted that on December 9, 2015, the Florida International University Board of Trustees approved the construction of two recreational/practice fields on the MMC campus and also delegated to the University President the authority to amend the construction program as required, consider and implement alternative lower-cost opportunities for the Project that achieve the same objectives.

Sr. VP and CFO Jessell stated that the practice fields will serve both the recreational needs of students engaged in intramural athletics programs as well as the needs of football and other athletics programs. He added that while developing the program, additional limitations with the original site were identified and, alternative options and locations were considered. He indicated that meetings were held with Miami-Dade County Parks and Recreation officials to discuss the viability of sharing existing intramural fields at Tamiami Park, noting that this option was later deemed unfeasible due to annual restoration caused by the fair patron parking and non-exclusive use.

Sr. VP and CFO Jessell further noted that the amendment to the Campus Master Plan reflects the re-location of the Project to the northern part of the Preserve, an area containing approximately 2.82 acres. He further noted that the area includes a man-made pond and is over-grown with extensive invasive and exotic trees that have been under a removal program. He indicated that an additional land area south and west of the Preserve, comprising approximately 2.95 acres, will be reclassified as Preserve area to offset the currently open space to be utilized for the Project and that the location change will achieve an approximate $900,000 savings to the Project after completing $400,000 mitigation efforts in the newly created Preserve area. Additionally, he stated, since environment and sustainability are areas of strategic emphasis, the University will allocate from existing operating funds $80,000 annually to maintain and enhance the Preserve in support of the teaching and research activities that take place there.

Sr. VP and CFO Jessell further stated that multiple meetings with the Faculty Senate and a town hall with student government were held in order to hear comments and address concerns from the University community. He stated that during its March 8, 2016 meeting, the Faculty Senate voted in support of the Project, adding that the Project will move forward with the cooperation of FIU faculty and staff to ensure successful outcomes of mitigation and long-term strategies to fulfill Preserve goals. Trustees Calatayud and Wilson recognized the work Sr. VP and CFO Jessell and Professor Roberto Rovira, Chair of the Faculty Senate Environment and Planning Committee, noting that the process was inclusive and transparent.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Florida International University Board of Trustees hereby approve an amendment to the Campus Master Plan for the Modesto A. Maidique Campus to accommodate the construction of two intramural/athletics department practice fields.

Discussion Items
4.1 Review of FIU Financial Statements (Unaudited) for Fiscal Year Ended June 30, 2015
Sr. VP and CFO Jessell requested to postpone the discussion of the Financial Statements Audit for Fiscal Year ended June 30, 2015 to the next regularly scheduled Committee meeting as the results were still pending from the State of Florida Auditor General.

4.2 Office of Internal Audit Status Report
Chief Audit Executive Allen Vann presented the Internal Audit Report, providing an update on completed audits, work in progress, and investigations.

4.3 Financial Performance Review – Second Quarter FY 2015-16
Sr. VP and CFO Jessell presented the Financial Performance Review for the second quarter of 2015-16 and provided a summary of University revenues and expenditures. He reported that the University and direct support organizations' operating revenues were below estimates by $7.1M (or 1 percent), which can be primarily attributed to lower than anticipated cash donations to the FIU Foundation and higher patient volume for the FIU Health Care Network. He added that expenses were below estimates by $26.2M (or 5 percent), primarily due to lower expenditures, delayed spending and University and College of Medicine vacant positions.

4.4 University Compliance Report
Assistant Vice President, University Compliance and Privacy Officer Karyn Boston presented the University Compliance Report, providing implementation updates on the 2014-16 Institutional Compliance and Ethics program plan. Ms. Raattama noted a lack of available resources on output-based compliance metrics, and therefore, requested guidance from the Committee on the desired methodology for measuring the effectiveness of the University's compliance program. University President Mark B. Rosenberg noted that management-style updates may provide limited added value

to the Board and inquired as what level of detail the Committee required in order to ensure that reporting is consistent with those expectations. Committee Chair Grant requested that the next report focus on the top five topics in compliance and ethics.

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

6. New Business
6.1 Office of Internal Audit Discussion of Audit Processes
Committee Chair Grant noted that as is stipulated in the Finance and Audit Committee Charter, the Committee must meet with the Office of Internal Audit without the presence of senior management. He further noted that as a public meeting conducted pursuant to the Sunshine law, no one present was required to leave during the discussion with the Office of Internal Audit, adding that this was strictly voluntary. Committee Chair Grant confirmed with Mr. Vann that there were no scope impairments imposed upon the Office of Internal Audit by Management.

7. Concluding Remarks and Adjournment
With no other business, Committee Chair Gerald C. Grant, Jr. adjourned the meeting of the Florida International University Board of Trustees Finance and Audit Committee on Friday, March 11, 2016 at 10:41 am.

There were no Trustee requests.

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Finance and Audit Committee
Date: June 2, 2016

Subject: Proposed 2016-2017 University and Direct Support Organizations Operating Budgets

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Proposed Committee Action:

Recommend that the Florida International University Board of Trustees (the BOT) approve the FIU 2016-17 University and Direct Support Organizations (DSO) Operating Budgets and authorize the University President to amend the budgets consistent with Legislative, Board of Governors' and BOT directives and guidelines.

Background Information:

The BOT is required to adopt an annual budget for the general operation of the University prior to submission to the Florida Board of Governors. The FY 2016-17 Proposed Operating Budget for the University is due to the Florida Board of Governors on June 23, 2016.

The DSOs (FIU Athletics Finance Corp., FIU Foundation, Inc., and FIU Research Foundation, Inc.) and The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. budgets are incorporated into the University's Operating Budget.

The following budgetary funding groups are included:

A. Educational and General (E&G)
B. Auxiliary Enterprises
C. Intercollegiate Athletics
D. Activity and Service
E. Technology Fee
F. Board Approved Fees
G. Contracts and Grants
H. Student Financial Aid
I. Concessions
J. FIU Athletics Finance Corp.
K. FIU Foundation, Inc.
L. FIU Health Care Network
M. FIU Self-Insurance Program
N. FIU Research Foundation, Inc.
O. University Treasury Operations

Authority for the University President to amend the budgets is necessary to accommodate changes in revenues, expenditures, and statutory budget amendments. The University President shall keep the BOT informed of the status of the operating budgets through quarterly updates and will notify the BOT of any changes in excess of two percent (2%) made to the total approved 2016-2017 Operating Budget during the operating year.

Florida Statute 1011.40(2) provides that "each university board of trustees shall adopt an operating budget for the operation of the university as prescribed by law and rules of the Board of Governors." The University has prepared the proposed 2016-2017 Operating Budget in accordance with the requirements set forth in Florida Board of Governors Regulations 9.007 and 9.011.

Florida International University
Board of Trustees Financial Summary
2016-17 Budget

(In millions of dollars)	Overview[1] Final Budget [2] 2015-16	Forecast 2015-16	*Forecast vs. Final Budget*	Requested Budget 2016-17	Forecast vs. Requested Budget
Revenue / Receipts					
University					
Educational and General (net) [3]	$ 489.6	$ 490.2	*$ 0.6*	$ 507.0	$ 16.8
University	*439.8*	*440.9*	*1.1*	*457.1*	16.2
College of Medicine	*49.8*	*49.3*	*(0.5)*	*49.9*	0.6
FIU Self-Insurance Program	0.3	1.3	*1.0*	0.4	(0.9)
Auxiliary Enterprises	206.9	212.1	*5.2*	215.6	3.5
Intercollegiate Athletics	26.2	27.0	*0.8*	27.3	0.3
Activities and Service	18.6	18.6	-	19.7	1.1
Technology Fee	9.5	9.5	-	10.0	0.5
Board Approved Fees	0.4	0.4	-	0.4	-
Contracts and Grants	115.9	117.9	*2.0*	118.4	0.5
Student Financial Aid	159.5	159.6	*0.1*	164.2	4.6
Concessions	0.8	0.9	*0.1*	0.9	-
Direct Support Organizations / Component Units					
FIU Athletics Finance Corp	3.5	4.1	*0.6*	4.6	0.5
FIU Foundation Inc.	29.2	27.6	*(1.6)*	28.8	1.2
FIU Health Care Network	4.0	5.1	*1.1*	6.6	1.5
FIU Research Foundation Inc.	-	-	-	-	-
Interfund Adjustments [4]	(5.7)	(5.7)	-	(5.8)	(0.1)
Total Operating Revenues	**1,058.7**	**1,068.6**	***9.9***	**1,098.1**	**29.5**
University (net)	7.2	(21.9)	*(29.1)*	4.9	26.8
FIU Foundation Inc.	12.2	(7.5)	*(19.7)*	9.7	17.2
Total Investment Revenues	**19.4**	**(29.4)**	***(48.8)***	**14.6**	**44.0**
Student Loans [5]	297.8	287.9	*(9.9)*	298.5	10.6
Total Revenues / Receipts	**1,375.9**	**1,327.1**	***(48.8)***	**1,411.2**	**84.1**
Expenses					
University					
Educational and General	$ 489.6	450.7	*(38.9)*	507.0	56.3
University	*439.8*	*405.9*	*(33.9)*	*457.1*	51.2
College of Medicine	*49.8*	*44.8*	*(5.0)*	*49.9*	5.1
FIU Self-Insurance Program	0.3	0.4	*0.1*	0.4	-
Auxiliary Enterprises	184.3	181.5	*(2.8)*	195.4	13.9
Intercollegiate Athletics	23.7	22.5	*(1.2)*	25.7	3.2
Activities and Service	19.5	18.0	*(1.5)*	19.7	1.7
Technology Fee	11.3	8.5	*(2.8)*	9.7	1.2
Board Approved Fees	0.4	0.4	-	0.4	-
Contracts and Grants	118.7	119.4	*0.7*	117.2	(2.2)
Student Financial Aid	159.2	160.1	*0.9*	166.1	6.0
Concessions	0.8	0.7	*(0.1)*	0.9	0.2
Direct Support Organizations / Component Units					
FIU Athletics Finance Corp	2.2	2.4	*0.2*	2.4	-
FIU Foundation Inc.	27.9	29.2	*1.3*	27.6	(1.6)
FIU Health Care Network	3.1	3.5	*0.4*	4.6	1.1
FIU Research Foundation Inc.	-	-	-	-	-
Interfund Adjustments [4]	(5.7)	(5.7)	-	(5.8)	(0.1)
Total Operating Expenses	**1,035.3**	**991.6**	***(43.7)***	**1,071.3**	**79.7**
Principal Payment of Debt [6]	9.3	9.4	*0.1*	7.5	(1.9)
Student Loans [5]	297.8	287.9	*(9.9)*	298.5	10.6
Total Expenses	**1,342.4**	**1,288.9**	***(53.5)***	**1,377.3**	**88.4**
Change in Net Assets (incl. Investments)	**$ 33.5**	**$ 38.2**	***$ 4.7***	**$ 33.9**	**$ (4.3)**
Change in Net Assets (excl. Investments)	**$ 14.1**	**$ 67.6**	***$ 53.5***	**$ 19.3**	**$ (48.3)**

Florida International University
Board of Trustees Financial Summary
2016-17 Budget
Overview[1]

Notes:

[1] *The financials presented above reflects the state budgeting methodology which differs from full accrual Financial Statements. The following have the most significant impact:*

- *Depreciation of Assets: For budgeting purposes equipment purchases are fully expensed in their acquisition year, therefore depreciation is not included in the budget.*
- *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.*

[2] *FY 2015-16 state appropriations are increased by $6.1M ($4.8M University and $1.3M College of Medicine) from the approved operating budget to reflect the final appropriations bill passed after the June 2015 Board of Trustees meeting. Additionally, the FY 2015-16 University state appropriations include a $2.3M reduction in FY 2015-16 performance funds. This was due to a recalculation by the Florida Board of Governors of one of the metrics for four institutions which changed the final rankings and performance funds allocations. The issue is still to be approved by the Florida Board of Governors. E&G Expenses have also been adjusted accordingly to balance the budget.*

[3] *E&G revenues include State Funding and Tuition and are net of waivers, uncollectible amounts, credit card surcharge, and 30% financial aid need-based amounts per Florida statute 1009.24 (16)(a).*

[4] *Interfund transactions have been included in the individual funds to allow for individual fund performance analysis. This has resulted in higher revenues and expenses by fund. The Interfund Adjustments eliminate this double counting of revenues and expenses with the exception of interfund transactions for auxiliary services provided to other units and Direct Support Organizations which have not been eliminated.*

[5] *Student loans represent a pass through for the university.*

[6] *Principal payment of debt is reflected above per Florida Board of Governors requirement that debt service payments be shown on a cash basis.*

Florida International University
Financial Summary
2016-17 E&G Revenue Growth

(In thousands of dollars)	General Revenue	Educational Enhancement (Lottery)	Total State Funding	Student Fee (net) [1]	Total
I. University (ex-Legislative Items: Risk Management & Financial Aid)					
2015 - 16 Base Budget [2]	**$ 198,099**	**$ 29,495**	**$ 227,593**	**$ 212,502**	**$ 440,096**
Deduct Prior Year Non-Recurring	(900)	-	**(900)**		**(900)**
2015 - 16 Performance Funds Adjustment [3]	(2,348)		**(2,348)**		**(2,348)**
2015 - 16 Adjusted Base Budget	**$ 194,851**	**$ 29,495**	**$ 224,345**	**$ 212,502**	**$ 436,848**
2016 - 17 Incremental Changes					
Tuition [3]				4,528	**4,528**
Performance Based Funding [4]					
Reduction Prior Year State Investment	(16,252)		**(16,252)**		**(16,252)**
Current Year - State Investment	25,254		**25,254**		**25,254**
Transfer Base Funding to Performance	(30,866)		**(30,866)**		**(30,866)**
Current Year - Institutional Investment	30,866		**30,866**		**30,866**
Legislative Line Items			**-**		**-**
FIU - Washington Center Scholarship Program	355		**355**		**355**
FIU - UP:LIFT (University Paradigm: Learn, Interact, Facilitate)	3,000		**3,000**		**3,000**
FSU/UCF/FIU - University Security Management Technology	300		**300**		**300**
Plant Operations & Maintenance (PO&M) - New Space	-		**-**		**-**
Florida Retirement System Adjustment	567		**567**		**567**
Educational Enhancement Trust Fund adj.	(3,706)	3,706	**-**		**-**
Total Incremental Changes	**9,518**	**3,706**	**13,224**	**4,528**	**17,752**
2016 - 17 Base Budget	**$ 204,369**	**$ 33,200**	**$ 237,569**	**$ 217,031**	**$ 454,600**
II. University (Legislative Items: Risk Management & Financial Aid)					
2015 - 16 Base Budget	**$ 2,065**		**$ 2,065**		**$ 2,065**
Adjustment to Risk Management Insurance Base	393		**393**		**393**
2015 - 16 Adjusted Base Budget	**$ 2,459**	**$ -**	**$ 2,459**	**$ -**	**$ 2,459**
2016 - 17 Base Budget	**$ 2,459**	**$ -**	**$ 2,459**	**$ -**	**$ 2,459**

I. & II. University					
2015 - 16 Base Budget [2]	**$ 200,164**	**$ 29,495**	**$ 229,659**	**$ 212,502**	**$ 442,161**
Adjustments to Base Budget	(2,854)	-	**(2,854)**	-	**(2,854)**
2015 - 16 Adjusted Base Budget	**$ 197,310**	**$ 29,495**	**$ 226,804**	**$ 212,502**	**$ 439,307**
Total Incremental Changes	9,518	3,706	**13,224**	4,528	**17,752**
2016 - 17 Base Budget	**$ 206,828**	**$ 33,200**	**$ 240,028**	**$ 217,031**	**$ 457,059**

[1] *Tuition revenues are net of waivers, uncollectible amounts, credit card surcharge, and 30% financial aid need-based amounts per Florida statute 1009.24 (16)(a).*

[2] *FY 2015-16 University State Appropriations excluding the College of Medicine are increased by $4.8M from the approved operating budget to reflect the final appropriations bill passed after the June 2015 BOT meeting.*

[3] *FY 2015-16 performance funds adjustment is a $2.3M reduction due to a recalculation of one of the metrics which resulted in a change in the final rankings and performance funds allocations. The issue is still to be approved by the Florida Board of Governors.*

[4] *Performance based funding is the allocation to FIU of the State Investment of $225M ($75M new funds and $150M prior year allocation) and $275M Institutional Investment (reallocation of base funds). Performance funds allocations to institutions are subject to approval by the Florida Board of Governors in their June 2016 meeting.*

Florida International University
Financial Summary
2016-17 E&G Revenue Growth

(In thousands of dollars)	General Revenue	Educational Enhancement (Lottery)	Total State Funding	Student Fee (net) [1]	Total
III. College of Medicine (ex-Legislative Items: Risk Management)					
2015 - 16 Base Budget [2]	**$ 31,349**		**$ 31,349**	**$ 18,376**	**$ 49,725**
Deduct Prior Year Non-Recurring	(800)	-	**(800)**		**(800)**
2015 - 16 Adjusted Base Budget	**$ 30,549**	**$ -**	**$ 30,549**	**$ 18,376**	**$ 48,925**
2016 - 17 Incremental Changes					
Tuition			**-**	(138)	**(138)**
Legislative Line Items					**-**
FIU - Neuroscience Centers of Florida Foundation	1,000		**1,000**		**1,000**
Florida Retirement System Adjustment	70		**70**		**70**
Total Incremental Changes	**1,070**	**-**	**1,070**	**(138)**	**931**
2016 - 17 Base Budget	**$ 31,618**	**$ -**	**$ 31,618**	**$ 18,238**	**$ 49,856**
IV. College of Medicine (Legislative Items: Risk Management)					
2015 - 16 Base Budget	**$ 38**		**$ 38**		**$ 38**
Adjustment to Risk Management Base	23		**23**		**23**
2015 - 16 Adjusted Base Budget	**$ 60**	**$ -**	**$ 60**	**$ -**	**$ 60**

III. & IV. College of Medicine					
2015 - 16 Base Budget [2]	**$ 31,387**	**$ -**	**$ 31,387**	**$ 18,376**	**$ 49,763**
Adjustments to Base Budget	(777)	-	**(777)**	-	**(777)**
2015 - 16 Adjusted Base Budget	**$ 30,609**	**$ -**	**$ 30,609**	**$ 18,376**	**$ 48,985**
Total Incremental Changes	1,070	-	**1,070**	(138)	**931**
2016 - 17 Base Budget	**$ 31,679**	**$ -**	**$ 31,679**	**$ 18,238**	**$ 49,916**

[1] *Tuition revenues are net of waivers, uncollectible amounts, and credit card surcharge.*

[2] *FY 2015-16 College of Medicine State Appropriations are increased by $1.3M from the approved operating budget to reflect the final appropriations bill passed after the June 2015 BOT meeting.*

Florida International University
Financial Summary
E&G Summary

(In millions of dollars)	**Final Budget [1] 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget [2] 2016-17**	***Forecast vs. Requested Budget***
I. University:					
Revenues					
General Revenues [2]	$ 192.7	$ 193.1	*$ 0.4*	$ 203.2	*$ 10.1*
General Revenues - Legislative Line Item	5.1	5.1	-	3.7	*(1.4)*
Educational Enhancement (Lottery) [2]	29.5	29.5	*(0.0)*	33.2	*3.7*
Gross Tuition	261.2	260.1	*(1.1)*	270.1	*10.0*
Waivers	(30.4)	(28.6)	*1.8*	(34.2)	*(5.5)*
Financial Aid (30%)	(18.2)	(18.3)	*(0.0)*	(18.9)	*(0.6)*
Net tuition [3]	212.5	213.2	*0.7*	217.0	*3.9*
Total Revenue Available	**$ 439.8**	**$ 440.9**	***$ 1.0***	**$ 457.1**	***$ 16.2***
Expenses					
Salaries and Benefits	306.2	286.1	*(20.1)*	319.7	*33.6*
Other Personal Services (OPS)	37.7	37.1	*(0.6)*	40.7	*3.6*
Other Expenses	87.8	75.3	*(12.5)*	88.9	*13.6*
Operating Capital Outlay (OCO)	8.1	7.4	*(0.7)*	7.8	*0.4*
Total Operating Expenses	**$ 439.8**	**$ 405.9**	***$ (33.9)***	**$ 457.1**	***$ 51.2***
Net Assets	**$ 0.0**	**$ 35.0**	***$ 35.0***	**$ 0.0**	***$ (35.0)***
II. College of Medicine:					
Revenues					
General Revenues	30.1	30.1	-	30.7	*0.6*
General Revenues - Legislative Line Item	1.3	1.3	-	1.0	*(0.3)*
Gross Tuition	18.4	18.1	*(0.3)*	18.4	*0.3*
Waivers	-	(0.2)	(0.2)	(0.2)	0.0
Net tuition [3]	18.4	17.9	*(0.5)*	18.2	*0.3*
Total Revenue Available	**$ 49.8**	**$ 49.3**	***$ (0.5)***	**$ 49.9**	***$ 0.6***
Expenses					
Salaries and Benefits	38.4	34.5	*(3.9)*	40.4	*5.9*
Other Personal Services (OPS)	2.2	2.8	*0.6*	2.6	*(0.2)*
Other Expenses	9.2	7.4	*(1.7)*	6.9	*(0.5)*
Operating Capital Outlay (OCO)	-	0.1	*0.1*	-	*(0.1)*
Total Operating Expenses	**$ 49.8**	**$ 44.8**	***$ (4.9)***	**$ 49.9**	***$ 5.1***
Net Assets	**$ 0.0**	**$ 4.5**	***$ 4.5***	**$ 0.0**	***$ (4.5)***

Notes:

1 *FY 2015-16 state appropriations are increased by $6.1M ($4.8M University and $1.3M College of Medicine) from the approved operating budget to reflect the final appropriations bill passed after the June 2015 Board of Trustees meeting. Additionally, the University state appropriations include a $2.3M reduction in FY 2015-16 performance funds This was due to a recalculation by the Florida Board of Governors of one of the metrics for four institutions which changed the final rankings and performance funds allocations. The issue is still to be approved by the Florida Board of Governors. Expenses have also been adjusted accordingly to balance the budget.*

2 *The amounts reported as state appropriations are based on the appropriations bill approved by the legislature (HB 5001) . FY 2016-17 state appropriations for the University include $56.1M of performance funding, which is contingent upon approval by the Florida Board of Governors at their June 2016 meeting.*

3 *Net tuition revenues are gross tuition revenues net of waivers, uncollectible amounts, credit card surcharge, and 30% financial aid need-based amounts per Florida statute 1009.24 (16)(a).*

Florida International University
Financial Summary
E&G Summary

(In millions of dollars)

I. University Carry Forward:

FY 2015-16 Beginning Balance		**$ 50.0**
Carry Forward Expenditure Forecast FY 2015-16		**(16.6)**
Estimated Unused FY 2015-16 Current Year Funds		**34.9**
FY 2016-17 Estimated Beginning Balance		**$ 68.4**
FY 2016-17 Expenses		**(24.0)**
● Legislative Earmarked Funds	(4.8)	
● Strategic Plan / Performance Investment	(6.0)	
● College and Area Commitments	(5.7)	
● Minor Projects and Information Technology Infrastructur	(3.9)	
● Capital Campaign	(3.6)	
Estimated Available Balance		**$ 44.3**
Minimum Statutory Reserve		**$ 23.8**

II. College of Medicine Carry Forward:

FY 2015-16 Beginning Balance		**$ 8.6**
Carry Forward Expenditure Forecast FY 2015-16		**(6.1)**
Estimated Unused FY 2015-16 Current Year Funds		**4.5**
Estimated Tuition beyond Legislative Authority from FY 2015-16		**0.0**
FY 2016-17 Estimated Beginning Balance		**$ 7.0**
FY 2016-17 Expenses		**(7.0)**
● Legislative Earmarked Funds	(1.9)	
● Tuition Remission	(1.9)	
● Strategic Initiatives	(1.9)	
● Contractual Commitments	(0.4)	
● Operating Expenses	(0.9)	
Estimated Available Balance		**$ (0.0)**
Minimum Statutory Reserve		**$ 2.5**

Florida International University
Financial Summary
Total Auxiliary Enterprises

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues	**$ 206,867**	**$ 212,104**	***$ 5,237***	**$ 215,571**	***$ 3,466***
<u>Expenses</u>					
Salaries and Benefits	73,499	71,353	*(2,146)*	80,800	*9,446*
Other Personal Services (OPS)	14,705	13,618	*(1,088)*	15,229	*1,612*
Other Expenses	86,420	87,731	*1,312*	89,561	*1,829*
Operating Capital Outlay (OCO)	1,689	1,205	*(484)*	2,368	*1,163*
Debt Service Interest	7,995	7,613	*(382)*	7,438	*(175)*
Total Operating Expenses	**184,308**	**181,520**	***(2,788)***	**195,394**	***13,875***
Net Operating Income	**22,559**	**30,584**	***8,025***	**20,176**	***(10,409)***
Investment Revenues	79	48	*(29)*	30	*(18)*
Principal Payment of Debt	(8,615)	(8,465)	*150*	(6,885)	*1,580*
Operational Transfers	0	-	1	-	*(1)*
Change in Net Assets	**14,023**	**22,168**	***8,146***	**13,321**	***(8,848)***
<u>Fund Balance</u>					
Beginning Fund Balance	127,021	126,936		138,565	
Change in Net Assets	14,023	22,168		13,321	
Capital Expenses	(10,704)	(9,787)		(4,710)	
Third Party Transfers	-	-		-	
Institutional Transfers	288	(752)		422	
Ending Fund Balance	**$ 130,628**	**$ 138,565**		**$ 147,599**	

<u>Notes</u>

Budget figures represent total revenue and Expenses for all Auxiliary activities, hence interdepartmental transactions have not been eliminated.

<u>Financial Highlights</u>

FY 2015-16 revenue is $5.2M greater than budget and mostly due to other academic auxiliaries and higher than budgeted occupancy across all residence halls at the Modesto M. Maidique Campus. Academic auxiliaries like the Academic Affairs overhead (overhead collected to support central office operations) and FIU Global First Year (G1Y – a program that matches international students with FIU) were not budgeted, plus various new and existing academic programs have seen enrollment growth including those in the College of Business (Corporate MBA, MACC, MSF and the new MS in Marketing) and College of Medicine (American University of Antigua and International Tropical Medicine). The increase in academic auxiliary revenue is partially offset by declines in certain online programs that have seen enrollment declines, mainly in the College of Business (MIB Online, Healthcare MBA Online, MSIRE), that will likely rebound with renewed marketing efforts and retooling, and programs that budgeted for additional cohorts that did not materialize. Additionally, Parking revenue is greater due to the implementation of a new parking enforcement technology, which is offset completely by less than budgeted revenues from other auxiliaries in UTS and Business Services.

Total operating expenses in FY 2015-16 are $2.8M below budget. The majority of the savings is due to postponed UTS capital refresh projects deferred to FY 2016-17, savings related to utilities for Bay View housing at Biscayne Bay Campus that will not be online until FY 2016-17, and vacancies in Business Services throughout the fiscal year. Additionally, savings due to vacancies in Student Health Services partially due to the transition to a managed services model with the FIU Health Care Network, and savings across academic auxiliary programs, mostly in the College of Business, are contributing to this favorable variance. These savings are in part offset by overages in Parking and Transportation, which are due to unbudgeted employee payouts and additional OPS staffing needed to offer greater Golden Panther Express routes.

Florida International University
Financial Summary

Operating revenue for FY 2016-17 is $3.5M higher and mostly attributable to other auxiliary activities including growth in Business Services retail operations, food services, and vehicle services, Facilities Construction Services growth associated with new projects, and other various auxiliaries including the shared services fee commensurate with greater expenditures. In addition, new academic programs going online in FY 2016-17 including the College of Business MS in Marketing, COM Biomedical Certificate, College of Nursing and Health Sciences (CNHS) Masters of Health Services Administration, and College of Law's new Juris Masters program, along with targeted growth in existing academic auxiliaries like the COM Physician Assistant program and COB executive and professional education programs contribute to revenue growth. The growth in both academic and other auxiliary programs is in part offset by the loss of Vehicle Services revenue for Parking and Transportation due to the contracting with a third party for fleet management services.

Growth from new and existing auxiliaries is largely offset by a state mandated reduction in the FIU Distance Learning fee from $53.33 to $30.00 per credit hour.

Total operating expenses for FY 2016-17 are $13.9M greater than FY 2015-16 forecast. This increase is largely driven by new academic programs like the COM Biomedical Certificate, COB MS in Marketing, CNHS Masters of Health Services Administration, and the College of Law's Juris Masters program, plus growth in existing programs like the COM Physician Assistant program and COB MSF, MACC, MSIRE, and Corporate MBA graduate programs. Housing operating costs are greater due to vacancies that will become filled, higher fringe benefit costs, OPS expenses associated with Residential Life, and on-going maintenance and renovation projects. Additionally, expenses in other auxiliaries are also up as a result of filling vacant positons, infrastructure projects in UTS and Facilities, South Beach Wine and Food Festival event redesign costs, and greater Business Services costs from retail operations expansion.

In FY 2016-17, capital expenditures are mainly related to Business Services bookstore and food venue renovations and the Aquatic Center and Recreational Sports Center at Biscayne Bay Campus.

Florida International University
Financial Summary
Academic Auxiliaries

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues	**$ 97,983**	**$ 101,243**	***$ 3,260***	**$ 102,737**	***$ 1,494***
Expenses					
Salaries and Benefits	41,454	41,230	*(225)*	47,606	*6,376*
Other Personal Services (OPS)	10,309	9,525	*(785)*	10,962	*1,437*
Other Expenses	40,925	41,001	*76*	41,773	*772*
Operating Capital Outlay (OCO)	237	190	*(46)*	364	*174*
Debt Service Interest	-	-	-	-	-
Total Operating Expenses	**92,925**	**91,946**	***(980)***	**100,704**	***8,758***
Net Operating Income	**5,058**	**9,297**	***4,239***	**2,033**	***(7,264)***
Investment Revenues	6	8	*2*	7	*(1)*
Principal Payment of Debt	-	-	-	-	-
Operational Transfers	(1,175)	(194)	*981*	438	*632*
Change in Net Assets	**3,889**	**9,111**	**5,222**	**2,478**	**(6,633)**

Fund Balance					
Beginning Fund balance	34,138	36,015		44,384	
Change in Net Assets	3,889	9,111		2,478	
Capital Expenditures	-	(704)		-	
Third Party Transfers	-	-		-	
Institutional Transfers	288	(38)		422	
Ending Fund Balance	**$ 38,314**	**$ 44,384**		**$ 47,284**	

Academic Auxiliary programs are comprised primarily of market rate programs, web based courses, conferences, labs, recharge centers, and distance learning programs. The revenues generated serve to support the actual programs and their growth.

Financial Highlights

FY 2015-16 operating revenues are $3.3M greater than budget primarily due to other academic fees and other academic auxiliaries partially offset by declines in self-supporting and market rate programs. The largest drivers of this increase are in other academic auxiliaries including unbudgeted Academic Affairs overhead (revenue collected to support central office functions for academic auxiliaries), unbudgeted revenue for the new FIU Global First Year (G1Y) program, various study abroad programs, and College of Medicine International Tropical Medicine conference and International American University of Antigua program. This positive variance is offset by an overall decline in self-supporting programs in College of Engineering (dual degree, MS in Engineering Management Online and MS in Information Technology), and College of Law Legal Studies Institute (all due to lower enrollment), partially offset by the new College of Business (COB) MS in Marketing program. Similarly, market rate programs are down as compared to budget and mainly driven by lower than targeted enrollment in College of Business online programs such as MIB online, Healthcare MBA online, and MS in International Real Estate Online (MSIRE). These COB market rate program revenue declines are, in part, offset by higher enrollment in the Corporate MBA, MACC, and MSF programs. Outside of COB, market rate programs in College of Arts, Science, and Education (CASE) (Masters in Curriculum and Instruction online) and College of Engineering's MS in Construction Management online are also below budget.

FY 2015-16 overall academic auxiliary operating expenses are under budget by $1.0M compared to budget. These savings are driven by College of Business efforts to reduce operating costs across multiple academic programs and central office functions, FIU Online savings in personnel and professional services, and savings in the Hospitality Koven's Center, partially offset by unbudgeted expenses related to new programs like FIU Global First Year (G1Y).

Capital expenditures in FY 2015-16 represent FIU Online contributions to the Management and New Growth Opportunities (MANGO) Building.

Florida International University
Financial Summary

Operating revenues for FY 2016-17 are projected to increase by $1.5M as compared to FY 2015-16 forecast. This revenue increase is driven primarily by greater enrollment in existing programs, new programs, and new auxiliary endeavors. In the College of Business, revenue growth is driven by programs both on premise and online (e.g. MIB online) as a result of new marketing efforts, the new MS in Marketing first full year of operations, greater emphasis on promoting executive and professional education programs, and new auxiliary initiatives like the ATOM Think Tank, which pairs faculty and students together to provide consulting services to the community, plus growth in existing programs like the College of Medicine Physician Assistant program. In addition, there are several new academic programs like the College of Engineering online Ortho and Prosthetics program, College of Law's Juris Masters program, College of Medicine Biomedical Certificate, and the College of Nursing and Health Sciences (CNHS) Masters of Health Services and Administration.

Unfortunately, this growth in new and existing academic auxiliaries is almost completely offset by a state mandated reduction in the FIU Distance Learning fee from $53.33 to $30.00 per credit hour resulting in less support for FIU Online operations in addition to support provided directly to the colleges and programs to grow and create new online programs.

Operating Expenses for FY 2016-17 are projected to increase by $8.8M as compared to FY 2015-16 forecast. The majority of the increase is driven by new academic programs (like the COM Biomedical Certificate, COB MS in Marketing, CNHS Masters Health of Services and Administration, and College of Law Juris Master's program) and projected growth in existing programs (like the COM Physician Assistant program, COB MSF, MACC, MSIRE, Corporate MBA). The increases are in part offset by a drop in FIU Online expenses as the result of the state mandated reduction in the FIU Distance Learning fee from $53.33 to $30.00 per credit hour. Reductions were absorbed centrally while impact to programs was minimized.

Florida International University
Financial Summary
Housing

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues	**$ 28,347**	**$ 30,123**	***$ 1,776***	**$ 29,897**	***$ (226)***
Expenses					
Salaries and Benefits	3,980	3,632	*(348)*	4,244	*611*
Other Personal Services (OPS)	1,236	1,162	*(74)*	1,326	*164*
Other Expenses	11,444	12,293	*850*	14,279	*1,986*
Operating Capital Outlay (OCO)	-	-	-	38	*38*
Debt Service Interest	4,079	*3,840*	*(239)*	3,668	*(171)*
Total Operating Expenses	**20,738**	**20,927**	***188***	**23,554**	***2,628***
Net Operating Income	**7,609**	**9,197**	***1,588***	**6,343**	***(2,854)***
Investment Revenues	6	5	*(1)*	8	*3*
Principal Payment of Debt	(5,615)	(5,465)	*150*	(3,750)	*1,715*
Operational Transfers	35	41	*8*	35	*(7)*
Change in Net Assets	**2,035**	**3,778**	**1,743**	**2,635**	**(1,143)**
Fund Balance					
Beginning Fund balance	17	20,903		22,904	
Change in Net Assets	2,035	3,778		2,635	
Capital Expenditures	(1,679)	(1,777)		(3,499)	
Third Party Transfers	-	-		-	
Institutional Transfers	-	-		-	
Ending Fund Balance	**$ 16,957**	**$ 22,904**		**$ 22,040**	

The Housing Auxiliary generates revenues in the form of rental income from students seeking housing accommodations on campus and from summer conference housing.

Financial Highlights

Housing occupancy in FY 2015-16 averaged 99.7% and 98.7% for the fall and spring semesters, respectively, at the Modesto A. Maidique Campus (MMC). The average occupancy rate was 2.10% and 1.24% higher than budget for fall and spring semesters, respectively, and driven by the greater than budgeted occupancy across all residence halls. For FY 2015-16, Housing revenue is $1.8M greater than budget commensurate with higher than budgeted occupancy and prior year conference revenue that was not realized until FY 2015-16. Operating expenses are $0.2M greater than budget and driven by unanticipated repairs and maintenance at Panther Hall and greater meal plan expenses, partially offset by vacancies and OPS savings.

Capital expenditures in FY 2015-16 are $0.1M greater than budget and covered projects including roof and HVAC replacements for the University Apartments, fire alarms in the Panther Hall, pool and outdoor furniture, and replacements of furniture at the Panther Hall.

Expected average occupancy in FY 2016-17 is projected to be 99.08% for MMC, which is in line with the average actual occupancy for FY 2015-16. Housing rates increased by an average of 0.4% in FY 2016-17 and is the result of small rate increases for housing units in high demand offset by decreases in rates for units with less demand. Meal plans rates are not increasing in FY 2016-17. Overall revenue is declining compared to forecast by $0.2M, which is due to the absence of one-time prior year conference revenue discussed in FY 2015-16 forecast.

FY 2016-17 operating expenses are $2.6M greater than FY 2015-16 forecast and is due to increases in salaries associated with vacancies that will be filled and increased fringe benefits costs, higher OPS expenses driven by greater need for Residential Life support, and maintenance, renovation, and facilities related projects that will be completed in-house.

Capital expenditures in FY 2016-17 represent renovation projects that rolled over from FY 2015-16, but also new projects for Lakeview (reconfiguration of office and employee space, replacing showers, adding community kitchens, HVAC, Wi-Fi improvements, and elevators), Panther Hall (lobby restrooms), Parkview Hall (fraternity suite buildout and lounge renovations), University Towers (general renovations including HVAC and lighting), and Everglades Hall (lounge renovations and furniture).

Housing continues to have sufficient operating revenues to cover the debt service payment and meet required debt service ratios. The fund balance is held as a reserve as required as part of the bond indenture for major repairs and capital replacement, and for future expansion of Housing facilities.

Florida International University
Financial Summary
Parking and Transportation

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues	**$ 14,883**	**$ 15,312**	***$ 430***	**$ 13,894**	***$ (1,418)***
Expenses					
Salaries and Benefits	3,022	3,362	*339*	2,618	*(744)*
Other Personal Services (OPS)	598	697	*97*	762	*65*
Other Expenses	5,046	5,322	*276*	4,194	*(1,128)*
Operating Capital Outlay (OCO)	46	71	*25*	77	*6*
Debt Service Interest	3,916	3,774	*(142)*	3,770	*(4)*
Total Operating Expenses	**12,629**	**13,224**	***595***	**11,420**	***(1,804)***
Net Operating Income	**2,254**	**2,088**	***(166)***	**2,474**	***386***
Investment Revenues	3	2	*(1)*	4	*1*
Principal Payment of Debt	(3,000)	(3,000)	-	(3,135)	*(135)*
Operational Transfers	168	168	-	65	*(103)*
Change in Net Assets	**(575)**	**(742)**	**(166)**	**(592)**	**150**
Fund Balance					
Beginning Fund balance	8,056	10,003		5,756	
Change in Net Assets	(575)	(742)		(592)	
Capital Expenditures	(3,000)	(3,506)		-	
Third Party Transfers	-	-		-	
Institutional Transfers	-	-		-	
Ending Fund Balance	**$ 4,480**	**$ 5,756**		**$ 5,164**	

The Parking and Transportation auxiliary operating revenues are primarily generated from parking access fees charged to students, faculty, staff and visitors. There are currently 6 garages and 52 parking lots in operation totaling 16,242 parking spaces. In addition, this auxiliary also services all vehicles owned by the University. Parking Garage 6 (PG-6) opened in January 2015 adding 2,058 additional parking spaces.

Financial Highlights

Favorable revenue variance in FY 2015-16 of $0.4M is mostly attributable to additional student access fee revenue as a result of greater than projected headcount enrollment, greater employee parking fee revenue due to a change in the mix and number of permits purchased by employees, and greater penalty/fines resulting from the transition to a new parking enforcement system (tag recognition and transition away from parking decals).

Operating expenses are over budget in FY 2015-16 by $0.6M and mostly due to unbudgeted employee payouts in Vehicle Services, additional drivers for CATs shuttle, more OPS support needed for additional Golden Panther Express routes, and other operating expenses including greater utilities costs for garages and unbudgeted repairs and maintenance.

In FY 2012-13, the Board of Governors approved the issuance of a fixed rate revenue bond not to exceed $33.5M for the purpose of financing Parking Garage 6 on Modesto A. Maidique Campus and with the restriction that student parking access fees will not increase for the next six fiscal years; three years remain on the restriction.

For FY 2016-17, operating revenues are projected to be $1.4M less than FY 2015-16 forecast. This is due to the transition to Business Services and the contracting with a third party for Vehicle Services. This is partially offset by greater penalty/fines as a result of the new parking enforcement system now completely implemented, and growth in employee parking fee revenue. Student Parking Access Fee revenue is in line with FY 2015-16 forecast.

Lower operating expenses in FY 2016-17 of $1.8M are due to the transition and outsourcing of Vehicle Services resulting in savings in both salaries and benefits and materials and supplies, plus anticipated savings with repairs and maintenance of garages. These savings are partially offset by additional OPS cost due to additional Golden Panther Express routes.

Capital expenditures in FY 2015-16 were greater than budget due to the timing of transfers to Facilities for the construction of PG-6. No capital expenditures are planned for FY 2016-17.

Parking continues to have sufficient operating revenues to cover the debt service payment and meet required debt service ratios. The fund balance is held as a reserve as required as part of the bond indenture for major repairs and capital replacement, and for future expansion of parking facilities.

Florida International University
Financial Summary
Student Health Services

(In thousands of dollars)		**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues		**$ 11,740**	**$ 11,811**	***$ 71***	**$ 11,645**	***$ (166)***
Expenses						
Salaries and Benefits		7,426	6,478	*(948)*	7,874	*1,396*
Other Personal Services (OPS)		809	653	*(157)*	551	*(101)*
Other Expenses		3,159	3,742	*583*	2,889	*(854)*
Operating Capital Outlay (OCO)		43	53	*11*	41	*(12)*
Debt Service Interest		-	-	-	-	-
Total Operating Expenses		**11,437**	**10,926**	***(512)***	**11,355**	***429***
Net Operating Income		**303**	**886**	***583***	***290***	***(596)***
Investment Revenues		-	-	-	-	-
Principal Payment of Debt		-	-	-	-	-
Operational Transfers		-	-	-	-	-
Change in Net Assets		**303**	**886**	**583**	**290**	**(596)**
Fund Balance						
Beginning Fund balance	$	7,828	5,885		6,771	
Change in Net Assets		303	886		290	
Capital Expenditures		-	-		-	
Third Party Transfers		-	-		-	
Institutional Transfers		-	-		-	
Ending Fund Balance	**$**	**8,131**	**$ 6,771**		**$ 7,061**	

The Student Health Centers at the Modesto A. Maidique Campus (MMC) and Biscayne Bay Campus (BBC) provide health, wellness, and mental health care services to students, who fund the operations through a health fee paid each semester. Services provided at no additional cost include routine medical exams, certain screenings, medical education, and counseling and disability services. Other clinical services, such as laboratory tests, immunization and pharmacy services, are available for a nominal fee. In FY 2015-16, clinical operations of Student Health Services transitioned to FIU Health Care Network as part of a management agreement with Student Affairs.

Financial Highlights

FY 2015-16 operating revenues are in line with budget. Operating expenses for FY 2015-16 are down by $0.5M due to multiple unfilled positions across both the fee for service and clinical operations of Student Health.

The student health fee remains unchanged in FY 2016-17 at $93.69 per semester. FY 2016-17 operating revenues decreased by $0.2M as compared to FY 2015-16 forecast due to less MMC Pharmacy and fee for service revenue. Operating expenses are up by $0.4M due to currently vacant positions that are anticipated to be filled, partially offset by operating expense savings as a result of the transition to the FIU Health Care Network for clinical management services.

Florida International University
Financial Summary
Other Auxiliaries

(In thousands of dollars)		**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues		**$ 53,915**	**$ 53,615**	***$ (300)***	**$ 57,398**	***$ 3,783***
Expenses						
Salaries and Benefits		17,617	16,652	*(965)*	18,458	*1,806*
Other Personal Services (OPS)		1,752	1,582	*(170)*	1,628	*46*
Other Expenses		25,845	25,373	*(473)*	26,426	*1,054*
Operating Capital Outlay (OCO)		1,364	891	*(473)*	1,848	*957*
Debt Service Interest		-	-	-	-	-
Total Operating Expenses		**46,579**	**44,498**	***(2,080)***	**48,361**	***3,863***
Net Operating Income		**7,336**	**9,116**	***1,781***	**9,037**	***(79)***
Investment Revenues		63	33	*(30)*	11	*(22)*
Principal Payment of Debt		-	-	-	-	-
Operational Transfers		972	(16)	*(988)*	(538)	*(523)*
Change in Net Assets		**8,372**	**9,134**	**762**	**8,510**	**(625)**
Fund Balance						
Beginning Fund balance	$	60,397	54,130		58,750	
Change in Net Assets		8,372	9,134		8,510	
Capital Expenditures		(6,025)	(3,800)		(1,210)	
Third Party Transfers		-	-		-	
Institutional Transfers		-	(714)		-	
Ending Fund Balance	**$**	**62,744**	**$ 58,750**		**$ 66,050**	

Other auxiliaries include the remaining activities which have the following revenue streams:

• Commission and rental earnings from food service, bookstore and retail operations managed by the Office of Business Services.

• Interdepartmental services such as information technology and telecom, construction service reimbursement charges (CSR), and the Auxiliary Shared Services Fee. The shared services fee funds the pro-rata share of university-wide services indirectly benefitting auxiliary businesses (such as functions performed by legal, finance, human resources, etc.) along with funding special projects.

• Other auxiliary enterprises support marketing and sponsorship activities, such as the operations of the PantherTech computer store, South Beach Wine and Food Festival, alumni activities and miscellaneous university-wide initiatives.

Financial Highlights

FY 2015-16 forecasted unfavorable revenue variance of $0.3M is within tolerance and mainly driven by higher waivers for incidental revenue in the Controllers Area (late payment fee and bad check fines), delays in revenue collection for UTS network and voice services ($0.8M), lower Shared Services Fee as a result of lower forecasted auxiliary expenses ($0.7M), lower inflows at IHTER ($0.5M) and Business Services (Bookstore and Retail Operations) ($0.3M), and delays in construction projects resulting in less CSR fee revenue ($0.4M). These are partially offset by unbudgeted revenue from Network Printing services $0.8M, greater sales at the PantherTech computer store $0.7M, higher than expected demand for UTS media services (photography/video and event staging), and External Relations publication services $0.3M.

FY 2015-16 savings of $2.1M in operating expenses is mainly driven by UTS capital refresh projects deferred to next fiscal year, delays in College of Medicine Objective Structures Clinical Examination (OSCE) lab expansion, savings in the spending of utilities for Bay View Housing that will not occur until it is operational, and vacancies in Business Services, Facilities (CSR), and Children's Creative Learning Center. Higher than budgeted expenses in External Relations and PantherTech Computer store are due to greater than anticipated sales, unforeseen expenses for South Beach Wine and Food Festival, and unbudgeted operations related to Network Printing are partially offsetting this favorable variance.

Capital expenditures for FY 2015-16 are mainly related to Business Services new retail and food venues on campus such as PG-6, costs related to the chiller plant construction for Bay View Housing at Biscayne Bay Campus, costs for the Management and New Growth Opportunities (MANGO) building from Business Services, additional funding for the TIGER Grant project, refurbishment of Ilan Averbuch artwork, and IT-NET renovation expenses. Capital expenditures are below budget due to projects that have been postponed.

Florida International University
Financial Summary

In FY 2016-17, revenues are budgeted to increase by $3.8M as compared to FY 2015-16 forecast. This growth is driven by University College overhead (recognized as revenue instead of transfers in, and now reported under Other Auxiliaries instead of Academic Auxiliaries), increase in Shared Services Fee revenue driven by a corresponding increase in operational expenditures by all auxiliaries, additional Business Services revenues associated with food services, retail operations and vehicle services, and construction projects (CSR). The increase in revenues is partially offset by a conservative budget for Network Printing, South Beach Wine and Food Festival, Office of Publications, UTS Media and Technology Support, and Networking/Voice Services.

FY 2016-17 operating expenses are up by $3.9M as compared to FY 2015-16 forecast. This growth is due to vacancies expected to be filled, increased fringe benefit costs, increases in other expenditures in UTS - mainly network infrastructure projects, construction projects resulting in greater CSR expenses, South Beach Wine and Food Festival event redesign costs, Bay View Housing expenses, and greater Business Service costs from retail operations and vehicle services expansion. These are partially offset by the absence of one-time expenditures from FY 2015-16 such as University Advancement Capital Campaign.

Capital expenditures in FY 2016-17 are mainly related to Business Services bookstore and food venues renovations and the Aquatic Center and Recreational Sports Center at Biscayne Bay Campus.

Florida International University
Financial Summary
Intercollegiate Athletics

(In thousands of dollars)		Final Budget 2015-16	Forecast 2015-16	*Forecast vs. Final Budget*	Requested Budget 2016-17	*Forecast vs. Requested Budget*
Operating Revenues		**$ 26,244**	**$ 27,028**	***$ 784***	**$ 27,287**	***$ 259***
Expenses						
Salaries and Benefits		8,591	8,548	*(43)*	9,113	*565*
Other Personal Services (OPS)		1,175	768	*(407)*	1,019	*251*
Other Expenses		13,970	13,110	*(860)*	15,560	*2,450*
Operating Capital Outlay (OCO)		-	78	*78*	-	*(78)*
Total Operating Expenses		**23,735**	**22,504**	***(1,232)***	**25,692**	***3,188***
Net Operating Income		**2,509**	**4,525**	***2,016***	**1,595**	***(2,929)***
Investment Revenues		1	1	*(0)*	1	*0*
Change in Net Assets		**2,510**	**4,525**	***2,015***	**1,596**	***(2,928)***
Fund Balance						
Beginning Fund Balance	$	109	1,094		3,053	
Change in Net Assets		2,510	4,525		1,596	
Capital Expenditures		-	(1,000)		-	
Institutional Transfers		(1,565)	(1,566)		(2,520)	
Ending Fund Balance	**$**	**1,053**	**$ 3,053**		**$ 2,129**	

Intercollegiate Athletics is the functional area of the University responsible for team sports and their support activities. The principle revenue sources for this fund are a per credit hour and a per semester athletics fee charged to students excluding those admitted to fully online programs. The Athletics Stadium operations and its associated bonds are reflected in the Athletics Finance Corp., a Direct Support Organization (DSO) within FIU.

Financial Highlights

FY 2015-16 revenues are $0.8M greater than budget primarily due to an unbudgeted transfer of conference revenue from the Athletics Finance Corporation (AFC) to the University plus additional ticket sales revenue, and less bad debt, offset by a minor decline in Athletic Fee revenue due to lower student credit hour enrollment.

FY 2015-16 expenses are below budget by $1.2M. Savings are driven by less scholarship disbursements resulting from lower student athlete course loads and offsets from other forms of financial aid, and OPS savings due to less bonuses for coaches (bonuses are a function of how many teams make it to the conference playoffs).

Institutional transfers in FY 2015-16 consist primarily of payments to the AFC of pledged revenues applied towards the payment of Stadium debt service payments and funding of the FIU marching band, offset by a transfer in from the School of Hospitality and Tourism Management for scholarships.

Athletics Fees remain unchanged in FY 2016-17 at $16.10 per credit hour and $10 per semester. In FY 2016-17, revenues are projected to increase by $0.3M, which is driven by one-time conference and NCAA distributions for cost of attendance, new revenue from athletic training services, transfer of conference revenue from the AFC back to Athletics, and additional Athletic Fee revenue associated with growth in student credit hour enrollment. These increases are partially offset by less game guarantee revenue. Expenses are increasing by $3.2M as a result of greater home football games (5 versus 7), increases due to cost of attendance mandates across all sports, and the payout of additional game guarantees.

Institutional transfers in FY 2016-17 primarily consist of payments to the AFC of pledged revenues applied towards the payment of Stadium debt service payments and funding of the FIU marching band, offset by a transfer in from the School of Hospitality and Tourism Management for scholarships.

Florida International University
Financial Summary
Activity and Service

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues	**$ 18,592**	**$ 18,620**	***$ 28***	**$ 19,703**	***$ 1,082***
Expenses					
Salaries and Benefits	7,407	7,180	*(227)*	8,297	*1,117*
Other Personal Services (OPS)	2,798	2,660	*(138)*	2,453	*(207)*
Other Expenses	9,266	8,155	*(1,111)*	8,907	*752*
Operating Capital Outlay (OCO)	-	51	*51*	12	*(39)*
Total Operating Expenses	**19,471**	**18,046**	***(1,425)***	**19,669**	***1,623***
Net Operating Income	**(879)**	**574**	***1,453***	**34**	***(541)***
Investment Revenues	-	-	-	-	-
Change in Net Assets	**(879)**	**574**	***1,453***	**34**	***(541)***

Fund Balance	**Final Budget 2015-16**	**Forecast 2015-16**	**Requested Budget 2016-17**
Beginning Fund Balance	$ 7,070	7,108	6,522
Change in Net Assets	(879)	574	34
Capital Expenditures	-	(1,361)	(2,132)
Institutional Transfers	164	200	206
Ending Fund Balance	**$ 6,355**	**$ 6,522**	**$ 4,629**

The Activity and Service Fee fund is the student life component of the University which supports clubs, organizations, student centers and recreational sports for all campuses. The purpose of this activity is to provide students with the opportunity to enhance learning through co-curricular activities. The principle revenue source for this fund is a per credit hour activity and service fee charged to all students excluding those admitted to fully online programs.

Financial Highlights

Forecast revenues in FY 2015-16 are on target vs. budget. Higher orientation program revenues and other unbudgeted student activity revenues are offset by lower than anticipated fees (lower student credit hour enrollment) and homecoming revenues.

FY 2015-16 forecasted expenses are $1.4M lower than budget as the indoor track at the Recreation Center at Modesto M. Maidique campus was budgeted under operating expenses but actual charges are reflected under Capital Expenditures. Additionally, expenses related to other student activity operations are lower than projected due to postponed projects and vacant positions.

FY 2015-16 forecast capital expenditures include the indoor track which was incorrectly budgeted under Other Expenses and unbudgeted capital expenditures related to the construction project at Wolfe University Center.

The Activity and Service Fee remains unchanged at $14.85 per credit hour for FY 2016-17. Revenues in FY 2016-17 vs. FY 2015-16 forecast are $1.1M higher due to the activity and service fee now being charged to fully online students and greater student credit hour enrollment, offset by lower orientation program revenue and conservative budgeting of fund raising from student clubs and organizations.

Expenses in FY 2016-17 are $1.6M higher than FY 2015-16 forecast due to budgeting of expenses associated with the activity and service fee now charged to fully online students, currently vacant positions, and higher fringe benefit rates, offset by one-time expenditures in the forecast.

Planned capital expenditures in FY 2016-17 are related to the continuation of the installation of the indoor track at the Recreation Center at Modesto M. Maidique campus, Graham Center renovations, and construction of Intramural fields. These capital projects will contribute to the well-being of the students.

The fund balance is held as a reserve to cover unexpected repairs and building maintenance at the Wolfe University Center, Graham Center and both Modesto A. Maidique Campus and Biscayne Bay Campus wellness and recreation centers.

Florida International University
Financial Summary
Technology Fee

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues	**$ 9,492**	**$ 9,496**	***$ 4***	**$ 9,959**	***$ 463***
<u>Expenses</u>					
Salaries and Benefits	932	758	*(173)*	935	*177*
Other Personal Services (OPS)	204	303	*99*	275	*(28)*
Other Expenses	8,529	6,474	*(2,055)*	7,683	*1,209*
Operating Capital Outlay (OCO)	1,594	930	*(663)*	846	*(84)*
Total Operating Expenses	**11,259**	**8,466**	***(2,793)***	**9,739**	***1,273***
Net Operating Income	**(1,766)**	**1,030**	***2,796***	**220**	***(810)***
Investment Revenues	-	-	-	-	-
Change in Net Assets	**(1,766)**	**1,030**	***2,796***	**220**	***(810)***

<u>Fund Balance</u>			
Beginning Fund Balance	$ 3,822	4,208	5,159
Change in Net Assets	(1,766)	1,030	220
Capital Expenditures	-	(78)	-
Institutional Transfers			
Ending Fund Balance	**$ 2,055**	**$ 5,159**	**$ 5,380**

Technology fee revenues are 5% of resident base tuition. The fee revenues are used to enhance instructional technology resources for students and faculty. Project proposals are reviewed by the Technology Fee Committee which makes investment recommendations to the President for final approval. The Committee is composed of 12 members (6 students & 6 Faculty / Staff) from across the University.

<u>Financial Highlights</u>

Current projects include the renovation of classrooms and computer labs with state-of-the art technology, Math Mastery Lab technology infrastructure, Student Academic Support Complex (SASC) audio visual equipment, and classroom maintenance and enhancement, etc.

FY 2015-16 forecast revenues are in line with budget.

Operating expenditures for FY 2015-16 are $2.8M less than budgeted as a result of timing of expenditures for multi-year projects.

FY 2015-16 institutional transfer is related to an unbudgeted transfer to Facilities for an Engineering Campus computer lab project.

FY 2016-17 revenues are $0.5M higher than forecast due to the technology fee now being charged to fully online students and an increase in overall student credit hour enrollment over FY 2015-16.

Operating expenses are $1.3M greater then forecast due to budgeting of expenses associated with the technology fee now charged to fully online students, project extensions, and spending on multi-year projects.

Florida International University
Financial Summary
Board Approved Fees

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues	**$ 377**	**$ 363**	***$ (14)***	**$ 420**	***$ 57***
Expenses					
Salaries and Benefits	-	-	-	-	-
Other Personal Services (OPS)	-	-	-	-	-
Other Expenses	377	417	*(40)*	420	*(3)*
Operating Capital Outlay (OCO)	-	-	-	-	-
Total Operating Expenses	**377**	**417**	***(40)***	**420**	***(3)***
Net Operating Income	**-**	**(54)**	***54***	**-**	***54***
Investment Revenues	-	-	-	-	-
Change in Net Assets	**-**	**(54)**	***(54)***	**-**	***54***
Fund Balance					
Beginning Fund Balance		54		0	
Change in Net Assets	-	(54)		-	
Capital Expenditures	-	-		-	
Institutional Transfers	-	-		-	
Ending Fund Balance	**$ -**	**$ 0**		**$ 0**	

Board Approved Fees are fees specific to the University and have been approved by the Board of Governors.

This fee currently consists of the Florida Bar Test Preparation Fee.

Only those students in certain programs where licensing to practice requires successful completion of an examination and where FIU provides this preparation through a third party vendor are charged the fee. Only students in the College of Law are required to pay the fee.

The purpose of the test preparation fee is to increase accessibility to test preparation courses in programs where students are expected to obtain specific preparation for a practice-based examination. By making the test preparation a required activity in the final semester of the program, the fee will be part of the cost of attendance and thus eligible for financial aid.

Financial Highlights
FY 2015-16 revenue is in line with budget. Revenue for FY 2016-17 is $0.1M greater than forecast due to increased costs for bar prep courses.

FY 2015-16 expenses are greater than budgeted (pass-thru payments to third-party vendors) to spend down fund balance resulting from the timing of fee collections and bar prep course payments to vendors. FY 2016-17 expenses are in line with FY 2015-16 forecast and mirror FY 2016-17 revenue.

Florida International University
Financial Summary
Contracts & Grants

(In thousands of dollars)		**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues		**$ 115,895**	**$ 117,936**	***$ 2,041***	**$ 118,401**	***$ 464***
<u>Expenses</u>						
Salaries and Benefits		55,963	58,893	*2,930*	61,934	*3,041*
Other Personal Services (OPS)		13,678	14,472	*794*	12,940	*(1,532)*
Other Expenses		46,841	43,499	*(3,342)*	40,507	*(2,992)*
Operating Capital Outlay (OCO)		2,225	2,519	*293*	1,852	*(667)*
Debt Service Interest		-	45	*45*	-	*(45)*
Total Operating Expenses		**118,707**	**119,428**	***722***	**117,233**	***(2,195)***
Net Operating Income		**(2,811)**	**(1,492)**	***1,319***	**1,168**	***2,660***
Investment Revenues		-	0	*0*	-	*(0)*
Principal Payment of Debt		-	(205)	*(205)*	(205)	*0*
Change in Net Assets		**(2,811)**	**(1,698)**	***1,114***	**963**	***2,660***
<u>Fund Balance</u>						
Beginning Fund Balance	$	9,652	10,871		9,103	
Change in Net Assets		(2,811)	(1,698)		963	
Capital Expenditures			(17)		(400)	
Third Party Transfers		-	-		-	
Institutional Transfers		(356)	(53)		(532)	
Ending Fund Balance	**$**	**6,484**	**$ 9,103**		**$ 9,134**	

Contracts and grants include sponsored research, public service and training activities, incidental non-research initiatives, and direct support organization (DSO) reimbursements.

Sponsored research revenues are derived from federal, state, local and private sources in support of the sponsored programs of the University. The use of these funds is restricted to the specific purpose for which they are awarded. Sponsored research awards are comprised of direct costs and facilities & administrative (F&A) costs. Direct costs are those costs directly related to research projects such as the salaries and benefits of researchers and supplies, while F&A costs represent the University's overhead costs, which are not directly allocable to a specific project such as administrative functions, utilities, etc.

Expenditure levels of the Office of Research and Economic Development (ORED) administration are driven by the University's direct research expenditures and the associated F&A cost recovery. F&A cost recovery derived from sponsored research projects supports the administrative costs of sponsored research and provides funding to deans, department chairs, and faculty in support of research.

Incidental non-research activities receive revenue from external sources in exchange for goods or services.

DSO Reimbursements are revenues received from the University's 501c3 Direct Support Organizations and the FIU Health Care Network, which exist solely to support the University's mission.

<u>Financial Highlights</u>

The federally negotiated F&A cost reimbursement rate for on-campus research is currently 45%, negotiations are still underway with the Department of Health and Human Services (DHHS) and will likely increase the F&A reimbursement rate. This new rate would impact the F&A reimbursement rate over time as currently executed sponsored research projects would continue with current rates.

Since state and other private sponsors often reimburse for FIU's overhead at a lower rate than the federal negotiated rate, the FY 2015-16 forecasted actual recovery rate is 16.9%. The projected FY 2016-17 effective F&A return on sponsored projects is $14.5M, which is equivalent to a blended rate of 15.8%.

Florida International University
Financial Summary
Contracts & Grants

FY 2015-16 favorable revenue variance of $2.0M is primarily driven by College of Medicine Faculty Group Practice due to recent strategic realignment and reorganization, and Camillus House project. DSO reimbursements are higher than budget due to unbudgeted revenue for Student Access and Success and additional reimbursements from DSO's for the Museums (Wolfsonian and Jewish), College of Business, College of Engineering, Advancement, and College of Architecture + The Arts (CARTA). Overall, the favorable variance in incidental and DSO reimbursements is partially offset by the federal and other private sponsored research revenues which are less than expected, lower contractual revenue generated from the Center for Internet Augmented Research (CIARA), and less reimbursements for College of Medicine in support of programs like Neighborhood Help.

FY 2015-16 expenditures are $0.7M greater than budget mainly due to greater spending on sponsored research projects, greater DSO and incidental revenue related spending in Advancement, across multiple colleges, and the Wolfsonian and Jewish Museums. These overages are offset, in part, by less expenses related to the College of Medicine Neighborhood Help program, CIARA due to the timing of contracted services to be provided and overall less demand, and the School of Hospitality and Tourism Management as a result of cost saving measures.

FY 2016-17 revenue is $0.5M as compared to FY 2015-16 forecast. This increase is mainly due to growth in the College of Medicine Faculty Practice and other clinical operations, additional DSO reimbursement revenue from the FIU Health Care Network due to growth in managed clinical services throughout the University, Capital Campaign, and increases in Neighborhood Help projects across multiple colleges. This positive variance is offset by a decline in sponsored research commensurate with less expenditures (cost reimbursement) and less demand for services from CIARA.

FY 2016-17 expenditures are $2.2M lower as compared to FY 2015-16 forecast. This decline is mainly due to a decrease in sponsored research activity and less expenditures in CIARA due to a decline in demand for their contracted services. This savings is offset, in part, by higher DSO reimbursable expenses with the FIU Health Care Network as a result of greater clinical services activity and new business lines, Neighborhood Help programs across multiple colleges, increased activity in support of the Capital Campaign, and various other College of Medicine reimbursements such as the Pediatrics and Leon Geriatrics chairs. In addition, growth in College of Medicine Faculty Practice is resulting in greater expenses compared to FY 2015-16.

Office of Research and Economic Development (ORED) will apply 32% of F&A collected to directly support research at the University, which includes support for areas outside of ORED that directly support research activity such as the Controller's office, Environmental Health and Safety (EH&S), Internal Audit, and the Applied Research Center (ARC). The remaining 68% of the $14.5M in F&A will support ORED internal operations including the newly created Innovation and Economic Development Unit.

FY 2016-17 capital expenditures are for the Ambulatory Care Center construction.

Florida International University
Financial Summary
Student Financial Aid

(In thousands of dollars)	Final Budget 2015-16	Forecast 2015-16	Forecast vs. Final Budget	Requested Budget 2016-17	Forecast vs. Requested Budget
Operating Revenues	**$ 159,506**	**$ 159,631**	***$ 125***	**$ 164,166**	***$ 4,535***
Expenses					
Salaries and Benefits	2,078	2,064	*(14)*	2,117	*53*
Other Personal Services (OPS)	1,995	2,130	*135*	2,038	*(92)*
Other Expenses	155,151	155,947	*795*	161,920	*5,973*
Operating Capital Outlay (OCO)	-	-	-	-	-
Total Operating Expenses	**159,224**	**160,140**	***916***	**166,075**	***5,934***
Net Operating Income	**282**	**(509)**	***(791)***	**(1,908)**	***(1,399)***
Investment Revenues	4	3	*(1)*	5	*2*
Change in Net Assets	**286**	**(506)**	**(793)**	**(1,903)**	**(1,397)**
Fund Balance					
Beginning Fund Balance	$ 6,476	10,623		10,358	
Institutional Transfers	$ -	241		-	
Change in Net Assets	286	(506)		(1,903)	
Ending Fund Balance	**$ 6,762**	**$ 10,358**		**$ 8,455**	

Student Financial Aid is the functional area of the University responsible for administering Financial Aid to students. It is comprised of funding from student financial aid fees (5% of base tuition and out-of-state fee), support from federal and state financial aid awards, institutional programs, as well as numerous private scholarships.

Financial Highlights

In FY 2015-16, the increase in revenues vs. budget is mainly driven by a higher than anticipated allocation from the state for Florida Student Assistance Grant (FSAG) $2.1M and departmental scholarships $1.5M. These are offset by lower than expected institutional scholarships of $2.0M. The increase in departmental scholarships is due to higher donor related scholarships. The $0.9M increase in expenses is driven by the same factors as revenues and the planned spend down of financial aid fund balances associated with departmental and need-based scholarships.

FY 2015-16 forecast institutional transfers represent one-time transfers to clear old scholarship balances.

Revenue projections for FY 2016-17 are $4.5M higher than FY 2015-16 forecast. The enrollment strategy to increase the number of high achieving students through merit-based scholarships is reflected in an increased institutional aid investment of $2.9M. An increase in the maximum Pell Grant award of $40 to $5,815 generates an additional $3.2M of revenue. These are offset by lower departmental scholarships, $1.0M, due to the planned spend down of fund balances in FY 2016-17. Bright Futures Scholarships revenues are $0.5M lower as we continue to see the impact of stricter eligibility requirements - a cohort with less strict requirements graduates and is replaced with a new cohort under the new requirements. FY 2016-17 expenses are $5.9M higher than FY 2015-16 forecast and reflect the changes described above for revenues and the planned spend down of institutional aid fund balances.

OPS expenses include Federal Work Study. The University and department match of 25% of the award - using other departmental funding sources - was implemented to offset award obligations after federal funding cuts and a lack of historical supplemental funding, this process continues into FY 2016-17.

Student Financial Aid includes institutional aid revenues which are derived from financial aid fees to students (net of administrative costs), 30% allocation of tuition differential fees collected (by Florida statute), University strategic allocations, and E&G tuition allocations. FY 2016-17 budgeted institutional aid revenue of $39.8M is projected to increase by $0.9M vs. FY 2015-16 budget, mainly driven by higher student credit hour enrollment.

Florida International University
Financial Summary
Concessions

(In thousands of dollars)		**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Operating Revenues		**806**	**$ 878**	***$ 72***	**896**	***$ 18***
Expenses						
Salaries and Benefits		-	0	*0*	-	*(0)*
Other Personal Services (OPS)		-	1	*1*	-	*(1)*
Other Expenses		806	652	*(154)*	896	*244*
Operating Capital Outlay (OCO)		-	-	-	-	-
Total Operating Expenses		**806**	**654**	***(152)***	**896**	***243***
Net Operating Income		**-**	**224**	***224***	**-**	***(224)***
Investment Revenues		-	-	-	-	-
Change in Net Assets		**-**	**224**	***224***	**-**	**(224)**
Fund Balance						
Beginning Fund Balance	$	812	892		992	
Institutional Transfers		-	(125)		-	
Change in Net Assets		-	224		-	
Ending Fund Balance	**$**	**812**	**$ 992**		**$ 992**	

This activity contains all the commission based revenues from beverage and pouring, snack vending as well as student housing laundry machines. The commission revenues in the concession fund are used to support the purchase of food and refreshment items at university-wide events, faculty and staff recruitment, commencements, training, lecture series, board of trustees, student housing socials and convocation events.

Financial Highlights

The beverage pouring and vending contract with Pepsi provides an annual amount for sponsorship in addition to commissions on product sales. Pepsi will provide an annual sponsorship for exclusive pouring rights valued at $2.7M over the life of the contract which ends March 15, 2019. The Concessions fund will receive $325K of Pepsi sponsorship revenue in FY 2016-17.

The increase in forecast revenues for FY 2015-16 is due to an 8% increase in snack vending commissions as a result of a new snack vending agreement and more credit card readers on the vending machines. The favorable variance in expenses represents savings in utilities, repairs and maintenance in vending operations, and unallocated revenues.

Institutional transfers in FY 2015-16 reflect a correction of a prior year entry related to the Pepsi sponsorship.

The increase in revenues for FY 2016-17 vs. FY 2015-16 forecast is driven primarily by higher snack sales due to more cashless transactions. FY 2016-17 expenses are expected to increase vs. FY 2015-16 forecast as incremental revenues and prior year savings are allocated in support of university-wide events and vending operations.

Florida International University
Financial Summary
FIU Athletics Finance Corp

(In thousands of dollars)		**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Total Revenues		**$ 3,451**	**$ 4,126**	***$ 675***	**$ 4,566**	***$ 440***
Expenses						
Salaries		-	-	-	-	-
Other Personal Services (OPS)		-	-	-	-	-
Other Expenses		776	1,040	*264*	1,233	*193*
Operating Capital Outlay (OCO)		-	-	-	-	-
Net Unrealized Investment Loss		-	(69)	*(69)*	-	*69*
Debt Service Interest		1,438	1,438	*(1)*	1,146	*(292)*
Total Operating Expenses		**2,214**	**2,409**	***195***	**2,379**	***(31)***
Net Operating Income		**1,237**	**1,716**	***480***	**2,187**	***471***
Principal Payment of Debt		(697)	(697)	-	(371)	*327*
Change in Net Assets		**539**	**1,019**	**480**	**1,816**	**797**
Net Assets						
Beginning Net Assets	$	5,758	6,078		6,347	
Change in Net Assets		539	1,019		1,816	
Operational Transfers		-	(750)		(1,125)	
Total Net Assets	**$**	**6,297**	**$ 6,347**		**$ 7,038**	

The Athletics Finance Corp serves as the entity to finance and operate the FIU Football Stadium. Primary sources of revenues are transferred into the AFC from the University's Athletics Department and include beverage vending and pouring contract support, naming rights, premium suite and ticket revenues and a percentage of athletic student fees (per statute 1010.62). These revenue streams are pledged for the annual debt service associated with the stadium's construction cost.

Financial Highlights

FY 2015-16 revenue is forecasted to be $0.7M over budget mainly due an unbudgeted transfer from the Trustee of the AFC of conference revenue reserves. This is partially offset by less than anticipated football ticket sales, premium seating revenue, and sponsorships.

FY 2015-16 operating expenses are up $0.2M over budget due to unanticipated stadium video board and HVAC repairs.

FY 2015-16 unbudgeted operational transfers of $0.8M is the result of conference revenue reserves being transferred to the University to support operations.

FY 2016-17 revenues are projected to be $0.4M greater than current year forecast due to two additional home games (5 versus 7 games) and the associated increase in premium seating, ticket sales, and concessions, growth in other rental income due to the Miami FC soccer team, and the transfer of additional conference revenue from the University to the AFC (this is a pass through and may return to the University by year-end).

FY 2016-17 expenses are in line with forecast and include additional budget for stadium upgrades and greater game day management costs as a result of more home games, which are are offset by savings due to debt restructuring.

FY 2016-17 operational transfers of $1.1M represent the return of conference revenue transfer to the University from the AFC.

Florida International University
Financial Summary
FIU Foundation Inc.

(In thousands of dollars)	Final Budget 2015-16	Forecast 2015-16	*Forecast vs. Final Budget*	Requested Budget 2016-17	*Forecast vs. Requested Budget*
REVENUES:					
Contributions:					
Endowments	$ 9,958	$ 7,222	*$ (2,736)*	$ 4,592	*$ (2,630)*
Scholarships & Programs (Non-Endowed)	15,230	17,008	*1,778*	16,749	*(259)*
Building Funds	782	147	*(635)*	3,697	*3,550*
Annual Fund	1,030	963	*(67)*	908	*(55)*
Pledged Revenue	-	-	-	-	-
Total Contributions	27,000	25,340	*(1,660)*	25,946	*606*
Other Revenues:					
MARC Building - Rental Income	1,694	1,781	*86*	1,699	*(82)*
Foundation Enterprise Holdings I	197	217	*20*	200	*(18)*
Foundation Enterprise Holdings II	56	58	*1*	58	*1*
Foundation Enterprise Holdings III	215	216	*1*	875	*659*
Foundation Enterprise Holdings IV	43	20	*(23)*	27	*6*
Estimated Investment Returns	12,220	(7,500)	*(19,720)*	9,744	*17,245*
Total Other revenues	14,425	(5,208)	*(19,634)*	12,602	*17,810*
Total Revenues	**41,425**	**20,132**	***(21,293)***	**38,548**	***18,416***
EXPENSES:					
University Programs:					
Scholarships & Programs	15,976	17,518	*1,542*	17,164	*(353)*
Building Funds	1,243	849	*(394)*	1,660	*811*
Annual Fund	2,171	2,129	*(42)*	2,171	*43*
Total University programs	19,390	20,495	*1,105*	20,995	*500*
Operational:					
MARC Building	608	507	*(102)*	498	*(8)*
Foundation Enterprise Holdings I	178	194	*15*	178	*(16)*
Foundation Enterprise Holdings II	55	139	*83*	56	*(83)*
Foundation Enterprise Holdings III	176	205	*29*	710	*505*
Foundation Enterprise Holdings IV	43	20	*(22)*	26	*7*
Administrative Reserve	1,599	1,516	*(82)*	1,784	*268*
General Reserve	5,828	6,078	*251*	3,396	*(2,682)*
Total Operational Expenditures	8,488	8,659	*171*	6,648	*(2,010)*
Total Operating Expenses	**27,878**	**29,154**	***1,277***	**27,643**	***(1,510)***
Net Operating Income	**$ 13,548**	**$ (9,022)**	***$ (22,570)***	**$ 10,905**	***$ 19,929***

Notes: Pending Foundation Board of Directors approval.

Florida International University
Financial Summary
FIU Foundation Inc.

<u>Financial Highlights</u>

<u>Revenues:</u>

Cash contributions for FY 2016-17 are comprised of pledge payments on existing receivables, cash installments on expected new gifts, and other outright cash gifts to the Foundation. Of the $26.0M budgeted, 18% or $4.6M is endowed, 65% or $16.7M is non-endowed, 14% or $3.7M is for buildings, and the remaining 3% is unrestricted annual revenues.

MARC building rental income is projected to be $1.7M for fiscal year 2016-17, which is a 0.3% increase over the prior year. Tenants of the MARC building consist of the Office of Research and Economic Development, College of Business, FIU Online, University College, Treasury, University Advancement, the Foundation office, and FPL. The MARC Building is currently operating at 100% occupancy; however a 5% vacancy rate has been built into the budget.

Foundation Subsidiaries represent the operating budget of several properties acquired since 2011, and which are included in the Foundation budget.

Foundation Enterprise Holdings I is a wholly-owned subsidiary of the Foundation consisting of 5,353 square feet of commercial real-estate on Washington Avenue on Miami Beach. Budgeted revenues for FY 2016-17 include rental income from three building tenants, common area maintenance (CAM); there is a vacancy rate of 10% built into the budget.

Foundation Enterprise Holdings II is a single member LLC currently holding the Jewish Museum of Florida-FIU (JMOF) - FIU building. Budgeted revenues in FY 2016-17 of $58K are derived from transfers made from the Foundation to support building expenses.

Foundation Enterprise Holding III is a single member LLC currently holding real property located on 100 East Flagler Street. In January 2016 the Foundation Board of Directors voted to sell the asset and use the proceeds towards the Wolfsonian capital expansion plant. Revenues for FY 2016-17 are $0.9M, which is comprised of $0.2M in plant operations and maintenance (PO&M) and $0.7M from the proceeds from the sale.

Foundation Enterprise Holdings IV (FEH IV) is a single member LLC currently holding real property in Islamorada that supports the Aquarius Reef Base project.

Investment returns for FY 2016-17 are projected at 4% or $9.7M and assume a $237M beginning fund value and net cash flows into the portfolio consistent with budgeted cash receipts and expenses. The Foundation is forecasting a 3.5% or $(7.5M) loss based on fiscal year to date investments as of April 30, 2016.

<u>Expenses:</u>

Scholarships and Programs expenses for FY 2016-17 are increasing by 7.4% over FY 2015-16 forecast and are budgeted at $17.2M. The College of Medicine, Jewish Museum of Florida, Wolfsonian-FIU, College of Business, and College of Nursing and Health Sciences account for 61% of the total Scholarships and Programs expense.

Donated building funds proceeds of $1.7M, which is $0.5M more than the current year budget, has been requested to cover $1.2M for Hospitality Management Beverage Lab, $0.2M for CBA Building Complex, and $0.3M for the World of Tropical Botany Building (ITCB).

MARC building expenses are expected to total approximately $0.5M in FY 2016-17, which represents an 18% decrease relative to the current year budget. Current year savings were mainly a result of the loan maturity on the swap portion of the MARC Building loan and a decrease in utilities expenses. Budgeted expenses for the MARC building include utilities, repairs and maintenance, custodial services, interest on loan, insurance for the building, overhead and bank fees. It should be noted that the budget does not include the payment for the principal portion of the note payable due in FY 2016-17 of $785,000 as well as approximately $600,000 in MARC first floor renovations.

Foundation Enterprise Holdings expenses reflect customary costs related to owning commercial real estate including management fees, replacement reserve, bank fees, repairs and maintenance, other building costs, and real estate taxes. In FY 2016-17, expenses related to the Washington Avenue Properties have been budgeted at $178K, Jewish Museum of Florida-FIU at $56K, Wolfson properties at $710K with a large portion due to the movement of the collection and legal and title fees related to the expected sale of the property, and the Islamorada site at $26K.

Florida International University
Financial Summary
FIU Health Care Network

(In thousands of dollars)		Final Budget 2015-16	Forecast 2015-16	*Forecast vs. Final Budget*	Requested Budget 2016-17	*Forecast vs. Requested Budget*
Total Revenues		**$ 3,959**	**$ 5,108**	***$ 1,149***	**$ 6,593**	***$ 1,484***
Expenses						
Salaries and Benefits		1,175	1,140	*(34)*	2,265	*1,124*
Other Personal Services (OPS)		76	-	*(76)*	-	-
Other Expenses		1,705	2,184	*480*	2,198	*14*
Operating Capital Outlay (OCO)		-	-	-	-	-
Debt Service Interest		180	173	*(7)*	167	*(6)*
Total Operating Expenses		**3,136**	**3,497**	***361***	**4,629**	***1,132***
Net Operating Income		**823**	**1,611**	***789***	**1,964**	***353***
Change in Net Assets		**823**	**1,611**	**789**	**1,964**	**353**
Net Assets						
Beginning Net Assets	$	1,381	761		2,373	
Institutional Transfers		-	-		(1,264)	
Change in Net Assets		823	1,611		1,964	
Total Net Assets	**$**	**2,203**	**$ 2,373**		**$ 3,072**	

The FIU Health Care Network (HCN) serves as the entity for the collection and administration of income generated from the University's clinical operations. Pursuant to Florida Board of Governors regulation 9.017 governing SUS Faculty Practices, the distribution of all faculty practice funds will be for the improvement and support of the academic mission of FIU.

HCN provides management and staffing (non-clinical staff only) services to support clinical operations, including Student Health Services, throughout the University. The budget reflects the management services portion provided by HCN and does not include clinical services.

Financial Highlights

FY 2015-16 revenues are $1.1M higher than expectations. HCN has seen a significant increase in international programs enrollment with more than 300 completed rotations of foreign medical students over budget. Additionally, greater clinical activity related to Student Health Services and across the faculty practice locations has resulted in greater than expected management services revenue.

FY 2015-16 operating expenses are $0.4M greater than budget driven by unexpected relocation costs due to the move of the Modesto M. Maidique Campus (MMC) faculty practice to the Ambulatory Care Center (ACC), greater instructional costs driven by additional international program volume, and other expenses such as licenses for billing services/system for all clinical sites, and greater banking fees resulting from more international transactions.

For FY 2016-17, HCN revenue is budgeted to increase by $1.5M compared to FY 2015-16 forecast. In FY 2016-17, as seen in FY 2015-16, international program revenue is anticipated to comprise a significant portion of HCN’s revenue as demand continues to be strong. Additionally, management services revenue is anticipated to increase as we see new clinical activities coming online along with growth in current clinical programs.

Operating expenses are $1.1M greater than FY 2015-16 forecast and are driven by greater international student program activity, new clinical service opportunities, and the continued transition of HCN to a management services organization that includes staffing and management, excluding clinical providers.

Institutional transfers in FY 2016-17 represent cash transfers from HCN's gain in net assets due to international operations to the University to support clinical operations in the Faculty Group Practice.

Florida International University
Financial Summary
FIU Self-Insurance Program

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Total Revenues	**$ 332**	**$ 1,256**	***$ 923***	**$ 393**	***$ (862)***
<u>Expenses</u>					
Salaries and Benefits	-	-	-	-	-
Other Personal Services (OPS)	-	-	-	-	-
Expense (Admin. & Overhead)	-	-	-	-	-
Operating Capital Outlay (OCO)	-	-	-	-	-
Incurred But Not Reported - Contingent Liability Expense	332	378	*46*	393	*16*
Total Operating Expenses	**332**	**378**	***46***	**393**	***15***
Net Operating Income	**-**	**878**	***878***	**-**	***(876)***
Investment Earnings	-	-	-	-	*(0)*
Change in Net Assets	**-**	**878**	**878**	**-**	**(876)**
<u>Fund Balance</u>					
Beginning Fund Balance	-	-		878	
Change in Net Assets	-	878		-	
Institutional Transfer	-	-		-	
Ending Fund Balance	**$ -**	**$ 878**		**$ 878**	

The Self-Insurance Program has been established by the Florida Board of Governors regulation 10.001 to provide professional liability protection to the Florida Board of Governors, the FIU Board of Trustees, and other authorized entities and individuals. The Self-Insurance Program (SIP) entity serves to record the activities associated with the Self-Insurance Program and is subject to oversight by the SIP Council.

The SIP includes coverage for the clinical activities of the Colleges of Medicine, Nursing, and University Health Services. Revenues include funding for premium contributions, claims, and insurance premiums directly associated with the SIP. In addition, provisions are made for administrative expenses primarily for the University of Florida as the SIP administrator.

<u>Financial Highlights</u>

FY 2015-16 revenue is $0.9M greater than budget due to an unbudgeted cash transfer to meet minimum capitalization requirements.

FY 2015-16 forecast operating expenses are in line with budget.

FY 2016-17 budgeted revenues are based on current estimates of SIP related costs as the SIP Council has not approved premiums for FY 2016-17. Excluding the unbudgeted cash transfer to meet capitalization requirements, FY 2016-17 budget is in line with FY 2015-16 actuals.

FY 2016-17 operating expenses mirror revenues and are based on current estimates since the SIP Council has not approved premiums for FY 2016-17.

Florida International University
Financial Summary
FIU Research Foundation, Inc.

(In thousands of dollars)		Final Budget 2015-16	Forecast 2015-16	*Forecast vs. Final Budget*	Requested Budget 2016-17	*Forecast vs. Requested Budget*
Total Revenues		**$ 30**	**$ 30**	***$ -***	**$ 30**	***$ -***
Expenses						
Expense		29	19	*(10)*	25	*6*
Debt Service Interest		-	-	-	-	-
Total Expenditures		**29**	**19**	***(10)***	**25**	***6***
Net Operating Income		**1**	**11**	***10***	**5**	***(6)***
Principal Payment of Debt		-	-	-	-	-
Unrealized Gains & Losses		-	-	-	-	
Change in Net Assets		**1**	**11**	**10**	**5**	**(6)**
Net Assets						
Beginning Net Assets	$	77	76		87	
Change in Net Assets		1	11		5	
Institutional Transfers		-	-		-	
Total Net Assets	**$**	**78**	**$ 87**		**$ 92**	

The FIU Research Foundation serves as an agent with respect to special grants awarded to the University. These activities and the entire amount of the grant is recognized by FIU in the Sponsored Research Development Trust Fund and is not in the budget above.

Financial Highlights

FY 2015-16 revenue funding is from royalty income received by Office of Research and Economic Development plus additional cash transfers to cover audit, accounting, professional development, and economic development efforts.

FY 2015-16 operating expenses include audit and accounting fees, travel related to international research partnerships, and professional services related to research development, technology management, and commercialization.

FY 2016-17 projected revenues are expected to come from royalty income for technology management, commercialization, and research development efforts.

FY 2016-17 projected operating expenses are for audit and accounting fees, foreign country ventures, and professional services related to research development, technology management, and commercialization activities.

Florida International University
Financial Summary
University Treasury Operations

(In thousands of dollars)	**Final Budget 2015-16**	**Forecast 2015-16**	***Forecast vs. Final Budget***	**Requested Budget 2016-17**	***Forecast vs. Requested Budget***
Investment Revenues	$ 14,260	$ (15,043)	*$ (29,304)*	$ 11,994	*$ 27,036*
Operating Expenses	$ (7,089)	$ (6,893)	*$ 197*	$ (7,106)	*$ (213)*
Net Revenues	**$ 7,171**	**$ (21,936)**	***$ (29,107)***	**$ 4,889**	***$ 26,824***
Net Operating Income	**7,171**	**(21,936)**	**(29,107)**	**4,889**	**26,824**
Investment Earnings Distribution	(223)	(400)	*(178)*	(223)	*178*
Operational Transfers	-	-	-	(6,300)	*(6,300)*
Change in Net Assets	**$ 6,949**	**$ (22,336)**	***$ (29,284)***	**$ (1,634)**	***$ 20,702***

Treasury operations revenue consists of earnings from the University's investment portfolio. Earnings include interest income, realized gains (which are reinvested each month) and unrealized gains / losses.

Financial Highlights

Investment earnings in FY 2015-16 are expected to be lower than budget due to unrealized losses in the Strategic Capital and Reserve Pools. Overall, net investment returns are projected to be lower than the budget (-5.0% versus 4.0%). The Strategic Capital and Reserve Pools are projected to have losses of 7.2% and the Working Capital Pool gains of 0.5%. FY 2015-16 forecasted expenses are expected to be lower than budget due to vacancies $0.2M.

Investment earnings are projected to be 3.6% in FY 2016-17. FY 2016-17 expenses are expected to increase versus FY 2015-16 forecast mostly due to the filling of vacant positions and the planned purchase of a new financial analysis software package.

Investments earnings are distributed to Educational and General (E&G) carry forward, Auxiliary Enterprises and Financial Aid funds. E&G funds receive the State Treasury Special Purpose Investment Account (SPIA) rate and the non-E&G funds receive the risk free rate (30-Day T-Bill). FY 2015-16 distributions are forecasted to be higher than planned due to higher projected T-Bill rates and lower operating expenses. FY 2016-17 distributions are projected to be slightly lower than FY 2015-16 forecast due to higher expenses.

In FY 2016-17, $6.3M in operational transfers will be made to Facilities to fund a portion of the practice fields being constructed on the southwest side of the Modesto M. Maidique Campus. This transfer is funded by Treasury's unrestricted fund balance.

In FY 2010-11, Treasury Operations entered into a working capital agreement with Athletics, in which four annual disbursements were made totaling $5.0M. The first, second, third and fourth disbursements were made in June 2011, December 2011, June 2013 and June 2014 in the amounts of $1.9M, $1.8M, $0.9M, and $0.4M respectively. These disbursements were reflected as operational transfers.

In FY 2013-14, Treasury Operations agreed to support Financial Aid merit-based scholarship initiatives from FY 2015-16 through FY 2017-18 with maximum annual funding of $5.0M. The funding from Treasury is dependent on available returns as determined by investment market conditions.

In FY 2013-14, Treasury agreed to fund the redemption of the Series 1995 Parking Bonds ($1.8M) and to pay the accrued interest on the Series 1999 and 2002 Parking Bonds ($0.2M) as part of refunding provisions in the Series 2013 Parking Bonds. Treasury will be reimbursed by the semi-annual Build America Bonds subsidy payments.

Finance and Audit Committee
Date: June 2, 2016

Subject: Proposed 2016-17 - Fixed Capital Outlay Budget / Capital Improvement

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Proposed Committee Action:

Recommend to The Florida International University Board of Trustees (the BOT) approval of Florida International University's 2016-17 Fixed Capital Outlay Budget and authorize the University President to amend the budget as necessary, consistent with Legislative, Florida Board of Governors' and BOT directives and guidelines.

Background Information:

Section 1013.61, Florida Statutes, requires that the BOT adopt a capital outlay budget for the ensuing year in order that the capital outlay needs of the BOT for the entire year may be well understood by the public.

Florida Board of Governors Regulation 1.001(6)(a) provides, in relevant part, that each board of trustees shall submit an institutional budget request, including a request for fixed capital outlay, to the Board of Governors for approval in accordance with the guidelines established by the Board of Governors.

The capital outlay budget is part of the annual budget and shall be based upon and in harmony with the BOT's capital outlay plan. The budget shall designate the proposed capital outlay expenditures by project for 2016-17 from all fund sources, as amended.

The Capital Outlay Budget governs the University's capital expenditures during the year.

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FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE

PUBLIC EDUCATION CAPITAL OUTLAY PROJECTS (PECO) / CAPITAL IMPROVEMENT

Critical Deferred Maintenance	$4,889,537
Satellite Chiller Plant Expansion (MMC)	$7,062,041
TOTAL 2016-17 CAPITAL OUTLAY BUDGET (PECO)/ CAPITAL IMPROVEMENT	**$11,951,578**

CAPITAL IMPROVEMENT TRUST FUND PROJECTS (CITF)

Recreation Center Expansion MMC	$3,700,000
Health and Wellness Walk MMC	$1,102,996
TOTAL CITF	**$4,802,996**

TOTAL 2016-17 CAPITAL OUTLAY BUDGET	**$16,754,574**

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Finance and Audit Committee
Date: June 2, 2016

Subject: Request for Approval of Florida International University's 2017-2018 Fixed Capital Outlay Legislative Budget Request, consisting of the 5-year Capital Improvement Plan

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Proposed Committee Action:

Recommend to The Florida International University Board of Trustees (the BOT) approval of FIU's 2017-2018 Fixed Capital Outlay Legislative Budget Request, consisting of the 5- year Capital Improvement Plan (CIP) and authorize the University President to amend the Legislative Budget Request as necessary, consistent with Florida Board of Governors and BOT directives and guidelines.

Background Information:

Section 1013.64(4)(a), Florida Statutes, requires the BOT to update annually its fixed capital outlay budget request. In addition to Public Education Capital Outlay (PECO) projects, the capital request will include Capital Improvement Trust Fund (CITF) projects, projects from other state sources and projects from non-state sources including debt. It is anticipated that Florida International University will have the opportunity to submit a revised Fixed Capital Outlay Budget Request to the Florida Board of Governors in December 2016.

The Fixed Capital Outlay Budget Request governs the University's proposed capital expenditures during the next five years. The Fixed Capital Outlay Budget Request must be approved annually by the BOT.

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STATE UNIVERSITY SYSTEM
Five-Year Capital Improvement Plan (CIP-2) and Legislative Budget Request
Fiscal Years 2017-18 through 2021-22

Florida International University

BOT APPROVAL
DRAFT 5/13/2016

PECO-ELIGIBLE PROJECT REQUESTS

Priority No.	Project Title	2017-18	2018-19	2019-20	2020-21	2021-22
1	* FACILITIES INFRASTRUCTURE /CAPITAL RENEWAL - UW (P,C,E)	$11,100,000	$16,900,000	$10,500,000	$10,500,000	$10,500,000
2	STRATEGIC LAND ACQUISITION - UW (A)	$20,000,000	$20,000,000			
3	** SCHOOL OF INTERNATIONAL & PUBLIC AFFAIRS (SIPA), "MATCH" Phase II - MMC (P,C)(C,E)	$15,000,000				
4	*** ENGINEERING BUILDING - Phase I & II (P)(C,E) "MATCH"	$3,500,000	$56,000,000	$45,500,000		
5	REMODEL./RENOV. OF EXIST. EDUC. SPACE - MMC (P,C,E)(P,C,E)	$19,000,000	$19,000,000	$19,000,000		
6	REMODEL./RENOV. OF EXIST. EDUC. SPACE - BBC (P,C,E)(P,C,E)	$14,000,000	$14,000,000	$14,000,000		
7	GREEN LIBRARY ADDITION - MMC (P)(C)(E)			$15,000,000	$25,000,000	$22,300,000
8	ACADEMIC HEALTH CENTER STUDY COMPLEX - MMC (P,C)(C,E)			$10,280,000	$14,120,000	
9	SCIENCE LABORATORY COMPLEX - MMC (P,C)(C)(C,E)			$15,150,000	$19,300,000	$34,450,000
10	CLASSROOM/OFFICE, (ACADEMIC III) - BBC (P,C)(C,E)			$3,420,000	$23,000,000	$7,130,000
11	REMODEL./RENOV. OF ACADEMIC DATA CENTER - MMC (P,C,E)(P,C,E)				$12,775,000	$7,557,500
12	FACULTY AND STAFF TRAINING AND DEVELOPMENT CENTER - MMC (P,C)(P,C,E)				$1,250,000	$21,450,000
13	HONORS COLLEGE - MMC (P,C)(C,E)				$2,000,000	$37,750,000
14	HUMANITIES CTR., (SCIENCE, TECH., ENG., ARTS & MATH.) - MMC (P,C)(C,E)				$24,300,000	$17,550,000
	TOTAL	**$82,600,000**	**$125,900,002**	**$132,850,000**	**$132,245,000**	**$158,687,500**

CITF PROJECT REQUESTS

Priority No.	Project Title	2017-18	2018-19	2019-20	2020-21	2021-22
1	GRAHAM UNVERSITY CENTER - MMC (P,C,E)	$12,000,000	$12,000,000			
2	WOLFE UNIVERSITY CENTER RENOVATIONS - BBC (P,C,E)	$3,000,000	$3,000,000			
3	RECREATION CENTER EXPANSION - BBC (P,C,E)	$1,000,000	$1,000,000			
4	RECREATION CENTER REMODELING - MMC (P,C,E)	$1,000,000				
	TOTAL	**$17,000,000**	**$ 16,000,000**	**0**	**0**	**0**

REQUESTS FROM OTHER STATE SOURCES

Priority No.	Project Title	2017-18	2018-19	2019-20	2020-21	2021-22
1	PARKVIEW HOUSING II - MMC (P,C,E)					
2	RESEARCH 1 - MMC, (P,C,E)					
	TOTAL	**0**	**0**	**0**	**0**	**0**

REQUESTS FROM NON-STATE SOURCES, INCLUDING DEBT

Priority No.	Project Title	2017-18	2018-19	2019-20	2020-21	2021-22
1	HOTEL/CONFERENCE CENTER - MMC (P,C,E)					
2	MEDICAL ARTS PAVILION - MMC, (P,C E)					
3	HONORS COLLEGE HOUSING AND SUPPORT AREAS - MMC (P,C,E)					
	TOTAL	**0**	**0**	**0**	**0**	**0**

* Includes BBC Lift Station and Sewer Line Repair of $4 million and Engineering And Computer Science Building Envelope of $3 million.
** Amount reflects 50 percent PECO; remaining 50 percent private funding.
*** Amount reflects 70 percent PECO; remaining 30 percent private funding.

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Finance and Audit Committee
Date: June 2, 2016

Subject: **Approval for the Florida International University (the "University") to undertake a competitive bid process to sublease the Florida International University Wolfsonian Museum ("Wolfsonian-FIU") Annex building and parking lot, located at 1500 and 1538 Lenox Avenue, Miami Beach, Florida, (the "Property") leased by The Florida International University Board of Trustees (FIU BOT) from the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida (TIITF); a finding that the sublease of the Property is necessary and desirable to serve the needs and purposes of the University; approval for the University to seek TIITF's confirmation that it is not exercising its right of rejection as provided in the lease between FIU BOT and TIITF; upon the successful completion of the competitive bid process, the University will seek approval from the FIU BOT and the Florida Board of Governors to enter into the sublease with the selected sublessee**

Proposed Committee Action:
Recommend that FIU BOT approve the following:

(a) The undertaking of a competitive bid process to sublease the Property for the purpose of generating revenue that (i) will allow for the leasing of a collections storage facility, which will be designed and outfitted with the appropriate environmental and physical systems to provide a more secure and protected space for the museum collections, and will meet the standards of the American Association of Museums for collections management and storage; and (ii) will help sustain and grow the educational activities of the Wolfsonian-FIU through its exhibitions, University and public programs and collections care and research;
(b) A finding that the sublease of the Property is necessary and desirable to serve the needs and purposes of the University;
(c) The University seeking TIITF's confirmation that it is not exercising its right of rejection as provided in the lease between FIU BOT and TIITF; and
(d) Upon the successful completion of the competitive bid process, the University seeking approval from FIU BOT and the Florida Board of Governors to enter into the sublease with the selected sublessee

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Background Information:
The University is seeking to sublease the Property currently leased by FIU BOT under FIU BOT's Lease Agreement with TIITF, Lease No. 2727, (the "Master Lease"). The Property was acquired by TIITF in March of 2004 for the benefit of the Wolfsonian-FIU. The purchase price for the Property was $892,000.00. FIU BOT received $426,303.00 in the form of a gift from the estate of Malcom Brinnin to acquire the Property. These funds were subsequently matched in full through the State of Florida Courtelis Facilities Enhancement Challenge Grant Program. Private funds were used to cover the difference. The building located on the Property was constructed as a warehouse for the Washington Moving and Storage Company in or around 1927. It consists of approximately 35,000 square feet and is currently being used for museum collections storage. The parking lot located on

the Property consists of approximately 15,000 square feet and is primarily used by staff members when working in the building, although, on most days, it is relatively empty.

Based on a condition assessment report previously conducted of the building, the building is inadequate as a collections storage facility due to significant deferred maintenance and functional obsolescence, including life safety and code violations. The building also fails to meet the standards of the American Association of Museums for collections management and storage. At the time the report was generated, over $3,500,000.00 worth of required and renewal improvements were identified, a substantial investment which could eventually detrimentally affect the museum collections if not undertaken. Given the condition of the building, coupled with the commercial value of the Property and the Wolfsonian-FIU's long term strategic plan (further described below), the most desirable outcome that will best serve the needs and purposes of the University is to allow private development of the Property through a sublease of the Property.

The revenues generated from the sublease will be used by FIU BOT (i) to lease a collections storage facility, which will be designed and outfitted with environmental and physical systems to provide a better, more secure and protected space for the museum collections, and will meet the standards of the American Association of Museums for collections management and storage; and (ii) to enable the Wolfsonian-FIU to sustain and grow the educational activities of the museum through its exhibitions, University and public programs, and collections care and research. The inclusion of sublease revenue in the Wolfsonian-FIU's annual operating budget is also critical to demonstrate a sustainable financial model to Miami-Dade County in order to access the $10,000,000.00 county bond committed to the University in 2004 through the voter approved Miami-Dade County Building Better Communities Bonds. These bond funds, once received, will be invested at the Wolfsonian-FIU main museum building located at 1001 Washington Avenue, also part of the Master Lease. The bond funds will help enhance the museum building by increasing public exhibition spaces by 25,000 square feet, significantly increasing the amount of the collection on display, improving the visitor experience, creating a more pedestrian-friendly ground floor, and creating high-value event space available to the community. These enhancements are part of the Wolfsonian-FIU's long-term strategic plan, which is supported by the local Miami Beach community.

As provided above, the proposed sublease between FIU BOT and a private developer will serve the needs and purposes of the University. Not only will the private developer invest a substantial amount of money in completing capital improvements to a state owned Property that FIU BOT would have otherwise had to make, but more importantly, the revenue generated from the sublease will help maintain and safeguard the museum collection currently located in the Property as well as significantly impact the sustainability and growth of the Wolfsonian-FIU. The museum has a national and international presence with over 1000 researchers using its collections each year and which works closely with FIU faculty and students to integrate the collections and exhibitions of the museum into the curriculum of FIU courses and other South Florida institutions of higher education.

FIU BOT will proceed through the competitive bid process to select the sublessee. To assist the University in the solicitation process, the University obtained a market value estimate of the leasehold interests, completed in January 2016 by Gallaher and Birch, Inc. Prior to dedicating the time, effort and financial resources in engaging in this process, FIU BOT will be requesting that TIITF authorize

FIU BOT to move forward with the sublease by not exercising its right of rejection under the Master Lease. Over the past several months, FIU has been working and will continue working with TIITF staff on the framework for the University's request.

In pursuing and moving forward with the competitive bid process, FIU will also work collaboratively with the City of Miami Beach to ensure that the defined uses by the sublessee are consistent with the vision for the City of Miami Beach and representative of FIU's and the State of Florida's intention to be good neighbors to the community.

The University President or his designee is authorized to undertake all steps necessary or desirable to complete the competitive solicitation process.

LEGAL AUTHORITY:

> Florida Statutes, Section 1013.171, provides that each university board of trustees is authorized to enter into agreements to lease land to for-profit corporations for the purpose of erecting thereon facilities and accommodations necessary and desirable to serve the needs and purposes of the university.

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Finance and Audit Committee

Date: June 2, 2016

Subject: Internal Audit Plan, 2016-17

Proposed Committee Action:

Approve the University Internal Audit Plan for Fiscal Year 2016-17.

Background Information:

The Florida International University Board of Trustees Finance and Audit Committee Charter mandates approval of the audit plan for the upcoming fiscal year.

The Finance and Audit Committee Charter, Specific Responsibilities: The Office of Internal Audit, states in relevant part:

> The Finance Committee shall… Review and approve the Office of Internal Audit's annual audit plan (and any subsequent changes thereto), considering the University-wide risk assessment and the degree of coordination with the Auditor General's Office for an effective, efficient, non-redundant use of audit resources.

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FLORIDA INTERNATIONAL UNIVERSITY

Office of Internal Audit

M E M O R A N D U M

Date: June 2, 2016

To: Chairman and Members of the Finance and Audit Committee

From: Allen Vann, Chief Audit Executive

Subject: Internal Audit Plan for Fiscal Year 2017

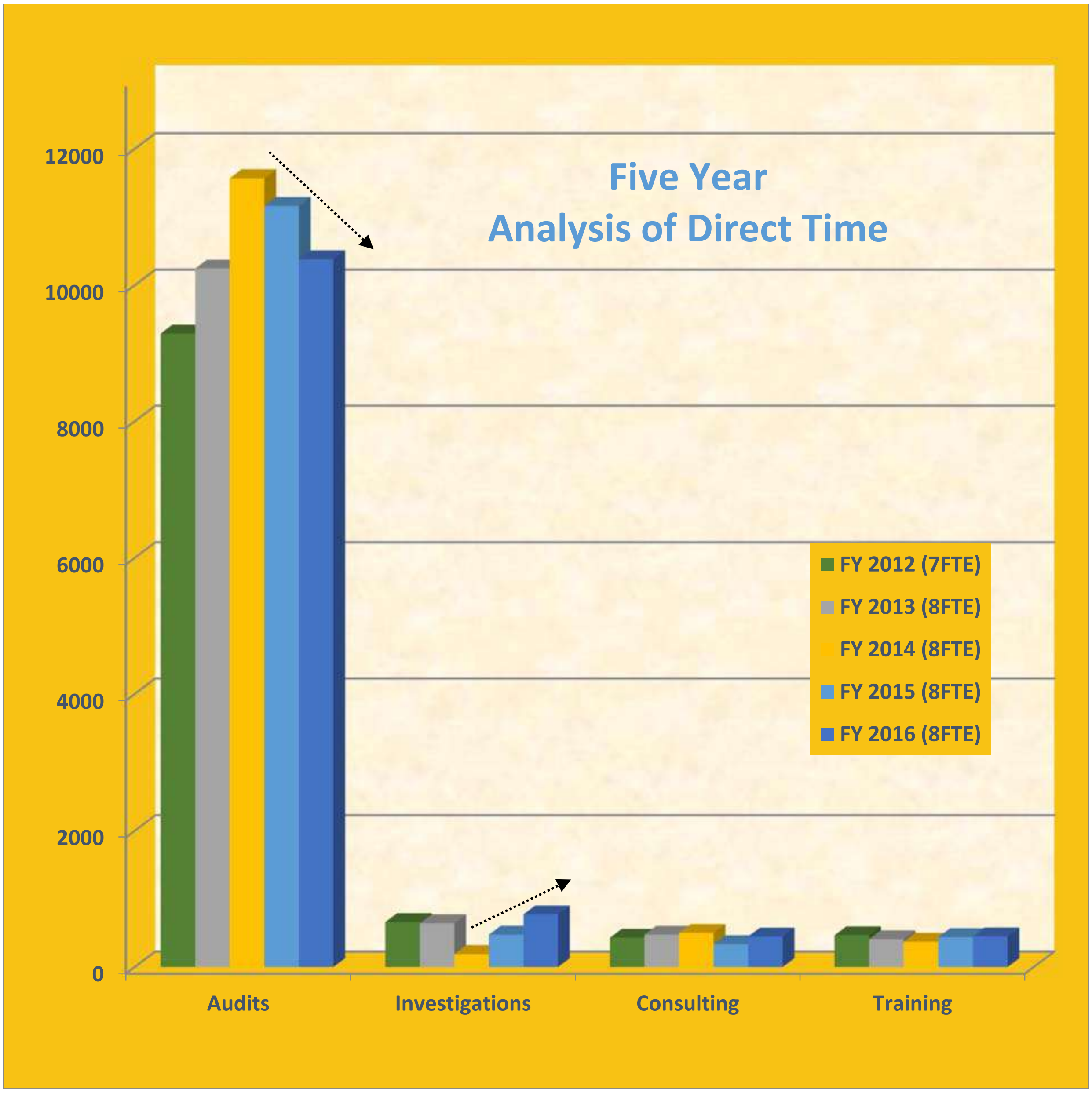
I am pleased to present our proposed audit plan for fiscal year 2017 for your review and approval. The development of the plan was shaped using a systematic approach to help us determine which audits to perform. The planning process helps us develop the theme for our audits and identify an appropriate mix of various types of audits. The audit plan considers how we can best allocate our resources.

Internal Audit Resources:

One of the responsibilities of the Finance and Audit Committee is to "Assess the staffing of the Office of Internal Audit, including the annual budget."[1] The composition of our office currently includes eight professional auditors, an administrative coordinator and two audit interns. While our audit staff is effectively deployed for the past two Fiscal Years additional workload resulting from the Board of Governors request that we annually audit FIU's data submissions under their performance-based funding model displaced other risk based planned audit projects.

The following graph reflects how the Office of Internal Audit's direct staff time was spent during the past five fiscal years:

[1] FIU Board of Trustees Finance and Audit Committee Charter, page 5.



Note: FY 2016 data was annualized.

As depicted, our workload is often difficult to predict as investigations and other unplanned work affect our ability to complete all of the planned audit projects. Nevertheless, we have continued to ensure that an appropriate balance was maintained between audit, investigative, and other accountability activities such as following up on the implementation status of past recommendations.

Risk Assessment:

Previously prepared risk assessments were updated and budgeted and/or actual expenditures were reviewed and compared. In performing our risk assessment we took a quantitative approach, which considers risk factors against assigned values based on the likelihood of occurrence and impact on the University. The cumulative value is then ranked using a scoring formula to determine whether audit work should be considered in a particular area.

The five factors we considered in our University-wide risk assessment were: 1) materiality; 2) past audit coverage; 3) internal risks; 4) external risks; and 5) information risks. We also spent a considerable amount of time meeting with senior university administration to ensure that each proposed audit will provide the best value added to the University.

Audit Plan:

The following table outlines our proposed audit plan for FY 2017:

Proposed Audits:
Planning and Inst. Research - Performance Based Funding Metrics Data Integrity
University College – Online Program
University's IT Network Security Controls – Follow-up
College of Medicine – Pharmacy Operations
Athletics Department – Financial and Operational Controls
Athletics – NCAA Football Attendance Certification
Division of Research – Sub-recipient Monitoring
Division of Research – Applied Research Center
College of Arts and Science and Education – Center for Children and Families
Registrar – Educational Fees/Tuition
College of Public Health and Social Work– Financial and Operational Controls
Housing and Residential Life – Financial and Operational Controls
Other Activities:
Forensic Audits/Investigations/ Consulting/Follow-Up/Training

Attached to this memo is a combined Risk Assessment/Five Year Plan.

Conclusion:

By arraying the pattern of past audit coverage of University activities/programs and assessing respective risks with senior management, we were able to combine our knowledge of potential audit areas to develop a list of proposed new audits for FY 2017 that will optimize our resources and capitalize on our audit staff's individual strengths.

I would be happy to answer any questions and provide any additional details that you may require. I can be reached at (305) 348-2465.

Attachment

C: Chairman of the FIU Board of Trustees
University President
Provost
Chief Financial Officer
Chief of Staff

Florida International University - Office of Internal Audit

Attachment

Risk Assessment/Five Year Plan

Organizational Units		RISK Low Medium High	Where we've been …					Where we need to go …				
			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Office of the President	President's Office	Low										
	Athletics	High	✓	✓	✓	✓	✓	x	x	x	x	x
	Office of Internal Audit	Low				QA					QA	
General Counsel	General Counsel	Low		✓								
External Relations	Advancement/Community Relations/Editorial Services/Marketing/Media Relations/Protocol & Special Events /Publications/Web Communications	Low										
FIU Foundation	Business Office	Low				✓	✓					
	FIU Foundation, Inc.	Medium	✓									
	FIU Research Foundation, Inc.	Low			CPA							
	FIU Athletics Finance Corporation	Low										
Office of Finance & Administration												
Facilities Management	Construction (Capital Program)	High	✓	✓	✓	✓	✓	x	x	x		
	Operations & Maintenance	Medium	✓				✓					
Office of the Controller	Accounting & Reporting Services	Medium										
	Financials & Student Financials Support Services	Medium			AG							
	Tax Compliance Services	Low										
	Purchasing Services / Payment Services	High		✓	✓	✓	✓					
Treasury Management		Medium	✓									
Division of Human Resources	Payroll, Benefits, Recruitment, etc.	Medium	✓				✓					
Office of Business & Finance	Auxiliary & Enterprise Development	Low										
	Financial Planning	Low							x			
	Parking & Transportation	Medium	✓			✓					x	
	Business Services	Medium	✓		✓	✓	✓					
Disaster Management & Emergency Operations	Emergency Management	Medium										
	Environmental Health & Safety	Low			✓		✓					x
Police Department		High		✓					x			
Academic Affairs	Planning & Institutional Efffectiveness	Medium				✓	✓	x	x	x	x	x
	College of Artichecture + The Arts	Low			✓					x		
	School of Journalism & Mass Communication	Low		✓					x			
	Frost Art Museum	Medium			✓					x		
	Wolfsonian Museum	Medium		✓					x			
	Jewish Museum of Florida	Low			✓					x		
	Research/OSRA	Medium		✓	✓	✓	✓	x	x	x	x	x
	International Hurricane Center	Medium					✓					x
	ARC: Applied Research Center	Medium						x				
	Enrollment Services/Registrar	Medium			AG					AG		
	Library	Low		✓					x			
	Global Affairs	Low					✓					x
	College of Arts, Sciences & Education	Medium		✓		✓					x	
	College of Education	Medium					✓					
	School of Environment, Arts & Society	Medium										
	School of International and Public Affairs (SIPA)	Medium										
	School of Integrated Science and Humanity	Medium						x				
	Southeast Environmental Research Center	Medium			✓					x		
	Law School	Medium					✓					x
	College of Business Administration	Medium		✓	✓					x		
	College of Engineering and Computing	Medium	✓		✓					x		
	University College (Continuing Education & Online Programs)	High		✓				x				
	School of Hospitality & Tourism Management	Medium					x					
	Tianjin/FIU	Medium	✓					x				
	Kovens Conference Center	Medium			✓					x		
	South Beach Wine & Food Festival	High		✓					x			
	Graduate School	Medium							x			
	College of Medicine	High	✓	✓	✓		✓	x			x	
	HealthCare Network	High			✓				x			
	College of Nursing & Health Sciences	Medium				✓	✓			x		
	Robert Stempel School of Public Health	Medium						x				
Student Affairs	Children's Creative Learning Center	Low		✓					x			
	Housing & Residential Life	High						x				
	Student Health Services	High		✓					x			
	Student Government/Student Activity & Service Fees / Graham Center / Wolfe University Center	Medium			✓					x		
University Technology Services	Division of Information Technology	High	✓	✓	✓	✓	✓	x	x	x	x	x

QA = Quality Assurance Review

CPA = Annual Certified Financial Statements

AG = Florida Auditor General financial, operational and compliance audits.

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Finance and Audit Committee
Date: June 2, 2016

Subject: Compliance Work Plan, 2016-17

Proposed Committee Action:

Approve the Compliance Work Plan for Fiscal Year 2016-17.

Background Information:

The Florida International University Board of Trustees Finance and Audit Committee Charter mandates approval of the compliance plan for the upcoming fiscal year.

The Finance and Audit Committee Charter, Specific Responsibilities: The Office of Compliance and Integrity, states in relevant part:

> The Finance Committee shall…Review and approve the Office of Compliance & Integrity's annual compliance plan (and any subsequent changes thereto), considering the University-wide risk assessment.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
June 2, 2016

2016-2017 COMPLIANCE WORK PLAN

Purpose of the Institutional Program

The purpose of the institutional compliance program ("Program") at Florida International University ("FIU") is to advance an institutional culture of ethics, integrity and compliance with the applicable laws, regulations and policies, which govern institutions of higher education through awareness programs, monitoring and responding to non-compliance. The Program is designed to align with the U.S. Federal Sentencing Guidelines. The FIU Board of Trustees maintains ultimate oversight responsibility of the Program while the Chief Compliance Officer is responsible for the day to day management of the Program.

The goals and objectives of the Program

- Administer and maintain FIU's university policy program.
- Implement written policy and procedure plans delineating training audiences, timelines for policy review and the policy acknowledgement process.
- Develop or acquire effective compliance training and communication resources.
- establish and maintain reporting mechanism for employees, faculty, students and 3rd parties to report instances of violations of law, regulation, university policy and unethical conduct and provide investigation support.
- Formulate a corrective action plan to address issues of non-compliance.
- Evaluate compliance activity for effectiveness at the Division/Unit level.
- Provide regular reviews of overall compliance efforts, including plans that reflect current requirements and to identify any necessary adjustments needed to improve the Program.
- Document FIU's compliance effort in regular reports to FIU's leadership.
- Annually review the Plan for the purpose of ascertaining whether changes or additions are necessary, and make appropriate recommendations to the President and Board of Trustees through the Finance and Audit Committee.

The 2016-2017 Compliance Work plan

Federal Sentencing Guidelines Provision	Compliance Program Objective	Key Action Items
Policies and Procedures Organizations should have standards reasonably capable of preventing and detecting misconduct.	Enhance the effectiveness of the policy program.	Finalize the University Code of Conduct.
		Execute 50 policy plans and campaigns.
		Benchmark the policy management program against peer universities and mid-size organizations.
Program Structure and Oversight Organizations should have high-level oversight and adequate resources and authority given to those responsible for program.	Manage the implementation of the institutional compliance framework through the compliance liaison program.	Deliver monthly compliance reports to the Vice Presidents and Deans.
Training and Communication Organizations should include periodic education, communication and awareness of its compliance and ethics program in its everyday organizational structure.	Oversee the compliance training and communication initiatives plan.	Complete the removal of redundant and outdated university policies from the policy library.
		Develop the compliance training curriculum for compliance refreshers and mini-messaging.
Measurement and Monitoring Organizations should have in place a system and schedule for routine monitoring and auditing of organizational transactions, business risks, controls and behaviors.	Maintain a compliance monitoring schedule that includes self-monitoring tools and formal monitoring to address high risk areas.	Develop and execute at least 10 compliance monitoring plans.
		Deliver compliance self- assessments tools and timelines for execution by the compliance liaisons.
Allegation Reporting and Investigations Organizations should take appropriate investigative actions in response to suspected ethics and compliance violations.	Provide intake support for the anonymous reporting line, provide follow up for timely resolution and conduct investigations when appropriate.	Finalize and deploy the university issue escalation criteria.
		Work with the Office of the General Counsel to train FIU investigators on the investigation guidelines.
		Embed the review of compliance analytics data into the compliance program improvement process.

Discipline and Incentives Organizations should have policies and procedures to effectively enforce compliance and incentivize employees to perform in accordance with the compliance program.	Coordinate efforts with to support consistent discipline and incentive practices.	Provide guidelines to address the enforcement of policy and training requirements. Develop and roll out a plan to integrate ethics and compliance incentive opportunities.
Compliance Risk Management Appropriate compliance and ethics program improvements should be designed to reduce identified risks or compliance violations.	Support compliance risk identification and mitigation efforts to support the strategic objectives FIU.	Deliver the enterprise risk identification, assessment and prioritization list. Execute a targeted compliance risk assessment for two high risk areas based on the enterprise prioritization list.
Organization Culture Organizations should encourage a speak up culture to support reporting instances of misconduct.	Maintain awareness of cultural challenges and support mitigation efforts to support FIU's speak up culture.	Execute a culture survey and incorporate the findings into the institutional compliance strategy.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
June 2, 2016

***AUDITED* FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2015**

- University's Audited Financial Statements were prepared following Governmental Accounting Standards Board (GASB) standards of accounting and financial reporting.

- The State of Florida Auditor General issued the University's Audited Financial Statements for the year ending June 30, 2015 on March 28, 2016.

- ***OPINION***: The University received an unmodified (unqualified) opinion, meaning the financial statements presented fairly, in all material respects, the respective financial position of FIU and of its aggregate discretely presented components.

- We are not aware of, and the auditors did not identify any, deficiencies in internal control over financial reporting considered to be a material weakness or any instances of non-compliance or other matters required to be reported under Government Auditing Standards.

- The Financial Statements include the following component units of the university:
  - FIU Foundation, Inc. and its subsidiaries
  - FIU Athletics Finance Corporation
  - FIU Academic Health Center Health Care Network/Faculty Group Practice

  - NOTE: Unlike previous years, the financial activities of the FIU Research Foundation, Inc. are **not** included in the University's financial statements because total assets and operating revenues of the Foundation represent less than one percent of the total aggregate component units' assets and operating revenues.

Highlights of Balance Sheet

- **Total Assets** of $1.4 billion, an increase of $29 million or 2.2 percent increase over 2013-14

  Primarily Due to changes in:

Net Capital Asset Additions	$127.2 M
Net Construction in Progress Additions	($47.1) M
Due from State - Construction	$16.6 M
Use of Cash and Investments – Parking Garage 6	($16.4) M
Change in Accumulated Depreciation	($41.3) M
Decrease in Cash and Investments	($12.5) M
Decrease in Accounts Receivable/Loans	($ .6) M
Due from Component Units/University	$ 3.1 M
Total	***$29.0 M***

- **Total Liabilities** of $437.8 M, an increase of $102.5 M or 30.5 percent

  Primarily Due to:

Net Pension Liability	$74.1 M
Unearned Revenue	$24.7 M
Bonds Payable	($8.8) M
Compensated Absences	$2.3 M
Other Post Employment Retirement Benefits	$10.3 M
Total	***$102.6 M***

- **Total Net Position** of $911.8 M decreased by $82.8 M or 8.3 percent

  Primarily Due to:

  - Required adoption of GASB Statement Number 68 *Accounting and Reporting for Pensions*, resulting in an $88.8 M adjustment to beginning net position. This Statement requires employers participating in cost-sharing multiple-employer defined pension plans, such as the Florida Retirement

System, to report the employer's proportionate share of the net pension liability of the defined benefit pension plans.

Highlights of Revenues and Expenses

- **Operating Revenues** of $498.7 M, an increase of $8.3 M or 1.7 percent

Primarily Due to:

Net Tuition and Fees	$4.3 M
Auxiliary Sales and Service	$2.5 M
Other Revenue	$1.0 M
Total	***$7.8 M***

- **Operating Expenses** $873.6 M, an increase of $25.5 M or 3 percent

Primarily Due to:

Employee Compensation and Benefits	$24.9 M
Scholarships, Fellowships and Waivers	($13.1)M*
Depreciation Expense	$ 3.0 M
Services and Supplies	$ 9.9 M
Total	***$24.7 M***

**$10.1 M was a recategorization from scholarship operating expense to scholarship allowance in operating revenues*

- **Net Non-operating Revenues of** $368.7 M, essentially unchanged from $368.5 last year

Primarily Due to:

Investment Income/Losses	($27.8) M
State Non-Capital Appropriations	$22.0 M
Other Non-Operating Revenues	$ 2.7 M
Disposal of Capital Assets	$ .1 M
Other Non-Operating Expenses	$ 3.2 M
Total	***$ .2 M***

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US Higher Education

FAQ: US Public Higher Education and the Impact of GASB 68

Most US public universities will be issuing their first audited financial statements in compliance with new pension accounting standards in the next few months. Governmental Accounting Standards Board (GASB) Statement 68 requires increased disclosure related to defined-benefit pension plans for state and local governments and their related entities, beginning with fiscal 2015 (year-end June 30, 2015 for most public universities). Key takeaways on GASB 68's credit impact on our rated US public higher education institutions include:

» **Inclusion of reported Net Pension Liabilities (NPLs) through GASB 68 on university balance sheets will have limited credit impact because we already view unfunded pension liabilities as debt-like obligations**. In a limited number of cases, newly disclosed GASB 68 data could affect the calculation of Moody's Adjusted Net Pension Liabilities (ANPLs).

» **Our ANPL will continue to differ from GASB 68 reported NPLs due to our application of a market-based high-grade corporate bond index as a discount rate.** Under current market conditions, the discount rates in our adjustments are comparatively lower, producing adjusted liabilities above reported levels.

» **We measure the three-year average ANPL against spendable cash and investments and total operating revenue to determine each university's pension-related leverage position**. These metrics will be evaluated in light of possible mitigating factors including plan types, funding history, and level of university control, and will also be used for peer comparison.

» **The GASB 68 introduction of "Pension Expense" will result in increased operating expense volatility, which we will take into consideration in our analysis.** We will adjust cash flow to reflect the actual pension contribution made, rather than use the pension expense from the income statement, in order to determine cash flow available for debt service.

» **Pension burdens and associated fixed costs will continue as a significant credit challenge for some US public universities.** Pension-related risks are growing as many universities are adjusting to higher contributions, while others are facing potential cost-shifting of employer contributions from states to universities, or changing funding dynamics with their states.

Will the adoption of GASB 68 change our credit analysis?

The change in pension accounting standards for public entities and their defined-benefit plans will have limited impact on our credit analysis. We already incorporate the impact of a university's pension liability and expense into our analysis and our adjustments to reported pension data will remain fundamentally unchanged. The accounting recognition of this liability does not alter the underlying economics of the pension obligation. We continue to adjust all reported liabilities, in their entirety, to the same market-based discount rate tied to the measurement date.

However, in a small number of cases, the data provided through GASB 68 will have a significant effect on ANPLs. The two main potential drivers of ANPL changes for public universities are:

» For universities that participate in multiple employer cost-sharing plans, the increased transparency on the university's proportionate share of reported net pension liability under GASB 68 could impact ANPLs positively or negatively. The primary impact depends on how much these disclosed proportionate shares vary from our previous estimates. Over 95% of the 227 public four-year universities we rate participate in multiple employer cost-sharing plans.

» Increased disclosure will allow us to make more precise plan-specific duration estimates compared to our previous reliance on a uniform 13-year liability duration assumption. GASB 67 and 68 require plans and public universities to disclose the sensitivity of NPLs to 100-basis-point increases and decreases in the discount rate assumption. In a review of 54 plan disclosures under the new standards , most of our plan-specific estimates ranged from 10 to 15 years.

How will the adjusted pension liability compare to what is reported in the GASB financial statements?

Our ANPL will differ from the GASB 68 reported NPL on a university's balance sheet, primarily due to differences in the applied discount rate. We adjust reported pension liabilities of public universities by applying a high-grade corporate bond index rate[1] to accrued liabilities in order to discount the present value of these obligations. This allows us to compare funding levels regardless of varying discount rates used by the plans themselves, a fundamental departure from government assumptions, which generally set discount rates equal to long-term assumed rates of return on pension plan assets. Prior to GASB 68, we distributed the liabilities of multiple employer cost-sharing plans to universities based on their pro-rata share of contributions to the plans. GASB 68 for the first time requires disclosure of proportionate shares of multiple employer cost-sharing plans. We intend to rely on the disclosed shares, provided we find them to be reasonable. Under GASB 68, we will also incorporate plan-specific duration estimates into our adjustments, derived from disclosed liability sensitivity to discount rate changes.

In Exhibit 1, we offer a comparison of the ANPL and GASB-reported NPL for an early adopter University of Missouri (Aa1 stable), which has its own single-employer defined-benefit plan (it does not receive any on-behalf payments from the state). In fiscal 2014, the university's pension plan used a 7.5% discount rate, compared to the June 30, 2014 applied bond index discount rate of 4.33%.

Exhibit 1

University of Missouri: Reported Net Pension Liability Differs from Adjusted NPL
$ millions, Fiscal Year 2014 (ended June 30, 2014)

Pension Data	As Reported NPL ($ millions)	Moody's Adjusted ANPL ($ millions)
Accrued Liabilities	$3,587	$5,412
Reported Assets	$3,333	$3,333
Net Pension Liability (NPL)	$254	-
Adjusted Net Pension Liability (ANPL)	-	$2,079
Three-Year Average ANPL	-	$2,203

Source: University of Missouri CAFR, Moody's Investors Service

The ANPL for universities participating in multiple employer cost-sharing plans will reflect the university's pro-rata share of the pension plan's liability. In cases where the state pays all or a portion of the university's pension contribution, we will evaluate the ANPL, which adjusts the liability to recognize the state's contribution, and the gross pension liability (without state support). Over time, the potential for states to shift a portion of the costs they currently cover to the universities leads us to incorporate both the gross and NPLs in our analysis. While the ANPL will be the primary focus of the analysis and included in our adjusted debt metrics, we will place increasing weight on the gross liability when it appears likely that such cost shifting will occur.

Will the introduction of "Pension Expense" impact calculations of net revenues to cover debt service?

The GASB 68 reported pension expense will introduce additional expense volatility to public universities' income statements. The pension expense will reflect changes in the reported NPL, according to GASB 68's recognition rules, rather than the university's contractual contribution requirements to cost-sharing plans, or the Annual Pension Cost (APC) for single-employer and agent plans. Under the prior accounting standards, expense recognition of APC tracked funding relative to the Annual Required Contribution (ARC). Since accounting under the ARC standard commonly reflected backloaded amortization of unfunded liabilities over a period of up to 30 years, GASB 68 requirements for more rapid expense recognition will increase volatility by comparison.

The introduction of a five-year recognition period of investment performance that deviates from expectations (see Exhibit 2), as well as the elimination of asset smoothing, will particularly drive increased annual expense volatility in very strong and weak market environments. Other changes that require immediate pension expense recognition include service cost, interest on total pension liabilities and benefit changes, while deviations from other economic and demographic assumptions (e.g. mortality experience) must be recognized over the average remaining service lifetime of all plan members, including retirees.

We will take into consideration potential volatility around the pension expense by comparing that expense to the actuarially determined contributions (ADC) and actual employer contributions, as well as planned or potential changes in contributions, to determine a university's ability to cover its fixed costs and maintain or improve its pension funding status over time. In cases where pension liabilities are very high, we will increase focus on the adequacy of contributions, comparing actual contributions made to both ADCs and the tread water measure of service cost plus interest on the beginning unfunded liability.

Exhibit 2

University of Missouri: Strong FY 2014 Market Returns Decreased Pension Expense

$ millions, Fiscal Year 2014 (ended June 30, 2014)

Pension Data	FY 2014
Investment Return	16.2%
Assumed Investment Return Rate	7.75%
Actuarially Determined Contribution (ADC)	$114
Employer Contribution	$114
Reported Pension Expense	$51

Source: University of Missouri CAFR, Moody's Investors Service

Cash flow adjustments will smooth income statement volatility and reflect more accurate debt service coverage

We will adjust the cash flows to account for the non-cash portion of the income statement pension expense to determine actual cash flow available to pay debt service. Specifically, we will adjust for the difference between pension expense on the income statement and the actual pension contribution for that fiscal year. If the university contribution to its pension plans are less than the pension expense, cash flow will be higher, reflecting that the university paid out less cash than the pension expense. If, however, the contribution exceeds the pension expense, then cash flow will be lower.

For example, as reflected in Exhibit 2, University of Missouri paid an employer contribution of $114 million to its pension plan, but recognized only $51 million as pension expense on its income statement. We will subtract out the $63 million difference from net income as an "additional unusually large non-cash expense" to reflect the actual contribution amount paid, therefore the operating cash flow margin will be reduced to 12.4% from the 14.5% FY 2014 unadjusted cash flow margin (see Exhibit 3). Our cash flow calculations are also adjusted for other non-cash expenses, such as depreciation and the difference between other post-employment benefits (OPEB) expense and actual contributions.

Exhibit 3
University of Missouri: Operating Cash Flow Adjustments Reduce Margin
$ in millions, Fiscal Year 2014 (ended June 30, 2014)

Ratios	FY 2014	FY 2014 with adj. cash flow
Net Operating Income (Moody's adjusted)	$148	$148
Operating Cash Flow[2]	$426	$363
Operating Cash Flow Margin	14.5%	12.4%
Debt Service Coverage	4.7x	4.0x

Source: University of Missouri CAFR, Moody's Investors Service

For universities that have bond covenants that require minimum debt service coverage, we will review changes in bond documents and coverage calculations to assess potential events of default related to changes in net revenue from pension expense. We expect issuers and their bond counsel to determine whether current bond indentures require use of the pension expense in net revenue calculations.

Higher Education Pension Analysis Highlighted by Two Key Ratios

Spendable cash and investments to adjusted debt: This balance sheet ratio compares cash and investments, excluding adjusted permanently restricted net assets, to the sum of direct debt, operating leases and the three-year average ANPL ("adjusted debt"). The ratio supplements our traditional debt metrics by providing a broader view of the multiple obligations a university might face.

Adjusted debt to operating revenue: This ratio measures the magnitude of the university's long-term obligations relative to the scope of its operations.

Have any rating actions taken place based on pension funding? Are additional rating actions anticipated?

Growing pension burdens are an increasing credit challenge for many public universities and have contributed to rating downgrades when particularly meaningful. Negative rating actions related to pensions will likely increase over the next few years as rising pension costs add operating pressure for public universities, particularly in a multi-year period of constrained revenue growth.

Three primary factors contribute to pension-related credit pressure for public universities in the US:

Rising fixed costs. Many universities and pension systems are requiring higher employer pension contributions to make up for historical underfunding. The March 2014 downgrade of the University of California to Aa2 stable from Aa1 negative was partially precipitated by the university's continued struggle to balance operations, while facing higher pension contributions for its single-employer defined-benefit plan (University of California Retirement Plan, UCRP). Over the last several years, UC has steadily increased its employer contribution into UCRP, up to 14% of covered payrolls in fiscal 2015 from just 4% in fiscal 2011.[3] Higher contributions are occurring in both single-employer and multiple employer cost-sharing plans. Some of the most underfunded plans in which public universities participate are in Illinois (A3 negative), Kentucky (Aa2 stable), Louisiana (Aa2 stable), Hawaii (Aa2 stable), and Connecticut (Aa3 stable).

Pension funding cannibalizing state operating support. This risk is isolated to cases where "on-behalf" state pension funding is rolled into general state operating support. Pension contributions are taking up a greater portion of overall state appropriations at a time when state funding for many public universities has been weak or stagnant. One of the key drivers of our August 9, 2013 downgrades of seven of the eight rated Illinois public universities was ongoing state pension funding issues. The universities' general operating support has been declining as a greater share of overall state appropriations are made for "on-behalf" payments of pension and post-retirement liabilities.

States that currently make all or most of employer contributions to multiple employer cost-sharing plans on behalf of public universities include Texas (Aaa stable, all for four-year public universities, partial for others), Connecticut (Aa3 stable), Hawaii (Aa2 stable), Illinois, Louisiana (Aa2 negative) and Massachusetts (Aa1 stable).

State fiscal challenges. Rising pension costs can hurt a state's credit quality and hinder its ability to support public universities. States may choose to cut funding for higher education in order to address pension issues. There is also some risk that financially challenged states that make pension payments on behalf of universities will seek to shift those payments to the universities. However, while we expect fiscally challenged states to attempt this, cost shifting is most likely to occur in states with the greatest political will and legal flexibility for reform. For instance, Texas recently began requiring its junior colleges to contribute 50% of employer contributions to the Teacher Retirement System of Texas (TRS) for instructional or administrative employees and 100% of employer contributions for all other TRS employees.[4] Previously, the state made the entire contribution. However, cost-shifting will emerge slowly and incrementally across the US, as states can face statutory and cultural challenges related to these changes.

The State of New Jersey's downgrade to A2 negative from A1 negative on April 16, 2015 resulted in our review of all 10 rated New Jersey public four-year universities and one community college. Each of the institutions was evaluated based on its financial and governmental links with the state as well as its relative positioning to the other public universities. Ultimately, three were downgraded with negative outlooks and five had their outlooks revised to negative, largely reflecting uncertainty around state funding and a heightened risk they will have to cover an increasing portion of fringe benefit costs. We maintained the ratings and stable outlooks on three institutions due to a combination of factors, including strong fiscal oversight and exceptional cash flow that would help absorb any state funding cuts.

Moody's Related Research

Sector In-Depth

» New Pension Accounting Increases Clarity of Plan Funding Trajectories, March 2015, (1002636)

Special Comment

» US Public Universities and Some Hospitals Confront Growing Pension Burden, July 2014 (171928)

» Moody's US Public Pension Analysis Largely Unchanged By New GASB 67/68 Standards, June 2014 (171874)

Endnotes

1 Citigroup Pension Liability Index (via Society of Actuaries) as of the pension plan valuation/measurement date.

2 Operating cash flow measures the amount of excess cash flow (or deficit) generated from annual operating expenses. Calculation: adjusted total unrestricted revenues (limiting investment income to a 5% of average of previous three years' cash and investments and subtracting net assets released for construction and acquisition of fixed assets), less total unrestricted operating expenses, plus depreciation, plus interest, plus additional unusually large non-cash expenses.

3 The Future of UC Retirement Benefits

4 Texas Legislature SB1812

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STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2016-182
March 2016

FLORIDA INTERNATIONAL UNIVERSITY

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Mark B. Rosenberg served as President and the following individuals served as Members of the Board of Trustees:

Notes: [a] Vice-Chair served through 3-18-15. Vice-Chair position remained vacant from 3-19-15, through 3-25-15.
[b] Student body president.
[c] Faculty Senate Chair.

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

The team leader was Allen Jova, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

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

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

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State of Florida Auditor General

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FLORIDA INTERNATIONAL UNIVERSITY

TABLE OF CONTENTS

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether Florida International University and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2015. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University will be presented in a separate report.

AUDIT METHODOLOGY

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida International University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida International University and of its aggregate discretely presented component units as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 3 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 28, 2016

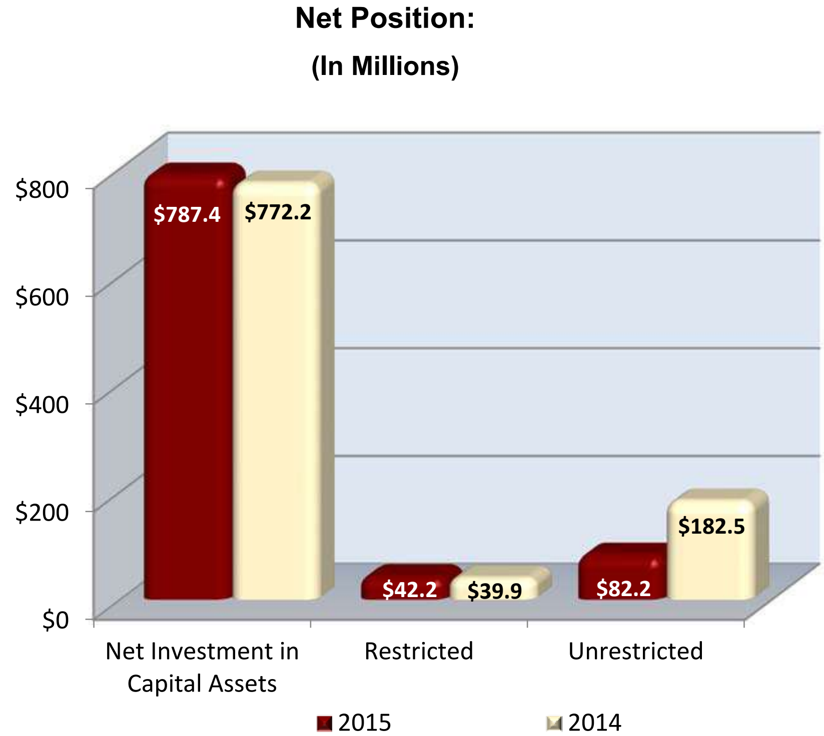
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2015, and June 30, 2014.

FINANCIAL HIGHLIGHTS

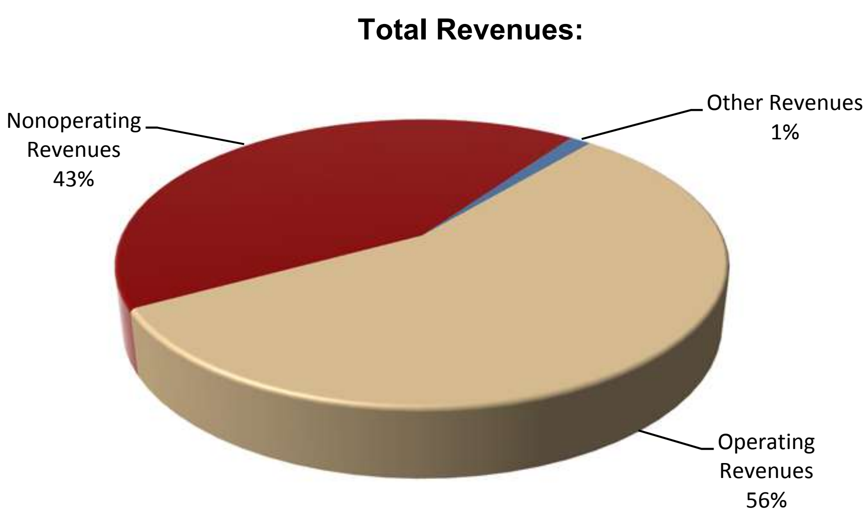
The University's assets and deferred outflows of resources totaled $1.4 billion at June 30, 2015. This balance reflects a $75.1 million, or 5.6 percent, increase as compared to the 2013-14 fiscal year. Contributing to the increase during fiscal year 2014-15 were the $16.6 million increase in receivables due from the State for capital construction projects and an increase in capital assets of $38.9 million, net of depreciation. These increases were offset by a $16.4 million decrease in restricted investments used for the construction of the new parking garage. Deferred outflows of resources increased $46.1 million due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Liabilities and deferred inflows of resources increased by $157.9 million, or 47.1 percent, totaling $493.3 million at June 30, 2015, as compared to $335.4 million at June 30, 2014. Liabilities increased by $102.4 million, or 30.5 percent, totaling $437.8 million at June 30, 2015, as compared to $335.4 million at June 30, 2014. Deferred inflows of resources increased $55.5 million due to the adoption of GASB Statement No. 68. As a result, the University's net position decreased by $82.8 million, resulting in a year-end balance of $911.8 million. The increases in liabilities, deferred outflows and inflows of resources, and a decrease in net position were the result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68. The accounting standard requires the University, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. Changes in liabilities are recognized through the Statement of Revenues, Expenses, and Changes in Net Position, or reported as deferred outflows or inflows of resources on the Statement of Net Position, depending on the nature of the charge. The initial adoption also resulted in a decrease to beginning net position of $88.8 million.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:



The University's operating revenues totaled $498.7 million for the 2014-15 fiscal year, representing an $8.3 million, or 1.7 percent increase over the 2013-14 fiscal year. Major components of operating revenues are student tuition and fees, auxiliary enterprise revenues, and grants and contracts. Net tuition and fees revenue increased $4.3 million while auxiliary enterprise revenue increased $2.5 million. Operating expenses totaled $873.6 million for the 2014-15 fiscal year, representing an increase of $25.5 million, or 3 percent, compared to the 2013-14 fiscal year due mainly to an increase in compensation and employee benefits of $24.9 million.

The following chart provides a graphical presentation of University revenues by category for the 2014-15 fiscal year:



Overview of Financial Statements

Pursuant to GASB Statement No. 35, the University's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its discretely presented component units. These component units include:

- Florida International University Foundation, Inc. (Foundation)
- FIU Athletics Finance Corporation (Finance Corporation)
- Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (Health Care Network)

Based on the application of the criteria for determining component units, the Foundation, Finance Corporation, and Health Care Network are included within the University reporting entity as discretely presented component units. Information regarding these discretely presented component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those discretely presented component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30:

(In Millions)

	2015	2014
Assets		
Current Assets	$ 371.3	$ 366.4
Capital Assets, Net	961.7	922.8
Other Noncurrent Assets	26.0	40.8
Total Assets	1,359.0	1,330.0
Deferred Outflows of Resources	46.1	-
Liabilities		
Current Liabilities	75.8	60.0
Noncurrent Liabilities	362.0	275.4
Total Liabilities	437.8	335.4
Deferred Inflows of Resources	55.5	-
Net Position		
Net Investment in Capital Assets	787.4	772.2
Restricted	42.2	39.9
Unrestricted	82.2	182.5
Total Net Position	$ 911.8	$ 994.6

Total assets as of June 30, 2015, increased by $29 million, or 2.2 percent. This increase is primarily due to a $16.6 million increase in receivables due from the State for capital construction projects and an increase in capital assets of $38.9 million, net of depreciation, offset by a $16.4 million decrease in restricted investments used for the construction of the new parking garage and a $10.1 million decrease in cash and cash equivalents. Deferred outflows of resources increased $46.1 million due to the implementation of GASB Statement No. 68. Total liabilities as of June 30, 2015, increased by $102.4 million, or 30.5 percent. The increase was primarily due to new liabilities recorded for the University's proportionate share of the FRS net pension liabilities, the increase in deferred revenue related to capital construction projects, the increase in other postemployment benefit (OPEB) and compensated absences liabilities offset by reductions in long-term debt from current year principal payments. Deferred inflows of resources increased $55.5 million due to the adoption of GASB Statement No. 68.

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

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

The following summarizes the University's activity for the 2014-15 and 2013-14 fiscal years:

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

(In Millions)

	2014-15	2013-14
Operating Revenues	$ 498.7	$ 490.4
Less, Operating Expenses	873.6	848.1
Operating Loss	(374.9)	(357.7)
Net Nonoperating Revenues	368.7	368.5
Income (Loss) Before Other Revenues	(6.2)	10.8
Other Revenues	12.2	44.7
Increase In Net Position	6.0	55.5
Net Position, Beginning of Year	994.6	939.1
Adjustment to Beginning Net Position (1)	(88.8)	-
Net Position, Beginning of Year, as Restated	905.8	939.1
Net Position, End of Year	$ 911.8	$ 994.6

Note: (1) As discussed in Notes 2 and 3 to the financial statements, the University's beginning net position for the 2014-15 fiscal year was decreased in conjunction with the implementation of GASB Statement No. 68.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2014-15 and 2013-14 fiscal years:

Operating Revenues
For the Fiscal Years

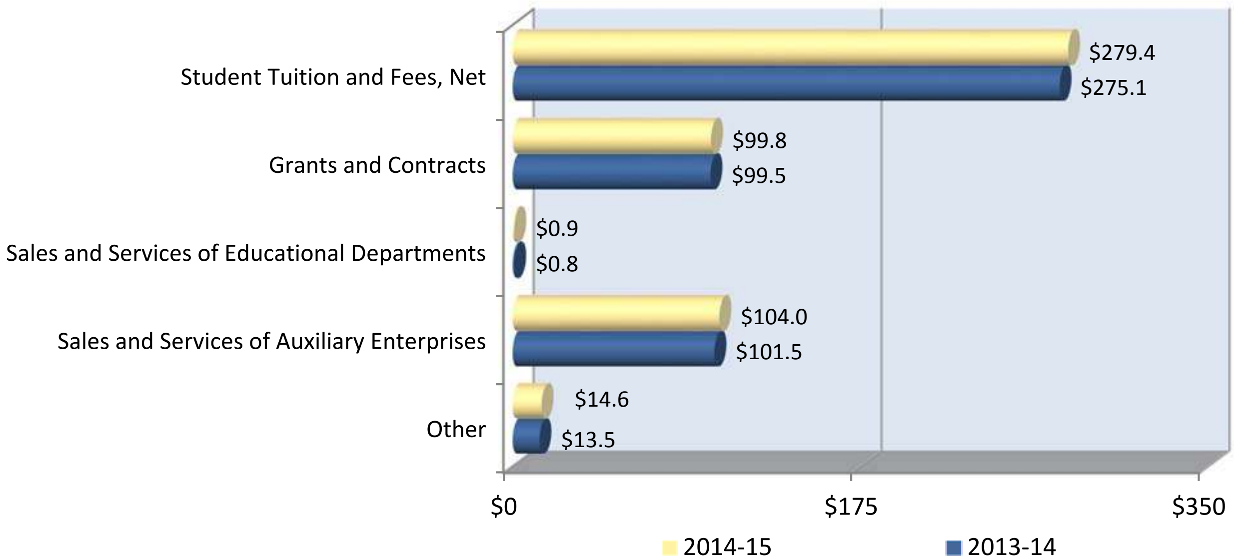
(In Millions)

	2014-15	2013-14
Student Tuition and Fees, Net	$ 279.4	$ 275.1
Grants and Contracts	99.8	99.5
Sales and Services of Educational Departments	0.9	0.8
Sales and Services of Auxiliary Enterprises	104.0	101.5
Other	14.6	13.5
Total Operating Revenues	$ 498.7	$ 490.4

The following chart presents the University's operating revenues for the 2014-15 and 2013-14 fiscal years:

Operating Revenues:

(In Millions)



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

- Net student tuition and fees revenue increased $4.3 million or 1.6 percent. This increase was primarily driven by an increase of 3 percent in undergraduate student enrollment, which generated more revenue from the tuition differential and non-resident tuition. Additionally, revenues from professional programs increased due to increased fees and student enrollment in these programs. The fees for the College of Law and the College of Medicine increased by 6 percent and 2.5 percent, respectively.
- Sales and services of auxiliary enterprises revenue, increased $2.5 million, or 2.5 percent. The increase was mainly due to an increase of 10.5 percent in student enrollment in online distance learning courses. Revenues from these programs increased by $1.4 million. Also, the addition of two new online programs in the College of Education contributed approximately $1 million to the overall increase in revenue.
- Other operating revenue increased $1.1 million or 8.1 percent. This increase was primarily due to revenue generated from the College of Medicine affiliation agreements with local health providers and revenue from the Center for Internet Augmented Research & Assessment (CIARA) Program.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2014-15 and 2013-14 fiscal years:

Operating Expenses

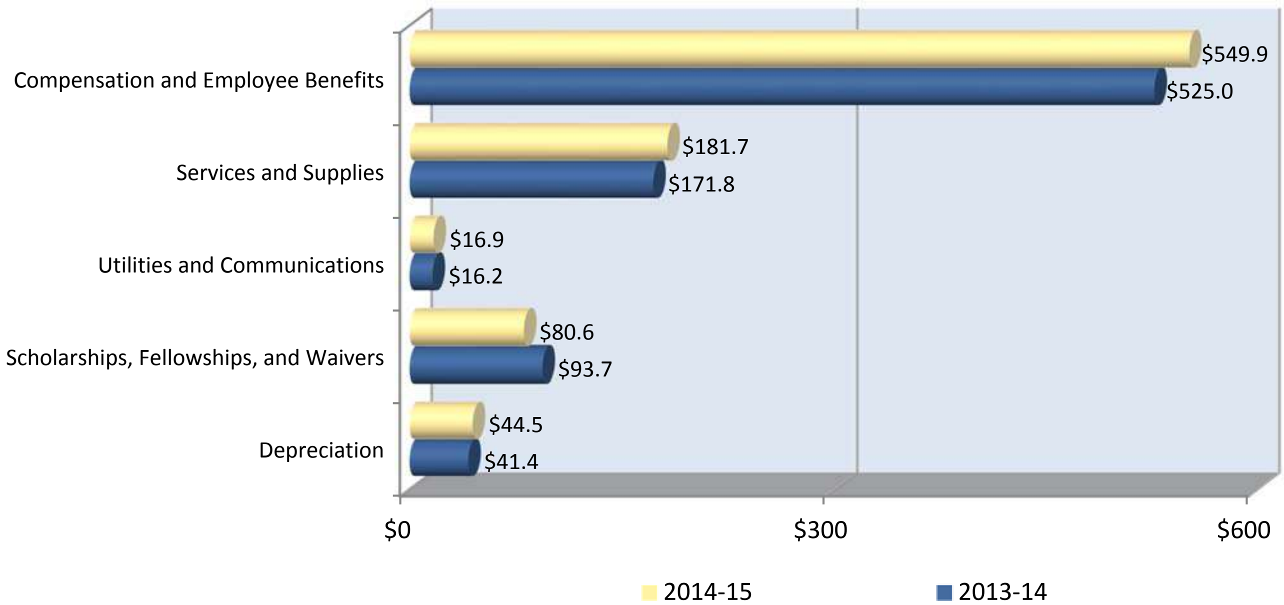
(In Millions)

	2014-15	2013-14
Compensation and Employee Benefits	$ 549.9	$ 525.0
Services and Supplies	181.7	171.8
Utilities and Communications	16.9	16.2
Scholarships, Fellowships, and Waivers	80.6	93.7
Depreciation	44.5	41.4
Total Operating Expenses	$ 873.6	$ 848.1

The following chart presents the University's operating expenses for the 2014-15 and 2013-14 fiscal years:

Operating Expenses:

(In Millions)



Changes in operating expenses were the result of the following factors:

Compensation and employee benefits increased $24.9 million, or 4.7 percent. This increase was primarily due to an increase in the number of employees combined with a 1.5 percent across the board salary increase and a 1.5 percent merit increase for eligible employees. Additionally, there were increases in healthcare insurance matching costs.

- Services and supplies expenses increased $9.9 million, or 5.8 percent. This increase was mainly related to increases in materials and supplies of $3.7 million for noncapitalized furniture and computer equipment for new buildings placed in service and replacement of aging equipment, $1 million for increased purchases of subscription materials, increased costs of $1 million in rental of facilities, increased software licenses costs of $1.1 million, and higher football game guarantee expenses of $1 million.

- Scholarships, fellowships, and waivers expenses decreased by $13.1 million, or 14 percent. This decrease is driven by a recategorization of approximately $10.1 million from scholarship operating expenses to scholarship allowance in operating revenues based on the June 30, 2015, scholarship allowance computation.
- Depreciation expense increased by $3.1 million, or 7.5 percent. This increase was driven by the depreciation of new buildings placed in service during the year.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses):

(In Millions)

	2014-15	2013-14
State Noncapital Appropriations	$ 247.8	$ 225.9
Federal and State Student Financial Aid	110.8	110.8
Investment (Loss) Income	(4.2)	23.6
Other Nonoperating Revenues	22.5	19.6
Loss on Disposal of Capital Assets	(0.1)	(0.2)
Interest on Capital Asset-Related Debt	(7.9)	(7.8)
Other Nonoperating Expenses	(0.2)	(3.4)
Net Nonoperating Revenues	$ 368.7	$ 368.5

Net nonoperating revenues increased by $0.2 million, due mainly to the following:

- State noncapital appropriations increased $21.9 million, or 9.7 percent, due to an increase of $16 million in incremental funding under the Board of Governors' performance model, additional appropriations for health and retirement benefits of $3.8 million, and for plant operations and maintenance of $2.1 million.
- Investment income decreased by $27.8 million. This decrease offset the increases in other nonoperating revenue categories and was primarily due to an increase in investment unrealized losses.
- Other nonoperating revenue increased by $2.9 million or 14.8 percent, primarily due to increased contributions from component units in support of University activities.
- Other nonoperating expenses decreased $3.2 million primarily due to deferred capital improvement debt payable costs written off during the prior year.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2014-15 and 2013-14 fiscal years:

Other Revenues:

(In Millions)

	2014-15	2013-14
State Capital Appropriations	$ 3.3	$ 39.3
Capital Grants, Contracts, Donations, and Fees	8.9	5.4
Total	$ 12.2	$ 44.7

Total other revenues decreased by $32.5 million, or 72.7 percent, due to a $36 million decrease in State capital appropriation revenue for construction projects. This decrease was partially offset by a $3.5 million increase in capital grants and donations.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2014-15 and 2013-14 fiscal years:

Condensed Statement of Cash Flows:

(In Millions)

	2014-15	2013-14
Cash Provided (Used) by:		
Operating Activities	$ (319.1)	$ (292.9)
Noncapital Financing Activities	375.2	358.1
Capital and Related Financing Activities	(80.9)	(67.8)
Investing Activities	14.7	6.4
Net Increase (Decrease) in Cash and Cash Equivalents	(10.1)	3.8
Cash and Cash Equivalents, Beginning of Year	15.7	11.9
Cash and Cash Equivalents, End of Year	$ 5.6	$ 15.7

Major sources of funds came from State noncapital appropriations ($247.8 million), Federal Direct Loan program receipts ($280 million), net student tuition and fees ($276 million), grants and contracts ($99.5 million), sales and services of auxiliary enterprises ($103.2 million), proceeds from sales and maturities of investments ($762.4 million), and Federal and State student financial aid ($109.9 million). Major uses of funds were for payments made to and on behalf of employees ($541 million), payments to suppliers ($194.7 million), disbursements to students for Federal Direct Loan program ($281.4 million), purchases of capital assets ($87.5 million), purchases of investments ($760.5 million) and payments to and on behalf of students for scholarships and fellowships ($80.6 million).

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2015, the University had $1.4 billion in capital assets, less accumulated depreciation of $479.1 million, for net capital assets of $961.7 million. Depreciation charges for the current fiscal year totaled $44.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30:

(In Millions)

	2015	2014
Land	$ 28.7	$ 28.7
Works of Art and Historical Treasures	4.3	4.2
Construction in Progress	125.3	172.5
Buildings	723.2	636.6
Infrastructure and Other Improvements	4.4	4.1
Furniture and Equipment	38.5	35.9
Library Resources	34.6	38.3
Property Under Capital Lease and Leasehold Improvements	1.5	1.6
Computer Software	1.2	0.9
Capital Assets, Net	$ 961.7	$ 922.8

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2015, were incurred on the following projects: $25 million for Parking Garage Six, $9.9 million for the Mixed-Use Auxiliary Building, and $8.1 million for the Student Academic Support Complex. The University's construction commitments at June 30, 2015, are as follows:

	Amount (In Millions)
Total Committed	$ 191.3
Completed to Date	(125.3)
Balance Committed	$ 66.0

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

Debt Administration

As of June 30, 2015, the University had $174.3 million in outstanding capital improvement debt payable and a capital lease payable representing a decrease of $9.2 million, or 5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30:

(In Millions)

	2015	**2014**
Capital Improvement Debt	$ 173.7	$ 182.5
Capital Lease	0.6	1.0
Total	$ 174.3	$ 183.5

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

Economic Factors That Will Affect the Future

Florida's economy has made tremendous strides toward recovery and stability since the great recession. Consistent with the last 2 years, Florida's general revenue collections exceeded projections with growth of over $1.5 billion, or 5.7 percent compared to the 2013-14 fiscal year. The Legislature reinvested the majority of these funds in critical services and educational programs across the State. The State 2015-16 fiscal year budget includes $400 million in performance funds for the State University System (SUS), of which $150 million represents the State investment and $250 million is the SUS investment from base funds. The $150 million State investment granted by the Legislature consists of $100 million of new funds to the SUS and $50 million re-investment of prior year performance funds from the State. Florida International University (FIU) tied for third with 39 points and received a total of $45.7 million, of which $11.6 million was incremental to the prior year's budget. The Florida Board of Governors (BOG) will continue to rank each SUS institution against the 10 performance metrics measures. The performance based funding model holds universities accountable for performance results and promotes a strategic focus and greater return on the State's investment. FIU's strategic plan, FIUBeyondPossible2020, is seamlessly aligned with the performance metrics and the BOG and Florida legislative goals. In other positive results from the 2015 Legislative Session, FIU received $5.1 million in Legislative Budget Requests (LBRs) for specific projects and programs.

The Legislature continues to focus on college affordability as was evidenced by one notable legislative change - the implementation of a sales tax exemption for text books, instructional materials, and college meal plans for the 2015-16 academic year. This will help to alleviate some of the students' cost in the current year; however, the Legislature will re-evaluate this tax exemption in the next legislative session. Additionally, the absence of a legislated undergraduate base tuition increase combined with the inability to increase existing differential tuition rates resulted in FIU undergraduate tuition rates remaining unchanged for the 2015-16 academic year.

The FIU Herbert Wertheim College of Medicine (HWCOM) is currently at full capacity of 480 students. The HWCOM general revenue state appropriations for the 2015-16 fiscal year increased by $0.5 million to reach $31.4 million; $1.3 million increase for a Legislative Budget Request, offset by a reduction of

$0.8 million for a prior year, non-recurring allocation. The HWCOM received the final year of additional funding under the medical school implementation plan in the 2014-15 fiscal year.

The State Legislature is in full support of the 10-metric performance based funding model for the allocation of new funds. The BOG continues to work on adjusting and fine-tuning the performance funding model to ensure reliability and validity of the results. FIU will continue to demonstrate to the Legislature that the institution is providing a satisfactory return on investment to students and the State. FIU's strategic plan, FIUBeyondPossible2020, focuses on initiatives that invest in students, faculty, staff, and infrastructure. FIU's commitment to produce degrees that empower graduates to put learning and research to work on a regional, national, and global platform is paramount. Our students have very strong community connections as a significant number of FIU graduates live and work in South Florida. When combined with our efforts to increase the degrees awarded in programs of strategic emphasis, and achieving our goal towards graduating students sooner in targeted industries, FIU students will continue to make a significant contribution to the economic development of our community in South Florida and the State of Florida.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, the financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer and Senior Vice President for Finance and Administration, Dr. Kenneth Jessell, at Florida International University, 11200 Southwest 8th Street, Miami, Florida 33199.

Florida International University
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2015

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 5,381,408	$ 12,823,300
Investments	275,004,658	232,847,600
Accounts Receivable, Net	25,821,055	83,126,880
Loans and Notes Receivable, Net	649,645	-
Due from State	61,234,489	-
Due from Component Units/University	2,816,534	204,637
Inventories	383,933	-
Other Current Assets	43,143	2,563,834
Total Current Assets	371,334,865	331,566,251
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	245,732	1,018,637
Restricted Investments	14,591,846	2,668,905
Loans and Notes Receivable, Net	1,997,170	-
Depreciable Capital Assets, Net	803,407,753	18,183,292
Nondepreciable Capital Assets	158,267,596	447,225
Due from Component Units/University	9,165,843	-
Other Noncurrent Assets	-	22,561,045
Total Noncurrent Assets	987,675,940	44,879,104
TOTAL ASSETS	1,359,010,805	376,445,355
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	46,105,876	-
Accumulated Decrease in Fair Value of Hedging Derivatives	-	2,446,631
Deferred Amount on Debt Refundings	-	286,160
TOTAL DEFERRED OUTFLOWS OF RESOURCES	46,105,876	2,732,791
LIABILITIES		
Current Liabilities:		
Accounts Payable	21,182,089	625,248
Construction Contracts Payable	10,156,546	-
Salaries and Wages Payable	8,077,855	-
Deposits Payable	1,965,451	-
Due to State	193,465	-
Due to Component Units/University	126,724	2,786,225
Unearned Revenue	19,950,249	2,385,919
Other Current Liabilities	215,193	285,092
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	697,270
Capital Improvement Debt Payable	9,185,280	-
Notes Payable	-	745,000
Capital Lease Payable	205,385	-
Compensated Absences Payable	3,025,078	-
Liability for Self-Insured Claims	42,549	-
Net Pension Liability	1,498,805	-
Total Current Liabilities	75,824,669	7,524,754

Florida International University
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2015

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	30,718,607
Capital Improvement Debt Payable	164,464,887	-
Notes Payable	-	5,420,000
Capital Lease Payable	415,125	-
Compensated Absences Payable	37,015,664	-
Due to Component Units/University	-	9,165,843
Other Postemployment Benefits Payable	47,684,000	-
Net Pension Liability	72,588,597	-
Unearned Revenue	37,563,784	-
Liability for Self-Insured Claims	47,981	-
Other Noncurrent Liabilities	2,259,101	4,991,911
Total Noncurrent Liabilities	362,039,139	50,296,361
TOTAL LIABILITIES	437,863,808	57,821,115
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	55,500,417	-
NET POSITION		
Net Investment in Capital Assets	787,404,672	11,304,247
Restricted for Nonexpendable:		
Endowment	-	206,408,578
Restricted for Expendable:		
Debt Service	2,863,043	-
Loans	443,294	-
Capital Projects	14,432,328	-
Other	24,459,938	95,709,060
Unrestricted	82,149,181	7,935,146
TOTAL NET POSITION	$ 911,752,456	$ 321,357,031

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

Florida International University
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2015

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $124,395,476 ($10,384,134 Pledged for Parking Facility Capital Improvement Debt)	$ 279,373,175	$ -
Federal Grants and Contracts	77,703,669	-
State and Local Grants and Contracts	9,662,667	-
Nongovernmental Grants and Contracts	12,452,607	-
Sales and Services of Educational Departments	900,540	-
Sales and Services of Auxiliary Enterprises ($29,104,905 Pledged for Housing Facility Capital Improvement Debt and $5,264,179 Pledged for Parking Facility Capital Improvement Debt)	104,018,158	-
Sales and Services of Component Units	-	7,105,618
Gifts and Donations	-	38,949,383
Interest on Loans and Notes Receivable	43,727	-
Other Operating Revenues	14,522,875	9,261,743
Total Operating Revenues	498,677,418	55,316,744
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	549,930,299	-
Services and Supplies	181,722,464	27,268,039
Utilities and Communications	16,932,431	206,584
Scholarships, Fellowships, and Waivers	80,552,887	-
Depreciation	44,475,833	899,838
Other Operating Expenses	-	12,240,693
Total Operating Expenses	873,613,914	40,615,154
Operating Income (Loss)	(374,936,496)	14,701,590
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	247,848,804	-
Federal and State Student Financial Aid	110,805,778	-
Investment Income (Loss)	(4,184,659)	6,456,507
Other Nonoperating Revenues	22,376,394	-
Loss on Disposal of Capital Assets	(52,498)	(836,157)
Interest on Capital Asset-Related Debt	(7,868,121)	(1,454,855)
Other Nonoperating Expenses	(213,831)	-
Net Nonoperating Revenues	368,711,867	4,165,495
Income (Loss) Before Other Revenues or Expenses	(6,224,629)	18,867,085
State Capital Appropriations	3,292,811	-
Capital Grants, Contracts, Donations, and Fees	8,898,576	-
Other Expenses	-	(484,695)
Increase in Net Position	5,966,758	18,382,390
Net Position, Beginning of Year	994,612,982	302,974,641
Adjustment to Beginning Net Position	(88,827,284)	-
Net Position, Beginning of Year, as Restated	905,785,698	302,974,641
Net Position, End of Year	$ 911,752,456	$ 321,357,031

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

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Florida International University
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 276,021,013
Grants and Contracts	99,463,986
Sales and Services of Educational Departments	900,540
Sales and Services of Auxiliary Enterprises	103,153,035
Interest on Loans and Notes Receivable	49,011
Payments to Employees	(541,008,169)
Payments to Suppliers for Goods and Services	(194,730,573)
Payments to Students for Scholarships and Fellowships	(80,552,887)
Loans Issued to Students	(4,732,897)
Collection on Loans to Students	5,118,356
Other Operating Receipts	17,208,676
Net Cash Used by Operating Activities	(319,109,909)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	247,848,804
Federal and State Student Financial Aid	109,938,932
Federal Direct Loan Program Receipts	279,958,053
Federal Direct Loan Program Disbursements	(281,430,924)
Operating Subsidies and Transfers	(2,253,632)
Net Change in Funds Held for Others	554,189
Other Nonoperating Receipts	20,952,735
Other Nonoperating Disbursements	(350,081)
Net Cash Provided by Noncapital Financing Activities	375,218,076
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	11,424,683
Capital Grants, Contracts, Donations, and Fees	8,527,063
Other Receipts for Capital Projects	3,786,383
Capital Subsidies and Transfers	(7,821)
Purchase or Construction of Capital Assets	(87,504,662)
Principal Paid on Capital Debt and Lease	(8,681,490)
Interest Paid on Capital Debt and Lease	(8,433,207)
Net Cash Used by Capital and Related Financing Activities	(80,889,051)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	762,419,938
Purchase of Investments	(760,451,208)
Investment Income	12,728,795
Net Cash Provided by Investing Activities	14,697,525
Net Decrease in Cash and Cash Equivalents	(10,083,359)
Cash and Cash Equivalents, Beginning of Year	15,710,499
Cash and Cash Equivalents, End of Year	$ 5,627,140

Florida International University
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2015

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (374,936,496)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	44,475,833
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(1,600,484)
Inventories	(28,318)
Other Assets	796
Accounts Payable	3,747,875
Salaries and Wages Payable	1,579,096
Deposits Payable	254,867
Compensated Absences Payable	2,352,372
Unearned Revenue	43,191
Liability for Self-Insured Claims	10,700
Other Postemployment Benefits Payable	10,336,000
Net Pension Liability	(27,795,697)
Deferred Outflows of Resources Related to Pensions	(33,050,061)
Deferred Inflows of Resources Related to Pensions	55,500,417
NET CASH USED BY OPERATING ACTIVITIES	$ (319,109,909)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (16,862,311)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (52,498)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenses to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida International University Foundation, Inc. (Foundation) – The purpose of the Foundation is to encourage, solicit, receive, and administer gifts and bequests of property and funds for the advancement of the University and its objectives.
- Florida International University Research Foundation, Inc. (Research Foundation) – The purpose of the Research Foundation includes the promotion and encouragement of, and assistance to, the research and training activities of faculty, staff, and students of the University through income from contracts, grants, and other sources, including, but not limited to, income derived from or related to the development and commercialization of University work products.
- FIU Athletics Finance Corporation (Finance Corporation) – The purpose of the Finance Corporation includes the support to the University in matters pertaining to the financing of the University's football stadium and, subsequently, the management and operation of the facility.

- The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (Health Care Network) – The purpose of the Health Care Network is to improve and support health education at the University.

Financial activities of the Research Foundation are not included in the University's financial statements. The total assets and operating revenues related to the Research Foundation are $150,584 and $0, respectively. The amounts represent less than 1 percent of the total aggregate component units' assets and operating revenues.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

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

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

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

The University's discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting except for the Foundation, which follows FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

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

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

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

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

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

Concentration of Credit Risk – Component Units.

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.

In addition to insurance provided by the Federal Depository Insurance Corporation (FDIC), the Foundation, the Finance Corporation, and the Health Care Network 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 with securities held by the entity or its agent in the entity's name.

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

Capital Assets. University capital assets consist of land; works of art and historical treasures; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; property under capital leases and leasehold improvements; and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $250 for library resources, $5,000 for tangible personal property, and $50,000 for new buildings, leasehold improvements, and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 15 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Leases – 5 years
- Leasehold Improvements – Various based on lease terms
- Computer Software – 5 years

Depreciable assets of the Foundation are stated at cost and are net of accumulated depreciation of $4,978,127. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

Depreciable assets of the Health Care Network are stated at cost and are net of accumulated depreciation of $185,423. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 5 to 15 years.

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, capital lease payable, compensated absences payable, other postemployment benefits payable, net pension liability, unearned revenue, liability for self-insured claims, and other long-term liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium and deferred losses on refunding. The University amortizes debt premiums over the life of the debt using the straight-line method. Deferred losses on refunding are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method.

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

2. Reporting Change

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The University participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

3. Adjustment to Beginning Net Position

The beginning net position of the University was decreased by $88,827,284 due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the University to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit pension plans.

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. The University's investments at June 30, 2015, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pool:	
State Treasury Special Purpose Investment Account	$ 54,765,640
SBA Debt Service Accounts	2,850,335
Mutual Funds:	
Limited Partnerships	26,591,226
Equities	76,534,180
Fixed Income and Bond Mutual Funds	94,078,429
Commodities	18,619,987
Money Market Funds	16,156,707
Total University Investments	$ 289,596,504

External Investment Pools

State Treasury Special Purpose Investment Account

The University reported investments at fair value totaling $54,765,640 at June 30, 2015, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.67 years, and fair value factor of 1.0013 at June 30, 2015. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts

The University reported investments totaling $2,850,335 at June 30, 2015, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Fixed Income and Bond Mutual Funds

The University invested in various mutual funds in accordance with the University's investment policy. The following risks apply to the University's fixed income and bond mutual fund investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(6), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. The future maturities of the securities held in the fixed income and bond mutual funds at June 30, 2015, are as follows:

University Debt Investment Maturities

Type of Investment	Fair Market Value	Investment Maturities (In Years) Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Fund	$ 41,641,110	$ 3,585,304	$ 14,095,514	$ 18,671,872	$ 5,288,420
TIPS Index Fund	20,567,686	12,647	6,670,001	9,214,186	4,670,852
High Yield Bond Mutual Fund	19,325,990	290,411	4,282,522	13,191,560	1,561,497
Credit Fixed Income	12,543,643	1,791,062	3,663,941	2,783,478	4,305,162
Total	$ 94,078,429	$ 5,679,424	$ 28,711,978	$ 43,861,096	$ 15,825,931

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2015, the securities held in the fixed income and bond mutual funds had credit quality ratings by a nationally-recognized agency (i.e., Standard & Poor's or Moody's), as follows:

University Debt Investment Credit Quality Ratings

Type of Investment	Fair Value	AAA / Aaa	AA / Aa	A	BBB / Baa to Not Rated
Fixed Income Mutual Fund	$ 41,641,110	$ 25,355,274	$ 1,299,202	$ 5,813,098	$ 9,173,536
TIPS Index Fund	20,567,686	20,555,345	-	-	12,341
High Yield Bond Mutual Fund	19,325,990	529	-	173,929	19,151,532
Credit Fixed Income	12,543,643	1,273,714	98,369	3,853,393	7,318,167
Total	$ 94,078,429	$ 47,184,862	$ 1,397,571	$ 9,840,420	$ 35,655,576

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy addresses the issue of concentration of credit risk by establishing the following restrictions:

- Maximum position in an individual security (excluding government securities) must not exceed 5 percent of the account market value.
- Maximum position in any one issuer (excluding government securities) must not exceed 5 percent of the account market value.

Discretely Presented Component Units Investments

The Foundation's investments at June 30, 2015, are reported at fair value as follows:

Investment Type	Amount
Domestic Equities	$ 38,928,909
Global Equities	61,461,624
Real Assets	12,232,126
Fixed Income	30,919,505
Hedge Funds	60,539,187
Private Investments	26,931,445
Subtotal	231,012,796
Plus Accrued Income	13,756
Total	$ 231,026,552

Concentration of Credit Risk: 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, subject to various limitations. At June 30, 2015, approximately $230,500,000 was held in these accounts. The Foundation believes that the number, diversity, and financial strength of the issuers mitigates the credit risks associated with all investments.

The Finance Corporation investments are made in accordance with the trust indenture. The money market mutual fund investment is reported at fair value of $4,489,954 at June 30, 2015.

Credit Risk: At June 30, 2015, the Finance Corporation money market mutual fund investments were rated AAAm by Standard & Poor's.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the investments in a single issuer. All of the Finance Corporation's investments at June 30, 2015 are held with Regions Morgan Keegan money market mutual funds. According to the bond indenture, the Finance Corporation 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.

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2015, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 18,573,048
Contracts and Grants	7,166,476
Other	81,531
Total Accounts Receivable	$ 25,821,055

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of $13,829,773, and $1,687,651, respectively, at June 30, 2015.

6. Due From State

The amount due from State consists of $45,569,379 of Public Education Capital Outlay and $15,665,110 from the Capital Improvement Fee Trust Fund for construction of University facilities.

7. Due From and to Component Units/University

The University's financial statements are reported for the fiscal year ended June 30, 2015. One component unit is not presented (see Note 1). Additionally, component units' due from and due to amounts include receivables and payables between the various component units. Accordingly, amounts reported by the University as due from and to component units on the statement of net position do not agree with amounts reported by the component units as due from and to the University.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 28,671,778	$ -	$ -	$ 28,671,778
Works of Art and Historical Treasures	4,204,249	73,003	-	4,277,252
Construction in Progress	172,454,441	65,906,584	113,042,459	125,318,566
Total Nondepreciable Capital Assets	$ 205,330,468	$ 65,979,587	$ 113,042,459	$ 158,267,596
Depreciable Capital Assets:				
Buildings	$ 912,657,538	$ 112,418,591	$ 105,545	$ 1,024,970,584
Infrastructure and Other Improvements	17,998,121	795,207	-	18,793,328
Furniture and Equipment	116,039,713	12,145,762	3,042,542	125,142,933
Library Resources	104,405,937	4,574,687	128,672	108,851,952
Property Under Capital Leases and Leasehold Improvements	1,789,567	-	-	1,789,567
Computer Software	2,360,448	603,058	17,625	2,945,881
Total Depreciable Capital Assets	1,155,251,324	130,537,305	3,294,384	1,282,494,245
Less, Accumulated Depreciation:				
Buildings	276,050,950	25,745,367	-	301,796,317
Infrastructure and Other Improvements	13,891,895	447,850	-	14,339,745
Furniture and Equipment	80,131,219	9,508,573	2,990,544	86,649,248
Library Resources	66,021,701	8,334,064	128,671	74,227,094
Property Under Capital Leases and Leasehold Improvements	214,431	101,224	-	315,655
Computer Software	1,436,804	338,755	17,126	1,758,433
Total Accumulated Depreciation	437,747,000	44,475,833	3,136,341	479,086,492
Total Depreciable Capital Assets, Net	$ 717,504,324	$ 86,061,472	$ 158,043	$ 803,407,753

9. Unearned Revenue

Unearned revenue at June 30, 2015, includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education to spend the funds. Also included are contracts and grant payments received in advance, nonrefundable admission fees, prepaid stadium rental income received from the Finance Corporation, food service revenue, conference center fees, land use fees and athletic revenues received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2015, the University reported the following amounts as unearned revenue.

Description	Amount
Capital Appropriations	$ 13,503,029
Contracts and Grants	2,848,205
Admission Fees	1,386,300
Stadium Rental Income	1,304,083
Food Service Revenue	727,065
Conference Center Fees	124,384
Land Use Fees	52,381
Athletic Revenues	4,802
Total Unearned Revenue	$ 19,950,249

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2015, include capital improvement debt payable, capital lease payable, compensated absences payable, other postemployment benefits payable, the long-term portion of unearned revenue, liability for self-insured claims, net pension liability, and other long-term liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 182,480,253	$ -	$ 8,830,086	$ 173,650,167	$ 9,185,280
Capital Lease Payable	1,037,000	-	416,490	620,510	205,385
Compensated Absences Payable	37,688,370	5,707,345	3,354,973	40,040,742	3,025,078
Other Postemployment Benefits Payable	37,348,000	11,438,000	1,102,000	47,684,000	-
Unearned Revenue	26,392,393	12,527,855	1,356,464	37,563,784	-
Liability for Self-Insured Claims	79,830	40,510	29,810	90,530	42,549
Net Pension Liability (1)	101,883,099	40,760,535	68,556,232	74,087,402	1,498,805
Other Long-Term Liabilities	2,228,562	30,539	-	2,259,101	-
Total Long-Term Liabilities	$ 389,137,507	$ 70,504,784	$ 83,646,055	$ 375,996,236	$ 13,957,097

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68. See Notes 2 and 3 to the financial statements.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2015:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2004A Student Apartments	$ 53,915,000	$ 29,533,745	4.00 to 5.00	2034
2011 Student Apartments Refunding	22,210,000	18,635,440	3.00 to 5.00	2025
2012 Student Apartments	53,655,000	52,034,012	3.00 to 4.25	2041
Total Student Housing Debt	129,780,000	100,203,197		
Parking Garage Debt:				
2009 Parking Garage A&B	32,000,000	28,195,000	4.50 to 6.875	2039
2013A Parking Garage	48,365,000	45,251,970	3.00 to 5.25	2043
Total Parking Garage Debt	80,365,000	73,446,970		
Total Capital Improvement Debt	$ 210,145,000	$ 173,650,167		

Note: (1) Amount outstanding includes unamortized discounts and premiums, and deferred losses on refunding issues.

The University has pledged a portion of future housing rental revenues, traffic and parking fees, and an assessed transportation fee per student to repay $210,145,000 of capital improvement (housing and parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct parking garages and student housing facilities. The bonds are payable solely from housing rental income, parking fees, and assessed transportation fees per student and are payable through 2043. The University has committed to appropriate each year from the housing rental income, parking fees, and assessed transportation fees per student amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $278,321,913, and principal and interest paid for the current year totaled $16,629,765. During the 2014-15 fiscal year, housing rental income, traffic and parking fees, and assessed transportation fees totaled $29,104,905, $5,264,179, and $10,384,134, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 8,615,000	$ 7,995,015	$ 16,610,015
2017	6,920,000	7,605,390	14,525,390
2018	7,220,000	7,293,610	14,513,610
2019	7,545,000	6,954,130	14,499,130
2020	7,285,000	6,608,790	13,893,790
2021-2025	35,880,000	28,487,434	64,367,434
2026-2030	31,540,000	21,127,194	52,667,194
2031-2035	31,265,000	13,575,238	44,840,238
2036-2040	27,030,000	6,074,450	33,104,450
2041-2043	8,590,000	710,662	9,300,662
Subtotal	171,890,000	106,431,913	278,321,913
Net Premiums and Losses on Bond Refundings	1,760,167	-	1,760,167
Total	$ 173,650,167	$ 106,431,913	$ 280,082,080

Capital Lease Payable – Related Party Transaction. Land and a building in the amount of $1,037,000 are being acquired under a capital lease agreement with the Foundation. The stated interest rate is 6.6 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 250,212
2017	250,212
2018	205,003
Total Minimum Payments	705,427
Less, Amount Representing Interest	84,917
Present Value of Minimum Payments	$ 620,510

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $40,040,742. The current portion of the compensated absences liability, $3,025,078, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 348 retirees received postemployment healthcare benefits. The University provided required contributions of $1,102,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $2,524,000, which represents 0.7 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 7,015,000
Amortization of Unfunded Actuarial Accrued Liability	3,792,000
Interest on Normal Cost and Amortization	432,000
Annual Required Contribution	11,239,000
Interest on Net OPEB Obligation	1,494,000
Adjustment to Annual Required Contribution	(1,295,000)
Annual OPEB Cost (Expense)	11,438,000
Contribution Toward the OPEB Cost	(1,102,000)
Increase in Net OPEB Obligation	10,336,000
Net OPEB Obligation, Beginning of Year	37,348,000
Net OPEB Obligation, End of Year	$ 47,684,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the 2 preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 8,614,000	18.6%	$ 26,197,000
2013-14	12,314,000	9.4%	37,348,000
2014-15	11,438,000	9.6%	47,684,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $120,121,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $120,121,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $355,458,891 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University's 2014-15 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21 percent, 7.89 percent, and 7.59 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95 percent, 7.64 percent, and 7.75 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 years.

Unearned Revenue. Long-term unearned revenue at June 30, 2015, includes Public Education Capital Outlay and Capital Improvement Fee Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education to spend the funds. Also included are prepaid stadium rental income received from the Finance Corporation, land use fees, and other unearned revenues received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2015, the University reported the following amounts as long-term unearned revenue:

Description	Amount
Stadium Rental Income	$ 22,060,740
Capital Appropriations	12,514,127
Land Use Fees	2,065,950
Other Unearned Revenues	922,967
Total Unearned Revenue	$ 37,563,784

Net Pension Liability. As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit pension plans. As of June 30, 2015, the University's proportionate share of the net pension liabilities totaled $74,087,402. Note 13 includes a complete discussion of defined benefit pension plans.

Other Long-Term Liabilities. Primarily represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or have excess cash in the loan program.

11. Discretely Presented Component Units Debt Issues

Notes Payable – Florida International University Foundation, Inc.

On January 20, 2000, the Miami-Dade County Educational Facilities Authority (the Authority) issued $13 million tax-exempt revenue bonds (Florida International University Foundation Project – Series 1999). These bonds are payable from and secured by a pledge of payments to be made to the Authority under a loan agreement dated December 1, 1999, between the Foundation and the Authority.

The bonds 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 17). The $13 million original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on fifty percent of the original issue, $6.5 million, had 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 12). The bond proceeds were used to acquire, construct, and equip a multi-function support complex located on the Modesto A. Maidique campus and to pay issuance costs. As of June 30, 2015, the outstanding principal balance due under this note payable was $6.2 million. For the year ended June 30, 2015, total interest incurred and paid was $208,532.

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 million 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 a commercial 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 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 5 year period. The Foundation agrees to pay interest at a rate of 67 percent of the 1-month London Interbank Offered Rate (LIBOR) plus 1.68 percent. The bond maturity date of May 1, 2022, remains unchanged as does the swap agreement. On July 30, 2010, 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.

The aggregate maturities of the notes payable, as of June 30, 2015, are shown in the following table:

Fiscal Year Ending June 30	Amount
2016	$ 745,000
2017	785,000
2018	825,000
2019	865,000
2020	910,000
Thereafter	2,035,000
Total	$ 6,165,000

Notes Payable – The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. – Related Party Transaction

On August 27, 2010, the Health Care Network entered into a loan agreement totaling $5,321,198 with the University 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 University clinical activities. Interest on the loan accrues at 2 percent simple interest and the loan is scheduled to mature on June 1, 2030. Drawdowns on the loan for the fiscal year ended June 30, 2015, totaled $5,321,198 and relate principally to expenses paid directly by the University on behalf of Health Care Network. The loan also includes approximately $203,000 of accrued interest as of June 30, 2015. The first payment of $112,366 of interest on the original loan was made in June 2015.

In June of 2015 the Health Care Network renegotiated the loan agreement with the University and borrowed an additional $3,109,385. The total loaned by the University to the Health Care Network is $8,663,962 and the terms are for 21 years at a 2 percent annual interest rate.

In addition, as of July 1, 2015, the Health Care Network will operate as a management services organization for the University. The Health Care Network will retain 15 percent of gross patient service charges as a management fee. The remaining 85 percent of gross patient service charges will be transferred to the University. All cash collections after July 1, 2015, on patient accounts receivable at June 30, 2015, will be transferred to the University. Therefore, the net patient accounts receivable of $163,384 has been recorded as due to the University at June 30, 2015.

Estimated principal and interest payments for the life of the amounts due to the University based on the balances as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 295,440	$ 172,679	$ 468,119
2017	306,030	166,770	472,800
2018	316,878	160,650	477,528
2019	327,991	154,312	482,303
2020	339,374	147,752	487,126
2021-2025	1,877,482	632,201	2,509,683
2026-2030	2,206,083	431,619	2,637,702
2031-2035	2,575,678	196,574	2,772,252
2036	389,006	7,780	396,786
Total	$ 8,633,962	$ 2,070,337	$10,704,299

Bonds Payable – FIU Athletics Finance Corporation

On December 1, 2009, the 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 the Trust Indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and nonoperating 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 percent of the 3-month LIBOR plus 1.90 percent. The interest rate on the Series 2009B bonds shall be at a rate equal to the 3 month LIBOR plus 2.65 percent. The total proceeds from the new bond issues were used solely to retire and refund the outstanding Series 2007A and Series 2007B bonds and pay costs of issuance of the bonds and other refinancing costs. The bonds are secured by operating and nonoperating revenues as well as University athletic fees, not to exceed 5 percent of the total athletic fees collected. Total principal due at June 30, 2015, was $31,415,877.

The 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 $2,668,905 and is included in restricted investments.

The Finance Corporation is required to maintain minimum deposits of $1,000,000 with a bank. The deposit is to be held in an interest-bearing additional reserve fund and is included in restricted cash.

The interest rate on these bonds is both fixed and variable and is subject to a swap agreement (see Note 12) 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, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	1,357,143	1,522,802	2,879,945
2020	1,421,429	1,449,849	2,871,278
2021-2025	8,135,714	6,031,311	14,167,025
2026-2030	10,150,000	3,637,678	13,787,678
2031-2033	7,264,286	792,888	8,057,174
Total	$ 31,415,877	$ 18,361,050	$ 49,776,927

12. Derivative Financial Instruments – Discretely Presented Component Units

The Foundation and the Finance Corporation entered into derivative instruments (i.e., interest rate swap agreements) to reduce their exposure to market risks from changing interest rates. For interest rate swap agreements, the differential to be paid or received is accrued and recognized as interest expense and may change as market interest rates change. These interest rate swap agreements, and a related Letter of Credit agreement entered into by the Finance Corporation, are discussed below.

Florida International University Foundation, Inc.

On February 1, 2000, the Foundation entered into an interest rate 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 11. Under the original interest rate 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 1-month U.S. Dollar London Interbank Offered Rate (LIBOR). Effective October 1, 2005, the Foundation renegotiated the interest rate swap agreement reducing the interest rate swap to 4.63 percent per annum. The renegotiated interest rate swap agreement expired on February 1, 2015.

FIU Athletics Finance Corporation

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

Terms. On December 22, 2009, the 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 above. Under the interest rate swap agreement, the Finance Corporation agrees to pay a fixed rate of 3.60 percent and receive a variable rate equal to 63.7 percent of the 3-month LIBOR. The interest rate swap agreement has a maturity date of March 1, 2033.

Fair Value. As of June 30, 2015, the Finance Corporation interest rate swap agreement has a derivative liability of $4,165,629 as included with reported other long-term liabilities in the statement of net position. The negative fair value was determined using Mark-to-Market Value and represents the closing mid-market values.

As of June 30, 2015, the fair value of the Series 2007A ineffective interest rate swap agreement was $1,718,999, which is included with reported other long-term liabilities. This interest rate swap agreement was not terminated when the bonds were refunded in December 2009. The interest rate on the refunding Series 2009A bonds reflects a higher rate due to not terminating this interest rate swap agreement. Accordingly, the fair value of $1,718,999 of the ineffective Series 2007A interest rate swap agreement is being amortized over the remaining life of the refunding Series 2009A bonds.

The synthetic instrument method evaluates the effectiveness of a potential hedging derivative instrument 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 Finance Corporation determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap agreement is presented in the component units' column of the statement of net position as a deferred outflow of resources in the amount of $2,446,631.

Credit Risk. As of June 30, 2015, the Finance Corporation was not exposed to credit risk because the interest rate swap agreement had a negative fair value. However, should interest rates change and the fair value of the interest rate swap agreement become positive, the Finance Corporation would be exposed to credit risk in the amount of the derivative's fair value. The interest rate swap agreement counterparty was rated Baa3 by Moody's Investors Service, BBB+ by Standard & Poor's and BBB by Fitch Ratings.

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 agreement are based on 63.7 percent of the 3-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 interest rate swap agreement may be terminated if: (i) the loan or other indebtedness in connection with which a transaction entered into by the 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 Finance Corporation, with or without the consent of the counterparty; or (ii) any credit support document expires, terminates, or ceases to be of full force and effect. Also, the interest rate swap agreement may be terminated or assigned by the Finance Corporation if the counterparty's 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 Investor Services, (b) "BBB+" as determined by Standard & Poor's, or (c) "BBB" as determined by Fitch Ratings.

Swap Payments and Associated Debt. Using rates as of June 30, 2015, debt service requirements of the variable-rate portion of the debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

Fiscal Year Ending	Variable-Rate Bond		Interest Rate	
June 30	Principal	Interest	Swap, Net	Total
2016	$ -	$ 436,690	$ 718,310	$ 1,155,000
2017	260,000	436,690	718,310	1,415,000
2018	910,000	431,283	709,417	2,050,700
2019	950,000	412,360	678,290	2,040,650
2020	995,000	392,605	645,795	2,033,400
2021-2025	5,695,000	1,633,220	2,686,480	10,014,700
2026-2030	7,105,000	985,047	1,620,303	9,710,350
2031-2033	5,085,000	214,705	353,170	5,652,875
Total	$ 21,000,000	$ 4,942,600	$ 8,130,075	$ 34,072,675

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

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The University's FRS and HIS pension expense totaled $10,297,809 for the 2014-15 fiscal year.

FRS Pension Plan

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

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

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk	3.00	19.82
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled $13,836,828 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of $32,080,257 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.525779099 percent, which was an increase of 0.145262507 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of $7,000,945. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,985,222
Change of assumptions	5,555,767	-
Net difference between projected and actual earnings on FRS pension plan investments	-	53,515,195
Changes in proportion and differences between University FRS contributions and proportionate share of contributions	21,036,914	-
University FRS contributions subsequent to the measurement date	13,836,828	-
Total	$ 40,429,509	$ 55,500,417

The deferred outflows of resources related to pensions totaling $13,836,828, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (8,735,882)
2017	(8,735,882)
2018	(8,735,882)
2019	(8,735,882)
2020	4,642,917
Thereafter	1,392,875
Total	$ (28,907,736)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	$ 137,211,520	$ 32,080,257	$ (55,368,894)

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

<u>HIS Pension Plan</u>

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $1,806,322 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of $42,007,145 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.449262551 percent, which was an increase of 0.031413453 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of $3,296,864. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	$ 1,494,781
Net difference between projected and actual earnings on HIS pension plan investments	20,165
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	2,355,099
University contributions subsequent to the measurement date	1,806,322
Total	$ 5,676,367

The deferred outflows of resources related to pension, totaling $1,806,322, resulting from University contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 625,990
2017	625,990
2018	625,990
2019	625,990
2020	620,948
Thereafter	745,137
Total	$ 3,870,045

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
University's proportionate share of the net pension liability	$ 47,779,726	$ 42,007,145	$ 37,188,692

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

14. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's Investment Plan pension expense totaled $2,162,771 for the fiscal year ended June 30, 2015.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS pension plan, 0.01 percent to cover administrative costs, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $16,367,723 and employee contributions totaled $10,692,260 for the 2014-15 fiscal year.

15. Construction Commitments

The University's construction commitments at June 30, 2015, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Student Academic Support Center	$ 30,938,383	$ 9,302,514	$ 21,635,869
User Paid Construction Projects	26,363,329	22,337,856	4,025,473
Recreation Center Expansion	15,223,487	214,457	15,009,030
Auxiliary Construction Projects	8,442,907	3,057,664	5,385,243
Subtotal	80,968,106	34,912,491	46,055,615
Projects with Balances Committed Under $3 Million	110,363,662	90,406,075	19,957,587
Total	$191,331,768	$125,318,566	$ 66,013,202

16. Operating Lease Commitments

The University leased building space under operating leases, which expire in 2034. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Included in the annual payments below are the minimum payments required for the operating lease due to the Foundation as described in Note 17. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 4,442,954
2017	4,573,752
2018	4,731,897
2019	4,825,396
2020	4,922,255
2021-2025	13,314,592
2026-2030	5,932,457
2031-2034	4,910,474
Total Minimum Payments Required	$ 47,653,777

17. Operating Lease Commitments – Related Party Transactions

Florida International University Foundation, Inc.

On December 1, 1999, the former Board of Regents of the State University System of the State of Florida for and on behalf of the University entered into a ground lease agreement with the Foundation. Under this agreement, the Foundation leases from the University the grounds on which a multi-function support complex facility was built on the Modesto A. Maidique campus. The consideration required to be paid by the Foundation is $10 annually. The ground lease will expire on December 31, 2024, or on the date the Foundation makes its final payment under a letter of credit agreement related to the financing of the facility. Total amounts paid to the Foundation under this agreement were $1,678,177 and $1,375,281 for the fiscal years ended June 30, 2015, and June 30, 2014, respectively.

On December 1, 1999, the former Board of Regents on behalf of the University also entered into a 20-year operating lease agreement with the Foundation for the facility. Under the terms of the operating lease, the University will pay the Foundation rent in the amount equal to all amounts due and payable by the Foundation under the letter of credit agreement, if any, and loan agreement related to the financing of the facility. The payments also include any costs of operating and maintaining the facility, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the facility became operational. The lease will terminate on May 1, 2022, which is the date of maturity of the loan agreement.

The facility under the above operating lease is not recorded as an asset on the statement of net position; however, the operational lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net position when paid or incurred.

The following schedule by years presents management's best estimate of future minimum rental payments for this noncancelable operating lease as of June 30, 2015:

Fiscal Year Ending June 30	Amount
2016	$ 1,363,000
2017	1,363,000
2018	1,418,000
2019	1,418,000
2020	1,418,000
Thereafter	2,836,000
Total Minimum Payments Required	$ 9,816,000

FIU Athletics Finance Corporation

The University and the Finance Corporation entered into two 25-year ground sublease agreements dated April 1, 2007, rendering the rights to the Finance Corporation to issue a series of capital improvement bonds of which a portion of the proceeds, along with contributions from the University, was used to finance a stadium improvement project located on University premises. Under this agreement, the Finance Corporation prepaid to the University, for rental of the premises, 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:

Fiscal Year Ending June 30	Amount
2016	$ 1,304,083
2017	1,304,083
2018	1,304,083
2019	1,304,083
2020	1,304,083
2021-2025	6,520,416
2026-2030	6,520,416
2031-2033	3,803,576
Total Minimum Payments Required	$ 23,364,823

18. Gift Agreement – Florida International University Foundation, Inc.

The Wolfsonian, Inc. (Wolfsonian) 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, or design and architectural arts. The Wolfsonian 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, sculpture, 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 promotes public education and awareness of the social, historical, technological, political, economic, and artistic material culture of Europe and America in the 1885-1945 period.

On July 1, 1997, the Foundation entered into a gift agreement (Agreement) with Mitchell Wolfson Jr., the Wolfsonian, 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 to the Foundation, subject to a loan agreement made and entered into by the Wolfsonian and Mr. Wolfson, Jr. dated July 29, 1991. The loan agreement was extended through to July 2021.

The Foundation has elected to exercise the option of not capitalizing the items that meet the definition of "collection" as prescribed by accounting principles generally accepted in the United States. Therefore, the fair value of the donated Collection of Decorative and Propaganda Arts is not reflected in the University's financial statements. Purchases of collection items are recorded as decreases in unrestricted net position in the year in which the items are acquired, or as temporarily or permanently restricted net position 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 position classes.

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

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. As a result of the Agreement, the University and Foundation have assumed all administrative functions and operating costs of the Wolfsonian.

The most significant of the obligations under the Agreement is for the University to provide the Wolfsonian with the same financial support from its general budget, as provided to other departments, and to continue the museum and educational activities and operations of the Wolfsonian. The University provided support of approximately $2.2 million during the 2014-15 fiscal year for Wolfsonian expenses which included salaries, equipment, administrative expenses, insurance premiums for the art collection, and building security. In addition, the University provided support of approximately $1.8 million during the 2014-15 fiscal year for utilities, repairs, and maintenance expenses for buildings used by the Wolfsonian.

19. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2014-15 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood losses. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for named windstorm and flood. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage;

all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

University Self-Insurance Program. The Florida International University College of Medicine Self-Insurance Program was established pursuant to Section 1004.24, Florida Statutes, on June 18, 2009. The Self-Insurance Program provides professional and general liability protection for the Florida International University Board of Trustees for claims and actions arising from the clinical activities of the College of Medicine faculty, staff, and resident physicians. Liability protection is afforded to the students of the College. The Self-Insurance Program provides legislative claims bill protection.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides $1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; $300,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; $300,000 per claim protection for participants who engage in approved community service or act as Good Samaritans; and student protections of $100,000 for a claim arising from an occurrence for any one person, $300,000 for all claims arising from an occurrence and professional liability required by a hospital or other health care facility for educational purposes not to exceed the per occurrence limit of $1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported.

Changes in the balances of claims liability for the Self-Insurance Program during the 2013-14 and 2014-15 fiscal years are presented in the following table:

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilities End of Year
June 30, 2014	$ 75,730	$ 26,536	$ (22,436)	$ 79,830
June 30, 2015	79,830	40,510	(29,810)	90,530

20. Functional Distribution of Operating Expenses

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

Functional Classification	**Amount**
Instruction	$ 280,219,584
Research	96,101,391
Public Services	10,600,011
Academic Support	106,277,463
Student Services	61,033,490
Institutional Support	85,241,153
Operation and Maintenance of Plant	55,684,640
Scholarships, Fellowships, and Waivers	80,552,887
Depreciation	44,475,833
Auxiliary Enterprises	53,427,462
Total Operating Expenses	$ 873,613,914

21. Segment Information

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

Condensed Statement of Net Position

	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt
Assets		
Current Assets	$ 21,057,172	$ 10,669,875
Capital Assets, Net	127,009,972	105,744,565
Other Noncurrent Assets	319,494	3,579,934
Total Assets	148,386,638	119,994,374
Liabilities		
Current Liabilities	7,218,804	6,229,809
Noncurrent Liabilities	94,349,023	70,462,336
Total Liabilities	101,567,827	76,692,145
Net Position		
Net Investment in Capital Assets	26,113,341	32,211,300
Restricted - Expendable	5,071	2,862,940
Unrestricted	20,700,399	8,227,989
Total Net Position	$ 46,818,811	$ 43,302,229

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

	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt
Operating Revenues	$ 29,104,905	$ 15,648,313
Depreciation Expense	(3,573,984)	(2,471,637)
Other Operating Expenses	(16,084,985)	(8,560,381)
Operating Income	9,445,936	4,616,295
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	34,585	-
Interest Expense	(3,900,627)	(3,899,055)
Nonoperating Expense	(148,672)	(110,130)
Net Nonoperating Expenses	(4,014,714)	(4,009,185)
Income Before Transfers	5,431,222	607,110
Net Transfers	-	2,865,852
Capital Grants	-	595,421
Increase in Net Position	5,431,222	4,068,383
Net Position, Beginning of Year	41,387,589	39,233,846
Net Position, End of Year	$ 46,818,811	$ 43,302,229

Condensed Statement of Cash Flows

	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt
Net Cash Provided (Used) by:		
Operating Activities	$ 13,004,215	$ 7,213,936
Noncapital Financing Activities	34,585	-
Capital and Related Financing Activities	(12,160,915)	(27,799,301)
Investing Activities	(72,982)	21,547,611
Net Increase in Cash and Cash Equivalents	804,903	962,246
Cash and Cash Equivalents, Beginning of Year	616,917	152,826
Cash and Cash Equivalents, End of Year	$ 1,421,820	$ 1,115,072

22. Discretely Presented Component Units

The University has four component units. As discussed in Note 1, the financial activities of the Research Foundation are not included in the discretely presented component units' columns of the financial statements. The remaining three discretely presented component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	Direct-Support Organizations			
	Florida International University Foundation, Inc.	FIU Athletics Finance Corporation	Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc.	Total
Assets:				
Current Assets	$ 326,632,788	$ 3,578,449	$ 1,355,014	$ 331,566,251
Capital Assets, Net	18,190,373	-	440,144	18,630,517
Other Noncurrent Assets	500,305	25,748,282	-	26,248,587
Total Assets	345,323,466	29,326,731	1,795,158	376,445,355
Deferred Outflows of Resources	-	2,732,791	-	2,732,791
Liabilities:				
Current Liabilities	4,931,550	1,170,705	1,422,499	7,524,754
Noncurrent Liabilities	6,246,281	35,884,237	8,165,843	50,296,361
Total Liabilities	11,177,831	37,054,942	9,588,342	57,821,115
Net Position:				
Net Investment in Capital Assets	11,304,247	-	-	11,304,247
Restricted Nonexpendable	206,408,578	-	-	206,408,578
Restricted Expendable	95,709,060	-	-	95,709,060
Unrestricted	20,723,750	(4,995,420)	(7,793,184)	7,935,146
Total Net Position	$ 334,145,635	$ (4,995,420)	$ (7,793,184)	$ 321,357,031

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

	Direct Support Organizations			
	Florida International University Foundation, Inc.	FIU Athletics Finance Corporation	Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc.	Total
Operating Revenues	$ 45,569,475	$ 3,781,020	$ 5,966,249	$ 55,316,744
Depreciation Expense	(664,732)	-	(235,106)	(899,838)
Operating Expenses	(28,857,679)	(2,457,568)	(8,400,069)	(39,715,316)
Operating Income (Loss)	16,047,064	1,323,452	(2,668,926)	14,701,590
Net Nonoperating Revenues (Expenses)				
Investment Income (Loss)	6,488,817	(32,310)	-	6,456,507
Interest Expense	-	(1,342,489)	(112,366)	(1,454,855)
Loss on Disposal of Capital Assets	-	-	(836,157)	(836,157)
Net Nonoperating Revenues (Expenses)	6,488,817	(1,374,799)	(948,523)	4,165,495
Other Revenues, Expenses, Gains, and Losses	-	(370,000)	(114,695)	(484,695)
Increase (Decrease) in Net Position	22,535,881	(421,347)	(3,732,144)	18,382,390
Net Position, Beginning of Year	311,609,754	(4,574,073)	(4,061,040)	302,974,641
Net Position, End of Year	$ 334,145,635	$ (4,995,420)	$ (7,793,184)	$ 321,357,031

23. Subsequent Events

To achieve debt service savings from lower interest rates, the Board of Governors is issuing revenue refunding bonds. Sale and issuance of $29,105,000 State of Florida, Board of Governors, Florida International University Housing Facility Revenue Bonds, Series 2015A, will be used to defease all of the outstanding State of Florida, Board of Regents, Florida International University Housing Facility Revenue Bonds Series 2004, maturing in the years 2016 through 2034. The sale and issuance was completed on July 21, 2015.

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (2) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 72,099,000	$ 72,099,000	0%	$ 239,559,653	30.1%
7/1/2011	-	101,015,000	101,015,000	0%	280,051,835	36.1%
7/1/2013	-	120,121,000	120,121,000	0%	332,597,433	36.1%

Notes: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

(2) The July 1, 2013, unfunded actuarial accrued liability of $120,121,000 was higher than the July 1, 2011, liability of $101,015,000 primarily as a result of lower than expected increases in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

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

	2014 (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.525779099%	0.380516592%
University's proportionate share of the FRS net pension liability	$ 32,080,257	$ 65,503,841
University's covered-employee payroll (2)	$ 332,597,433	$ 305,657,917
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	9.65%	21.43%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 13,836,828	$ 11,516,793
FRS contributions in relation to the contractually required contribution	(13,836,828)	(11,516,793)
FRS contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll (2)	$ 355,458,891	$ 332,597,433
FRS contributions as a percentage of covered-employee payroll	3.89%	3.46%

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

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

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

	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.449262551%	0.417849098%
University's proportionate share of the HIS net pension liability	$ 42,007,145	$ 36,379,258
University's covered-employee payroll (2)	$ 130,882,051	$ 118,388,264
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	32.10%	30.73%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.99%	1.78%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 1,806,322	$ 1,539,022
HIS contributions in relation to the contractually required HIS contribution	(1,806,322)	(1,539,022)
HIS contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll (2)	$ 140,089,301	$ 130,882,051
HIS contributions as a percentage of covered-employee payroll	1.29%	1.18%

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

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

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

Changes of assumptions. As of June 30, 2014, the inflation rate assumption decreased from 3 percent to 2.6 percent, the real payroll growth assumption decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

Changes of assumptions. As of June 30, 2014, the municipal bond rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida International University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 28, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

The results of our operational audit of the University will be presented in a separate report.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 28, 2016

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-187
April 2016

FLORIDA INTERNATIONAL UNIVERSITY

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Mark B. Rosenberg served as President and the following individuals served as Members of the Board of Trustees:

Notes: [a] Vice-Chair position remained vacant from 3-19-15, through 3-25-15.
[b] Student body president.
[c] Faculty Senate Chair.

The team leader was Allen Jova, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

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

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State of Florida Auditor General

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FLORIDA INTERNATIONAL UNIVERSITY

SUMMARY

This operational audit of Florida International University (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2014-060. Our operational audit disclosed the following:

Finding 1: The University needs to enhance procedures for classifying international students as Florida residents or nonresidents for tuition purposes in accordance with State law.

Finding 2: The University did not always perform background screenings for individuals in positions of special trust and responsibility.

Finding 3: Contrary to State law, certain employment agreements provided for severance pay that exceeded 20 weeks of compensation.

Finding 4: The University exceeded the State law remuneration limits for certain administrative employees paid from appropriated State funds.

Finding 5: The University needs to enhance its textbook affordability monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

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 (BOG). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the BOG appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The faculty senate chair and student body president also are members.

The BOG 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 BOG regulations. The University President is selected by the Trustees and confirmed by the BOG. 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.

This operational audit focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2014-060. The results of our financial audit of the University for the fiscal year ended June 30, 2015, are presented in our report No. 2016-182.

FINDINGS AND RECOMMENDATIONS

Finding 1: Florida Residency

State law[1] provides that, for tuition assessment purposes, universities classify students as Florida residents or nonresidents. The University established procedures to comply with this law and to verify and timely update, as necessary, the residency status of international students.

During the 2014-15 fiscal year, the University collected $403.8 million in tuition and fees. Selected tuition and fees rates for residents and nonresidents are shown in Table 1.

Table 1
Tuition and Fees for Residents and Nonresidents
For the 2014-15 Fiscal Year

	Rate for	
Tuition and Fees Category	**Residents**	**Nonresidents**
Undergraduate	$203.59 semester hour	$616.89 semester hour
Graduate	$453.66 semester hour	$999.71 semester hour

Source: University records

As part of our audit, we examined University records documenting the residency status for 30 students classified as Florida residents, including 15 students classified as international students. We found that the University misclassified 4 of the international students as Florida residents for tuition purposes. In response to our inquiry, University personnel indicated that 2 of the students were initially residents but, because of immigration status changes, they should have been reclassified to nonresidents and that the other 2 student misclassifications occurred due to document processing errors. Subsequent to our inquiry, the University corrected the 4 students' residency status as nonresident in the student records system.

As a result of the misclassification of these 4 students as Florida residents for tuition purposes, the University collected $30,967 less student tuition fee revenue than it would have if the students had been properly classified as nonresidents for tuition purposes. Without appropriate monitoring procedures to verify and timely update international students' residency status, there is an increased risk that the University may not properly assess and collect tuition fees to which it is entitled.

Recommendation: The University should enhance monitoring procedures to ensure that the residency status of international students is properly classified for tuition assessment purposes.

[1] Section 1009.21, Florida Statutes.

Finding 2: Background Screenings

Although not specific to universities, State law[2] provides for background screenings for employees in positions of special trust or responsibility. For example, a level 2 background screening[3] is required for owners, operators, employees, and volunteers working in summer camps providing care for children; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions.

University policy[4] requires that level 2 background screenings be conducted for employees in special trust positions, including information technology employees, employees with unrestricted access to master keys, employees in The Children's Creative Learning Center (providing services for persons under age 18), and other employees in similar areas of special trust. Individuals who apply for a special trust position must consent to a level 2 background screening when completing an employment application or responding to a conditional employment offer. The University contracted with a vendor to perform the level 2 background screening using the vendor's equipment. After the screening is performed, the results are transmitted to the vendor and the vendor provides the results to the Division of Human Resources (HR) for further processing.

To determine whether employees in special trust positions had undergone required background screenings, we requested records for 77 selected employees from the population of 1,402 special trust employees as of June 30, 2015. Although we requested, University personnel could not provide records to evidence background screenings for 27 employees, including 12 information technology employees, 7 employees with unrestricted access to master keys, and 8 other special trust employees.

Additionally, in an audit report dated January 2015, the University's Office of Internal Audits (internal auditors) noted that the University had not required all employees who are responsible for minors (persons under age 18) to comply with applicable Federal and State laws, such as laws that require background screenings. The report further noted that several employees working in camps and programs offered to minors had not undergone level 2 screenings prior to the start of the program. As part of our audit, we requested a listing of all University employees assigned to camps and programs offered to persons under age 18 during the 2014-15 fiscal year. University personnel provided a listing of 142 employees and from this listing we requested evidence of level 2 background screenings for 8 selected camp employees. However, University personnel only provided evidence of the required background screenings for 5 of the 8 camp employees.

In response to our inquiry, University personnel indicated that level 2 background screenings were not performed due to oversights by HR personnel during the implementation of the University's policy. When individuals employed in positions of special trust and responsibility are not required to have background screenings, there is an increased risk that the individuals may have backgrounds that are not suitable for such employment.

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[2] Sections 110.1127, 409.175, and 1012.32(2)(a), Florida Statutes.

[3] A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement, national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal records checks through local law enforcement agencies.

[4] University Policy 1710.257, *Pre-Employment Requirements*.

Recommendation: The University should enhance procedures to ensure that background screenings, including fingerprinting, are performed for individuals in positions of special trust or responsibility, including positions that have direct contact with persons under age 18.

Finding 3: Severance Pay

State law[5] provides that a unit of government entering into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement containing a provision for severance pay, must include a provision in the contract or employment agreement which precludes severance pay from exceeding 20 weeks of compensation. Our review of University severance pay contract provisions and related payments and discussions with University personnel disclosed that the University's severance pay process needs improvement. Specifically, we noted that:

- The University entered into multi-year employment agreements, on or after July 1, 2014, with two athletic coaches. The amended employment agreements for these two coaches provided that, if the coaches were terminated without cause, they would be paid their base salary for the remaining terms of their employment agreements. The University also entered into a multi-year employment agreement for another coach on January 4, 2013, and the University subsequently amended this agreement on September 5, 2014, to provide for a salary increase. The amended agreement also provided that, if the coach is terminated without cause, the coach would be paid an amount equal to the lesser of 2 contract years' annual base salary or the base salary payable during the remaining term of the agreement as of the effective date of termination. However, each of these amended agreements potentially violate the 20 weeks of compensation statutory threshold.

  In response to our inquiry, University personnel indicated that they initially believed that the agreements were in compliance with State law. However, the amended agreement provisions allow for these employees to receive severance pay in excess of 20 weeks of compensation, contrary to State law.

- From the population of 105 former employees paid $1.1 million for severance pay during the 2014-15 fiscal year, we examined University records supporting severance payments totaling $373,148 made to 24 selected employees to determine whether the severance payments were consistent with State law. We found that 2 non-bargaining employees were paid a total of $55,367 for 26 weeks of severance pay, which resulted in severance payments that exceeded the amount allowed by State law by a total of $12,777.

  In response to our inquiry, University personnel indicated that the HR established a separation of employment payouts chart, which provides that non-bargaining employees be paid up to 26 weeks of severance pay and the University paid these employees in accordance with the chart. However, the chart does not comply with State law as it allows for severance pay in excess of 20 weeks of compensation.

Recommendation: The University should enhance procedures to ensure that severance payments do not exceed the limits established by State law.

Follow-up to Management's Response

The University indicates in the written response that the provisions in the coaches' contracts for payments after termination reflect the market reality for intercollegiate athletics and provide for pre-negotiated liquidated damages rather than severance pay. Notwithstanding the University's response, these

[5] Section 215.425(4) Florida Statutes.

provisions provide for payments to employees, contingent on their employment termination, for services yet to be rendered. Therefore, such payments would constitute severance pay.

The University's response further contends that wages paid in lieu of notice are distinct from payments regarded as severance pay under State law. State law, however, makes no such distinction and expansively defines the term "severance pay" as compensation for services yet to be rendered which is provided to an employee who has recently been or is about to be terminated. The University also contends that some employees were entitled to severance pay in excess of the 20-week limitation as those employees started employment under a different employment policy allowing up to 26 weeks' compensation for severance. The preexisting policy, however, created no legal entitlement of the employees as the University could legally modify this policy to comply with State law. Consequently, the finding and related recommendation stand as presented.

Finding 4: Remuneration of Administrative Employees

State law[6] provides that a State university administrative employee may not receive more than $200,000 in annual remuneration[7] from appropriated State funds. State law also provides that this limit does not apply to university teaching faculty or medical school faculty or staff.

During the 2014-15 fiscal year, the University made remuneration payments totaling $5.3 million from appropriated State funds and other funding sources. As part of our audit, we examined University records supporting remuneration payments totaling $2.9 million made from appropriated State funds to 17 selected administrative employees. We found that, contrary to State law, the University paid 6 of these employees, including 4 Vice-Presidents and 2 Senior Vice-Presidents, amounts ranging from $827 to $3,756 and totaling $8,639 in excess of the $200,000 limitation. Subsequent to our inquiry, University management indicated that the University used other University resources to reimburse the $8,639 to the appropriated State funds. A similar finding was noted in our report No. 2014-060.

Recommendation: The University should ensure that the salary of each employee working in an administrative position is paid within the limits established by State law.

Finding 5: Textbook Affordability

State law[8] requires universities to post on their Web sites, as early as feasible, but not less than 30 days prior to the first day of class for each term, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, Board of Governors' (BOG) Regulations[9] require universities to adopt a regulation that establishes textbook adoption procedures to minimize the costs of textbooks for students while maintaining the quality of education and academic freedom. The regulation should establish procedures to document the intent of the course instructors to use all items ordered; determine the extent to which a new textbook edition differs significantly and substantively from earlier versions and the value of changing to a new edition; and post, no later than 30 days prior to the first day

[6] Section 1012.976(2), Florida Statutes.
[7] Remuneration means salary, bonuses, and cash-equivalent compensation paid to a State administrative employee for work performed, excluding health insurance and retirement benefits.
[8] Section 1004.085(3), Florida Statutes.
[9] BOG Regulation No. 8.003, *Textbook Adoption.*

of classes on the University's Web site, a list of each required textbook for each course offering for the upcoming term. The posted list must include the International Standard Book Number (ISBN) for each required textbook or other identifying information, which must include, at a minimum, the title, all authors listed, publishers, edition number, copyright date, published date, and other relevant information necessary to identify the specific textbook or textbooks required for each course.

The University established the BOG-required textbook adoption regulation and procedures and contracted with a vendor to manage and operate the University's bookstore, as well as to compile and post adopted textbooks on the University's Web site. According to University personnel, the University publishes textbook information on the University's Web site on the day the adopted textbooks are recorded in the vendor's system. However, the University had not established monitoring procedures to ensure that textbook information was posted on the University's Web site at least 30 days before the first day of class.

As part of our audit, we examined University records for 28 textbooks selected from the population of 7,301 textbooks used during the 2014-15 fiscal year and found that the University had not posted textbook information for 8 textbooks (29 percent) on the University's Web site at least 30 days prior to the first day of class. For 5 of the 8 textbooks, the University posted the textbook information 6 to 51 days late and information for the remaining 3 textbooks was not posted on the University's Web site. In response to our inquiry, University personnel indicated that these deficiencies occurred because of information technology errors and instances in which faculty members submitted informal textbook adoptions by verbal and e-mail communications, instead of using the University's central adoption system. University personnel further indicated that, as of October 2015, the textbook system administrator stopped accepting informal adoptions and that a communication campaign was developed to ensure that all faculty members are aware of the BOG requirements.

Effective monitoring procedures would help ensure that textbooks are listed on the University's Web site in accordance with State law and BOG Regulations. Without timely posted textbook information, students may misunderstand course textbook requirements and not have sufficient time to consider textbook purchase options to limit their textbook costs.

Recommendation: The University should enhance its monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State law.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for findings included in our report No. 2014-060, except as noted in Finding 4.

OBJECTIVES, SCOPE, AND METHODOLOGY

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 2015 to February 2016 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, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2014-060.
- 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, weaknesses 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.

As described in more detail below, 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.

Our audit included the selection and examination of records and transactions. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically 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 management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed the University's written information technology (IT) policies and procedures for the 2014-15 fiscal year to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Reviewed University procedures for maintaining and reviewing access to IT resources for the 2014-15 fiscal year. We also reviewed selected access privileges for 35 of 1,298 employees who had access to the database, finance, and human resources applications to determine the appropriateness and necessity of the access privileges based on employees' job duties and user account functions and whether the access privileges prevented the performance of incompatible duties.
- Examined administrator account access privileges granted for the 2014-15 fiscal year and procedures for oversight of administrator accounts for the network, operating system, database, and applications to determine whether these accounts had been appropriately assigned and managed.
- Reviewed procedures to prohibit former employees' access to electronic data files. We also reviewed access privileges for former employees during the 2014-15 fiscal year to determine whether their access privileges had been timely deactivated.
- Evaluated the University's written security policies and procedures for the 2014-15 fiscal year governing the classification, management, and protection of sensitive and confidential information.
- Determined whether a comprehensive IT disaster recovery plan for the 2014-15 fiscal year was in place and had been recently tested.
- Reviewed operating system, database, network, and application security settings for the 2014-15 fiscal year to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a written, comprehensive IT risk assessment had been developed for the 2014-15 fiscal year to document the University's risk management, assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether a comprehensive IT security awareness and training program was in place for the 2014-15 fiscal year.
- Examined Board, committee, and advisory board meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the 2014-15 fiscal year and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined University records to determine whether the University informed students and employees at orientation during the 2014-15 academic year and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.

- Reviewed the internal audit function to determine whether the University followed professional requirements and provided for peer review of reports issued. For internal audits, we determined whether audit reports were properly completed and submitted to the Board.
- Examined University records to determine whether the University had developed an anti-fraud policy and procedures for the 2014-15 fiscal year to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we determined whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the unencumbered available balance in the education and general fund of the Board-approved operating budget to determine whether the balance was below 5 percent of the total available fund balance at June 30, 2015. We also performed analytical procedures to determine whether financial transactions in other funds may require resources from other unrestricted funds that would cause a significant reduction in available unencumbered balance in the education and general fund.
- Examined Board investment policies and procedures to determine compliance with Section 218.415, Florida Statutes, and to determine whether investments during the 2014-15 fiscal year were in accordance with those policies and procedures.
- Examined University records for the property and building lease agreement with annual payments totaling $250,212 during the 2014-15 fiscal year to determine compliance with applicable laws, regulations, and University's policies and procedures.
- Examined the eight payments totaling $82,464 made during the 2014-15 fiscal year from the University for licensing or royalty agreements to its direct-support organizations to determine the legal authority for such payments.
- From the population of 22,065 student accounts receivable totaling $274 million at June 30, 2015, examined documentation supporting 30 selected student receivables totaling $114,300 to determine whether University collection efforts were adequate and restrictions on student records and holds on transcripts and diplomas were appropriate and enforced for students with delinquent receivable accounts.
- Examined University records to determine whether uncollectible accounts written-off during the 2014-15 fiscal year totaling $7.5 million were properly approved.
- Reviewed payments from tuition differential fees collected during the 2014-15 fiscal year to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
- To determine whether student fees assessed, totaling $403.8 million during the 2014-15 fiscal year, were properly authorized, accurately calculated, and correctly recorded in accordance with University Board policies and Board of Governors regulations, examined:
  - University fee records for 30 selected students.
  - University records to determine whether student status and residency determinations complied with Section 1009.21, Florida Statutes. Additionally, we determined whether the University had procedures to record deferred fees as a receivable and cancel the registration of students who did not timely pay fees.
- From the population of 1,811 distance learning courses, which generated fee revenues totaling $15.2 million during the 2014-15 fiscal year, examined University records for 30 selected distance learning courses to determine whether distance learning fees were assessed, collected, separately accounted for, and retained in accordance with Section 1009.24(17), Florida Statutes.
- From the population of 22 contracts for auxiliary operations totaling $7.9 million during the 2014-15 fiscal year, examined University records supporting 15 selected contracts totaling

$4.7 million to determine whether the University properly monitored compliance with the contract terms for fees, insurance, and other provisions. Also, we performed analytical procedures to determine whether the University's auxiliary operations were self-supporting.

- From the population of 7,301 textbooks added during the 2014-15 fiscal year, examined supporting documentation for 28 selected textbooks to determine whether the University's policies and procedures regarding textbook affordability were in accordance with Section 1004.085, Florida Statutes.
- Examined University policies, procedures, and related records for supervisory review and approval of time worked and leave used by noninstructional and administrative employees during the 2014-15 fiscal year to determine whether compensation payments were appropriate and leave balances were accurate.
- Reviewed University policies and procedures for terminal pay to ensure consistency with State law. From the population of 694 former employees paid $1.9 million for terminal pay during the 2014-15 fiscal year, we examined documentation supporting 11 selected former employees who were paid a total of $385,814 in terminal pay to determine whether the terminal pay was calculated in compliance with Section 110.122, Florida Statutes, and Board Regulation Nos.1710.295 and 1710.330.
- Reviewed severance pay provisions in 4 employee contracts to determine whether the provisions complied with Section 215.425(4), Florida Statutes. From the population of 105 severance payments totaling $1.1 million during the 2014-15 fiscal year, we examined documentation supporting payments totaling $373,148 made to 24 selected former employees to determine whether the severance payments complied with State law and Board regulations.
- Identified 17 administrative employees paid in excess of $200,000, including the University President, and examined records supporting the total remuneration of $2.9 million paid to the employees during the 2014-15 fiscal year to determine whether the amounts paid were within the limits established in Sections 1012.97(3) and 1012.976(2), Florida Statutes.
- Determined whether employee bonus plans and related payments were paid in accordance with Section 215.425(3), Florida Statutes.
- Evaluated University policies and procedures for obtaining personnel background screenings, and determined whether individuals in positions of special trust or responsibility, such as positions involving direct contact with persons under age 18, had undergone the appropriate background screenings.
- Reviewed the University's vendor selection process and, when applicable, determined whether selected vendors carried adequate insurance. Additionally, we examined University expenditure documentation to determine whether expenditures were reasonable, correctly recorded, adequately documented, for a valid University purpose, properly authorized and approved, and in compliance with applicable laws, rules, contract terms, and Board policies. Specifically, from the population of expenditures totaling $504.2 million for the period July 1, 2014, through March 31, 2015, we selected and examined:
  - Documentation relating to 30 agreements for contractual services totaling $14.6 million.
  - Documentation relating to the competitive selection of 30 vendors to which payments totaling $2.5 million were made.
- Examined documentation supporting 37 of 100,585 purchasing card (P-card) transactions during the 2014-15 fiscal year, to determine whether the P-card program was administered in accordance with University policies and procedures and transactions tested were not of a personal nature.

- Examined P-card records for 21 of the 91 former cardholders during the 2014-15 fiscal year to determine whether P-cards were timely canceled upon the cardholders' separation of employment.
- From the population of $43.5 million in total travel expenditures during the 2014-15 fiscal year, examined 30 selected travel reimbursements totaling $43,409 to determine whether the travel expenditures were reasonable, adequately supported, for valid University purposes, and limited to amounts allowed by Section 112.061, Florida Statutes.
- From the population of 1,143 payments to employees for other than travel and compensation, totaling $204,138 during the period July 1, 2014, through May 31, 2015, examined 30 selected payments totaling $53,553 to determine whether such payments were reasonable, adequately supported, for valid University purposes and whether such payments were related to employees doing business with the University, contrary to Section 112.313, Florida Statutes.
- Evaluated University policies and procedures related to identifying potential conflicts of interest during the 2014-15 fiscal year. Also, we reviewed Department of State, Division of Corporation, records; statements of financial interests; and University records to identify any potential relationship that represented a potential conflict of interest with vendors used by the University.
- From the population of 55 construction contracts totaling $21.9 million for projects that were in progress during the 2014-15 fiscal year, examined supporting documentation for 21 selected payments totaling $2.8 million relating to 5 construction contracts totaling $4.4 million to determine whether the payments were in accordance with contract terms and conditions, University policies and procedures, and State laws and rules.
- From the population of Public Education Capital Outlay (PECO) and other restricted capital outlay payments totaling $76.8 million during the 2014-15 fiscal year, examined records supporting 10 selected payments totaling $516,880 to determine whether these funds were expended in compliance with the restrictions imposed on the use of these resources.
- Determined if, during the 2014-15 fiscal year, PECO funds were properly encumbered by the required reversion date or returned as required by Section 216.301(2)(a) and (c), Florida Statutes.
- From the population of 3,965 electronic funds transfers (EFTs) and payments totaling $46.5 million during the 2014-15 fiscal year, examined 30 selected EFTs and payments totaling $1 million to determine whether the EFTs and payments were adequately supported and properly authorized.
- For the 945 active credit card accounts as of May 31, 2015, examined changes related to credit card limits to evaluate the reasonableness of assigned credit limits. We also compared the University's list of active cardholders to the credit card service provider list of authorized credit cards to determine whether all credit cards issued where authorized. Additionally, we determined whether the University conducted periodic reviews to ascertain the need for the credit cards issued and the spending limits authorized.
- From the population of 476 e-payable payments totaling $4 million during the 2014-15 fiscal year, examined records supporting 30 selected payments totaling $180,982 to determine whether the University complied with the contract provisions, documented the process used to pay vendors, and evaluated the related internal controls.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.

- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic basis. 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.

Sherrill F. Norman

Sherrill F. Norman, CPA
Auditor General

FLORIDA INTERNATIONAL UNIVERSITY

OFFICE OF FINANCE & ADMINISTRATION

April 8, 2016

Sherrill F. Norman, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman,

Enclosed are Florida International University's responses to the preliminary and tentative findings and recommendations for the Operational Audit of Florida International University for the fiscal year ended June 30, 2015. The University 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 operational 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 or 305-348-2101 at your convenience.

Sincerely,

Kenneth Jessell, Ph.D.
Chief Financial Officer & Senior Vice President for Finance and Administration

Cc: Mark B. Rosenberg, Ph.D., President
Kenneth Furton, Ph.D., Provost, Executive VP & COO, Academic Affairs

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FLORIDA INTERNATIONAL UNIVERSITY
Responses to Preliminary and Tentative Findings
Operational Audit—Fiscal Year Ended June 30, 2015

Finding 1: The University needs to enhance procedures for classifying international students as Florida residents or nonresidents for tuition purposes in accordance with State law

The University concurs with this finding and recommendation. As reflected in the Audit Finding, FIU's practices for assigning and updating Florida residency status for international students did not take full advantage our existing administrative software capabilities. As part of the audit process, FIU uncovered the reasons that contributed to erroneous residency assignments and the corrective actions that needed to be taken. Historically, FIU relied heavily on manual processes, paper forms, and person-to-person emails to manage Florida residency status for international students. Specifically, when an international student's visa status changed from a status that qualified for Florida Residency to F-1, a staff member from the Office of International Student and Scholars Services (ISSS) would notify the Associate Registrar for Records via email. Based on this email, the Associate Registrar or member of the record's team would re-evaluate the student's residency documentation and, where appropriate, update the student's residency classification. Due to the manual nature of this process, any miscommunication between the two offices could lead to erroneous residency classifications of international students.

On December 29, 2015, specific modifications to our procedures were initiated and these modifications will eliminate these sources of error. The Office of the Registrar began running an internal audit query that identifies all active students who are classified as Florida residents for tuition purposes and have F-1 visa statuses. This query is scheduled to run automatically once per week. This internal audit query eliminates the need for ISSS staff members to provide the Office of the Registrar with notifications concerning visa status changes and this automated process will eliminate a primary source of error in our efforts to manage residency statuses for international students.

Through this enhanced review process, the Manager of Academic Records will engage in the following activities:

1. Review the query results and identifies students who have visa statuses with effective dates that are equal to or greater than the date of the last scheduled query run;

2. Review all residency documentation included in each of the identified students' records; if no documentation exists for a student in *Image Now*, then the Manager contacts the staff member who assigned the original residency classification to confirm that no updated residency documentation exists. In cases where new residency documentation is identified, the Manager reviews this documentation and includes it in the student's *Image Now* record;

3. Notify students via email when the Manager of Academic Records updates the student's residency status and saves the email in the student's record.

In addition to retaining records of residency status changes in each student's *Image Now* record, the University will retain the results of weekly queries in our secured network server.

Finding 2: The University did not always perform background screenings for individuals in positions of special trust and responsibility

The University concurs with the finding and the recommendation. As reflected in the audit, Sections 110.1127, 409.175, and 1012.32(2)(a), Florida Statutes, are not specific to universities and therefore Florida International University established Policy 1710.257--*Pre-Employment Requirements* for all prospective employees. While University policy establishes minimum background checks for all prospective employees, it provides for in-depth criminal background checks (Level II background screens), including fingerprinting, through the Florida Department of Law Enforcement for specific positions including but not limited to: law enforcement personnel; individuals handling cash or managing cash transactions; financial services positions; individuals who will have unrestricted access to master keys; information technology positions; individuals who work in the Children's Creative Learning Center; individuals who work in residence halls; and employees of the Athletics Department who travel with students to events.

The audit reflects 27 employees without records to evidence the required background screenings. The University maintains that for 13 of these employees, the required background screenings were completed by one of two outside vendors under contract to complete the Level II background checks on prospective employees, but these vendors did not provide the requested documentation due to contractual issues. For the remaining employees, the screenings were not completed due to oversight, the inclusion of one employee hired as an analyst not required to undergo Level II screening, and employees who were hired prior to the implementation of the policy in March 2009 and therefore not required to undergo Level II screening. Additionally, the audit reflects three camp employees having contact with persons under age 18 for which Level II background screenings were not documented. Subsequent University analysis revealed that one was an independent contractor and two were students who failed to complete sign-on paperwork.

As a result of the findings, the University will enhance procedures to ensure that background screenings, including fingerprinting, are performed according to University policy, including positions that have direct contact with persons under age 18. The University will change its procedures to require that a copy of the background check be maintained in the employee's recruitment file. Additionally, the University will amend its policy to ensure that required background screenings are completed for employees hired prior to the policy effective date whenever they move to positions requiring Level II background screenings.

Finding 3: Contrary to State law, certain employment agreements provided for severance pay that exceeded 20 weeks of compensation

The University will ensure that contracts or employment agreements containing a provision for severance pay are in compliance with State law.

The audit identified two employees who were paid 26 weeks of pay upon separating from the University. These payments are "wages in lieu of notice" and not severance as defined in F.S. 215.425(4)(d). These payments are also not violative of the extra compensation rule set forth in F.S. 215.425(1) as they are being paid pursuant to a University policy. Wages in lieu of notice and severance pay are two distinct concepts under the law. See, for example, F.S. 443.101(3)(a) and (b).
In addition, the 26 weeks of wages in lieu of notice policy reflects an arrangement determined approximately 10 years ago that is not subject to change by subsequent statutory changes. Under the University's Separation from Employment Policy, FIU Policy No. 1710.280, the majority of at-will employees are entitled to receive a maximum of 12 weeks of wages in lieu of notice upon separating from the University. A very small number of individuals, who were employed by FIU when the State universities became the employers of University employees (until this time the Board of Regents was the employer of all State University employees), are entitled, pursuant to the policy, to 26 weeks of wages in lieu of notice. At the time FIU became the employer, approximately 10 years ago, these employees (now a small number) were in a classification of employment called Administrative and Professional (A&P) and were entitled, pursuant to Rule 6C8-4.018, to receive up to 26 weeks of wages prior to terminating the employment relationship. Because of this pre-existing right, when these A&P employees transitioned from their A&P status to full at-will employment status they were eligible to receive 26 weeks of wages in lieu of notice.

The audit also identified provisions in two head coaches' contracts which provide for termination payments which could exceed 20 weeks in pay. A very limited number of non-bargaining unit employees at the University are employed pursuant to an employment contract; almost all others receive offer letters. Coaches, head coaches in particular, are one of the key exceptions to this rule. This is because it is the custom and "market" to enter into these contracts. These contracts are beneficial to both parties and very specifically layout the rights and responsibilities of each party. The University's coaches' contracts carefully delineate grounds for termination with cause; grounds for termination for cause in this context are much more robust and easily met than in a typical at-will employment context. Actions that would not entitle termination for cause in a typical at-will employment context may often result in grounds for termination for cause in coaches' contracts. Additionally, the custom and "market" for some coach positions is to provide for each party to pay liquidated damages on account of the contract termination. In order to be competitive in the hiring and retention of head coaches, the University is able to meet the market by agreeing to a liquidated damages clause that provides both the University and the coach a remedy in the event either party terminates without cause. This is not a severance payment.

Unlike typical at-will employees, coaches may have stronger interests in their reputations, in goodwill and the like and they are frequently relocating from different areas of the country to take coaching positions at the University. To mitigate the risk to each party on account of termination without cause, these two contracts provide each party a liquidated damages payment amount agreed upon at contract signing. In light of the legal doctrine of mutuality of remedies, the ability of the University to enforce the coaches' liquidated damages payment obligation is strengthened by the University having a similar obligation. The University has in fact collected liquidated damages under some coaches' contracts. The University believes the payments contemplated by the coaches' contracts do not constitute severance pay. Additionally, no liquidated damages have been paid under the identified contracts.

Finding 4: The University exceeded the State law remuneration limits for certain administrative employees paid from appropriated State funds

The University concurs with the finding and the recommendation and will ensure that the salary of each employee working in an administrative position is paid within the limits established by State law. The amount of overpayment for the six administrative employees totaled $8,639 and was the result of a retroactive component of a salary increase. As reflected in the operational audit, the University has reimbursed the full amount of the overpayment to the appropriated educational and general fund.

In order to prevent the overpayment from occurring again, the University has instituted a new procedure. The Division of Human Resources will run a report of year-to-date remuneration by employee each quarter during the first three quarters of the fiscal year and then monthly starting the last three months of the fiscal year to ensure that the salary limit is not exceeded. If needed, the Division of Human Resources will perform payroll transfers to correct funding source allocations to ensure the limit is not exceeded. As an additional check, the Office of Financial Planning will also review the year-to-date remuneration report before the fiscal year-end and advise the Division of Human Resources of any corrections that need to be made.

In addition, the new procedure described above, the University follows three additional procedures. First, on a biweekly basis, the Office of Employee Records runs a report to determine if anyone covered by this statute is allocated to be paid over the limit and the employee's salary allocation is changed before the payroll runs to ensure the salary does not exceed the limit. Second, during the budget process, the Office of Financial Planning reviews the Position Tool where salaries are budgeted and ensures there are no salary allocations exceeding the $200,000 limit. Finally, the Office of Financial Planning ensures that no department with statute-covered employees will receives a budgetary increase that would carry the employee over the $200,000 limit.

Finding 5: The University needs to enhance its textbook affordability monitoring procedures to ensure that textbooks are timely posted on its Web site in accordance with State Law

The University concurs with the finding and recommendation and will enhance its monitoring procedures to ensure that textbooks are timely posted on the University's website in accordance with State law. As part of a recent reorganization within the Office of the Provost, Textbook Affordability compliance now falls under the purview of the newly established Office of Faculty and Global Affairs and the Textbook Affordability Task Force is now being led by the Office Director. This reorganization will enhance central monitoring of textbook submissions, processes, communications and compliance.

In preparation for the spring 2016 semester, the Textbook Affordability Task Force coordinated a communications campaign during October and November 2015 to all faculty and staff to increase awareness of Textbook Adoptions requirements and procedures. This campaign included:

- Multiple reminders via e-mail to faculty that triggered direct communications with 36 individual faculty and staff members who needed assistance or clarifications on the process.
- Faculty Fellow Blog discussing the importance of timely submission of required course materials.
- An explanation to faculty and staff on what the textbook adoption requirements are and how/where to make the submissions.
- Verbal discussions and reminders during the Chairs Advisory Council and Deans Advisory Council meetings.

Additionally, Barnes and Noble University bookstore staff have been instructed to no longer accept informal (verbal, email or phone) textbook adoptions in order to reduce the burden of manual entry by the staff and avoid submission delays.

The Textbook Affordability Task Force as well as University leadership remain fully committed to improving textbook adoptions rates to the benefit of our students.

Office of Internal Audit
Status Report

BOARD OF TRUSTEES

June 2, 2016

OFFICE OF INTERNAL AUDIT

Date: June 2, 2016

To: Board of Trustees and Finance and Audit Committee

From: Allen Vann, Chief Audit Executive

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 March 11, 2016, we completed the following audits:

Audit of the College of Education

During the audit, the College of Education was integrated with the College of Arts and Sciences to form a new college, the College of Arts, Sciences and Education. As a standalone entity, the College generated Educational and General (E&G) revenues totaling $12.4 million and Auxiliary and Research revenues of $5.4 million, with expenditures of $11 million and $5.2 million, respectively. The College has approximately 92 Faculty/Staff/Administrative members and 103 adjunct faculty. The total enrolled students in 2015 was 3,202 (991 graduate program and 2,211 undergraduate programs).

Our audit disclosed opportunities to strengthen financial processes and procedures in the following areas: asset management, revenue controls, payroll and personnel administration, and numerous expenditure controls. Eight of the fourteen resulting recommendations have already been reportedly implemented and the remaining four recommendations will be completely implemented by June 30, 2016.

Audit of the College of Law

The College of Law has approximate 50 full-time faculty members and 487 students. It is funded mainly through tuition and fees, state appropriations and University and investor contributions of $22.5 million in fiscal year 2015. Expenditures totaled approximately $23 million.

Overall, our audit disclosed that the College's established controls and procedures were generally satisfactory and effective. However, there were areas where internal controls need strengthening, particularly in the areas of: Human Resources; Travel and Credit Card and Other Expenditures; Student Fees; and Asset Management.

Audit of Education Effect Program

The Education Effect Program is a privately funded effort to improve educational outcomes at two Miami-Dade County High Schools. Over the past five years, FIU received approximately \$2.9 million and incurred \$1.5 million in expenditures. Of the total expenditures of \$1.5 million, 76% were spent for Miami Northwestern Senior High School and 24% for Booker T. Washington Senior High School.

Financial controls over expenditures were inadequate. There was a significant lack of oversight and absence of documentation to support payments to contractors, consultants, employees, and student interns resulting in questionable costs. Also, program outcomes relating to grant deliverables and reporting appeared to be insubstantial. The audit resulted in five recommendations, which management agreed to implement.

Review of Employee Online Direct Deposit Change Controls

In 2014, Human Resources strengthened payroll controls by implementing a layered security approach to sensitive personally identifiable information and a workflow-enabled direct deposit transaction process. The changes were made in response to external threats to the process used for updating employee direct deposit information. Overall, the internal controls of the direct deposit process have been effective in mitigating the risk of an unauthorized data modification. We concluded that the previous process was improved.

Work In Progress

The following ongoing audits are in various stages of completion:

Audits	*Status*
Payment Services – Finance and Administration	Fieldwork in Progress
Cash Controls – Finance and Administration	Fieldwork in Progress
Mobile Healthcare Clinics	Fieldwork in Progress
Financial Aid – Enrollment Services	Fieldwork in Progress
Construction	Fieldwork in Progress
School of Hospitality & Tourism Management	Planned

Investigations

We completed a joint fraud investigation with the FIU Police and HR. As a result, the employee involved and her supervisor have been separated from the University. Full restitution in an amount just less than $15,000 was obtained and criminal prosecution is being pursued. No other investigations are currently being performed.

Other Matters

In May, we hosted the Florida State University Audit Council (SUAC) at our Biscayne Bay Campus. The Chief Audit Executives of the Florida State University System (SUS) meet semiannually to share experiences, understand the risks and challenges common to our universities and develop plans to better serve our respective institutions.

Florida International University
Financial Summary Overview [1]
FY 2015-16

($ in millions)	Year To Date March 2016			
	Budget	Current Year Actual	Variance $	Variance %
Revenue / Receipts				
University				
Educational and General (net) [2]	377.0	378.7	*1.7*	*0%*
University	*335.1*	*337.1*	*2.0*	*1%*
College of Medicine	*41.9*	*41.6*	*(0.3)*	*-1%*
FIU Self-Insurance Program	0.3	1.3	*1.0*	*333%*
Auxiliary Enterprises	162.4	167.0	*4.6*	*3%*
Intercollegiate Athletics	20.2	20.7	*0.5*	*2%*
Activities and Service	15.1	15.1	-	*0%*
Technology Fee	7.9	7.9	-	*0%*
Board Approved Fees	0.4	0.2	*(0.2)*	*-50%*
Contracts and Grants	81.2	80.4	*(0.8)*	*-1%*
Student Financial Aid	144.1	146.8	*2.7*	*2%*
Concessions	0.4	0.4	-	*0%*
Direct Support Organizations				
FIU Athletic Finance Corp	3.2	3.1	*(0.1)*	*-3%*
FIU Foundation Inc.	21.0	15.8	*(5.2)*	*-25%*
FIU Health Care Network	3.0	4.2	*1.2*	*40%*
FIU Research Foundation	0.0	0.0	*(0.0)*	*-8%*
Interfund Adjustments [3]	(4.7)	(4.7)	-	*0%*
Total Operating Revenues	**831.5**	**837.0**	***5.5***	***1%***
University Treasury (net)	6.7	(9.0)	*(15.7)*	*-234%*
FIU Foundation Inc	8.8	(10.4)	*(19.2)*	*-218%*
Total Investment Revenues	**15.5**	**(19.4)**	***(34.9)***	***-225%***
Total Revenues / Receipts	**847.0**	**817.6**	***(29.4)***	***-3%***
Expenses				
University				
Educational and General (net)	350.0	310.5	*39.5*	*11%*
University	*316.2*	*281.1*	*35.1*	*11%*
College of Medicine	*33.8*	*29.4*	*4.4*	*13%*
FIU Self-Insurance Program	0.3	0.2	*0.1*	*33%*
Auxiliary Enterprises	131.8	129.2	*2.6*	*2%*
Intercollegiate Athletics	18.5	17.9	*0.6*	*3%*
Activities and Service	14.4	11.6	*2.8*	*19%*
Technology Fee	8.0	6.3	*1.7*	*21%*
Board Approved Fees	0.4	0.4	-	*0%*
Contracts and Grants	85.9	87.5	*(1.6)*	*-2%*
Student Financial Aid	149.1	152.0	*(2.9)*	*-2%*
Concessions	0.5	0.4	*0.1*	*20%*
Direct Support Organizations				
FIU Athletic Finance Corp	1.7	1.9	*(0.2)*	*-12%*
FIU Foundation Inc.	21.0	17.3	*3.7*	*18%*
FIU Health Care Network	2.3	2.9	*(0.6)*	*-26%*
FIU Research Foundation	0.0	0.0	*0.0*	*45%*
Interfund Adjustments [3]	(4.7)	(4.7)	-	*0%*
Total Expenses	**779.2**	**733.4**	***45.8***	***6%***
Principal Payment of Debt [4]	0.7	0.9	*(0.2)*	*-29%*
Change in Net Assets (incl. Investments)	**67.1**	**83.3**	***16.2***	***24%***
Change in Net Assets (excl. Investments)	**51.6**	**102.7**	***51.1***	***99%***

Florida International University
Financial Summary Overview [1]
FY 2015-16

Financial Highlights:

Operations

Educational and General Variance: Revenues $1.7M, Expenses $39.5M

I. University (ex-College of Medicine) Variance: Revenues $2M, Expenses $35.1M

Revenues

State Appropriations:

▪ Additional distribution from the state to cover risk management insurance premiums which were higher than budgeted	0.4
Tuition:	
▪ Lower undergraduate student credit hour enrollment (excluding FIU Online 2.0 and Dual Enrollment) but higher revenue due to favorable mix of non-resident students.	**1.3**
▪ Lower undergraduate tuition differential due to lower enrollment	(0.4)
▪ Unfavorable mix of non-resident students in FIU Online 2.0	(0.5)
▪ Favorable variance in dual enrollment due to unbudgeted tuition revenue paid by the school board for on-campus students and savings from lower credit hour enrollment	0.7
▪ Graduate and Professional: Lower student credit hour enrollment primarily in Grad II, and Graduate Nursing programs	**(0.9)**
▪ Higher than anticipated waivers due to unbudgeted Shorelight program and higher enrollment in business conversion programs offset by lower out-of-state waivers for undocumented students	(0.2)
▪ Other: Lower bad debt and financial aid allocation, and higher incidental fees	1.7
Total Revenues	**$ 2.0**

Expenses:

▪ Higher than budgeted Summer Faculty salaries	(2.7)
▪ Vacancies in Faculty, Administrative and Staff positions $8.1M, savings due to parental and sabbatical leave paid out of fringe benefit pool $3.7M, lower compensation rates than budgeted, change in funding source, and other savings $4.0M, offset by filled unbudgeted positions ($4.0M).	11.8
▪ Budgeted Salary Float	(3.2)
▪ Centralized Expenditures: Placeholder for benefits pass-throughs and salary increases	12.9
Sub-Total Position Salaries and Benefits	**18.8**
▪ **Other In-Unit Expenses**: Delays in spending on legislative line items $2.3M, critical investment projects $2.5M, and other base expenditures $7.1M (e.g. lower utilities and maintenance costs, library purchases, funds held for space build out by College of Engineering & Computer Sciences, and delays in purchasing across all departments)	11.9
▪ **Other Centralized Expenditures:** Unallocated utility increases, timing of AFSCME merit bonus, and FY 2014-15 unit offsets to advanced expenditures	4.4
Total Expenses	**$ 35.2**

II. College of Medicine Variance: Revenues $-0.3M, Expenses $4.4M

Revenues are below target due to students on leave of absence.

Expenses are below target mainly due to vacant positions.

FIU Self-Insurance Program Variance: Revenues $1M, Expenses $0.1M

Revenues are higher than forecast due to unbudgeted resources required to bring the capital reserve to a minimum threshold.

Expenses are below budget due to timing of management and banking fees.

Auxiliary Enterprises Variance: Revenues $4.6M, Expenses $2.6M

Favorable revenue variances are driven mainly by unbudgeted Academic Affairs overhead collections and Global First Year program, higher Housing occupancy, and unbudgeted prior year conference revenue in Housing. These are offset by lower enrollments in continuing education programs in the College of Business, College of Engineering & Computer Science, College of Education, and School of Hospitality and Tourism Management.

Expenditures are below budget mainly due to lower spend in the College of Business, delays in projects, savings due to refinancing of parking bonds, and vacant positions across all auxiliaries. These are offset by unbudgeted expenses related to new sources of revenue and higher expenses associated with higher revenues.

Intercollegiate Athletics Variance: Revenues $0.5M, Expenses $0.6M

Revenues are above target due to unbudgeted Conference USA participation funds received from FIU Athletic Finance Corp.

Expenditures are lower than budget mainly due to lower scholarship and other expenses, offset by timing of bonuses to coaches and unbudgeted purchase of a radio crew booth at the stadium. Scholarship expenses are lower due to lower student athlete course loads and other sources of financial aid for student athletes.

Student Activity and Service Variance: Revenues $0M, Expenses $2.8M

Revenues are on target. Higher than anticipated orientation program revenues and other unbudgeted student activity revenues are offset by lower activity and service fee revenues mainly from lower fundable student credit hour enrollment.

Expenses are below target mainly due to the indoor track at the Recreation Center at Modesto M. Maidique campus budgeted as an expense but recorded as a cash transfer to Facilities. Additionally, expenses related to other student activity operations are lower than projected due to delayed receipt of invoices, postponed projects, and vacant positions.

Technology Fee: Revenues $0M, Expenses $1.7M

Revenues are on target, lower than expected student credit hour enrollment are offset by lower than budgeted bad debt.

Expenses are below target mainly due to vacancies and delays in purchasing and receiving on projects.

Board Approved Fees: Revenues $-0.2M, Expenses $0M

Revenues are below budget due to less eligible test candidates than expected. Anticipate shortfall will be corrected by fiscal year-end with the enrollment of law students reaching 3L status in the summer.

Unfavorable variance in expenses due to timing in payments and unbudgeted increase in the bar prep course cost. The overage will be funded by the College of Law. Contracts with bar prep vendors have been renegotiated so that revenues will fully absorb the costs into the future.

Contracts and Grants Variance: Revenues $-0.8M, Expenses $-1.6M

Sponsored Research: The favorable variance in revenues of $3.2M is mainly due to higher than budgeted revenues in federal, state, and other grants and unbudgeted private revenue. Expenditures are above budget $1.2M due to higher intellectual property legal fees and unbudgeted spending to support research from F&A returns to colleges/units, offset by savings from ORED operations and areas supported by ORED through distributions of F&A.

External Contracts: Unfavorable variance of $4.0M in revenues is driven by timing of DSO reimbursements to FIU and delays in receipt of contractual revenues (e.g. Neighborhood HELP, CIARA). Expenses are above budget by $0.5M mainly due to the faculty practice realignment and higher expenses at the Wolfsonian Museum, offset by timing of expenses at CIARA.

Student Financial Aid Variance: Revenues $2.7M, Expenses $-2.9M

Student scholarship revenue is higher than budget mainly due to a higher than anticipated allocation of the Florida Student Assistance Grant (FSAG) awards for FY 2015-16, increase in the number of Pell awards and departmental scholarships, offset by less than anticipated institutional aid due to lower student credit hour enrollment.

Student scholarship expense is higher than budget due to higher than anticipated disbursements for Pell Grants and additional departmental scholarships, offset by less institutional aid needed than anticipated.

Actual revenues are les than expenses primarily due to a lag in institutional aid and departmental transfers whereby the aid is typically disbursed before funding is transferred to Financial Aid. Departmental funding impact is mainly in College of Law, College of Nursing and Health Sciences, and School of Hospitality and Tourism Management.

Concessions Variance: Revenues $0M, Expenses $0.1M

Revenues are higher than budget due to vending commissions from higher beverage sales and an increased commission rate on snack sales.

Expenditures are below budget mainly due to delays in spending on events, timing in the receipt of invoices for various events, and contingency for vending operations that have not been needed to date.

FIU Athletic Finance Corp Variance: Revenues $-0.1M, Expenses $-0.2M

Operating Revenues are under budget mainly due to timing of sponsorship dollars and suite payments.

Expenses are greater than target due to higher professional services and stadium maintenance costs.

FIU Foundation Inc. Variance: Revenues $-5.2M, Expenses $3.7M

The negative variance in operating revenues is mainly driven by lower cash contributions and an excess of pledged revenue over new signed gift agreements.

Foundation operating expenses are below target mainly due to timing of scholarships and programs, building funds, and the Capital Campaign.

FIU Health Care Network Variance: Revenues $1.2M, Expenses $-0.6M

Operating revenues are higher than budget mainly due to higher management fees due to greater than anticipated patient volumes, and more enrolled students in the American University of Antigua international program.

Expenses are above budget due to unexpected costs of relocating the faculty practice from PG 5 to the Ambulatory Care Center, higher costs associated with higher enrollments in the international program, and unbudgeted expenses for software licenses for a billing system.

FIU Research Foundation Variance: Revenues $0M, Expenses $0M

Operating revenues are on target.

Expenses are lower than budget due to timing of invoicing for audit related services and delays in support for tech transfer and economic development activities.

Investment Revenues: $-34.8M

University Treasury investment fiscal year-to-date returns are -2.4%. The unfavorable variance of gross investment revenues $16.5M is driven mainly by the Strategic Reserve Pool which has a fiscal YTD loss of 3.7% or $6.2M. The ($9.0M) of net investment revenues are comprised of $3.5M of investment earnings and $9.1M of unrealized losses, offset by $3.2M of operating expenses.

Foundation investment fiscal year-to-date returns are 4.5% or $10.4M, generating a negative variance of $19.2M mainly in Equities and diversified growth. Investment returns for the full fiscal year were budgeted at 5.0%, or $12.2M.

Principal Payment of Debt: $-0.2M

Principal payment of debt charges are higher than budgeted due to an unbudgeted payment in Research for the Aquarius Reef Base.

Notes:

[1] *The financials presented above reflects the state budgeting methodology which differs from full accrual Financial Statements. The following have the most significant impact:*

- *Depreciation of Assets: For budgeting purposes equipment purchases are fully expensed in their acquisition year, therefore depreciation is not included in the budget.*
- *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.*

[2] *E&G revenues include State Funding and Tuition and are net of waivers, uncollectible amounts and 30% Financial Aid need-based amounts per BOG regulation. Any differences between E&G Revenues and Expenses will be funded from prior years carry forward.*

[3] *Interfund transfers have been included resulting in higher revenue and expenses by fund allowing for an individual fund performance analysis. The interfund adjustments above eliminate this double counting. However, interfund transactions such as tuition funded by scholarships and auxiliary services provided to other units have not been eliminated. Since revenues and expenses are equal, the interfund adjustments are the same for both.*

[4] *Principal payment of debt reflected above per BOG requirement that debt service payments be shown on a cash basis.*

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
June 2, 2016

UNIVERSITY COMPLIANCE PROGRAM REPORT

Acknowledgements

The Office of University Compliance and Integrity ("Compliance Office") would like to acknowledge the Executive Team and Senior Management for their support and leadership in introducing, establishing and maintaining the Florida International University ("FIU") institutional compliance and ethics program ("Program"), and everyone that has supported our commitment to maintaining a culture of ethics and compliance.

Federal Sentencing Guidelines for Organizations

The Federal Sentencing Guidelines, promulgated by the United States Sentencing Commission in 1991 outlines organizational sentencing guidelines used by Federal Judges to determine whether a defendant organization had an "effective compliance program" in place to prevent the violations for which it is being charged. In 2004, the Commission amended the Guidelines to clarify and strengthen the requirements of an "effective compliance and ethics program."

Organizations are expected to exercise due diligence to prevent and detect criminal conduct and to promote a culture that encourages ethical conduct and compliance with the law. The following elements set forth the minimum criteria for a program to be deemed effective:

(1) Compliance standards and procedures must be established to deter crime.

(2) High-level personnel must be involved in oversight.

(3) Substantial discretionary authority must be carefully delegated.

(4) Compliance standards and procedures must be communicated to employees.

(5) Steps must be taken to achieve compliance in establishment of monitoring and auditing systems and of reporting systems with protective safeguards.

(6) Standards must be consistently enforced.

(7) Any violations require appropriate responses, which may include modification of compliance standards and procedures and other preventive measures.

The organizational guidelines have influenced the prosecutorial policy of the Department of Justice so that an effective compliance program may defer federal prosecution or mitigate any criminal penalty, and has influenced the policies of various regulatory agencies. There is a growing body of policy statements issued by regulatory agencies that provide incentives to organizations to develop effective compliance programs.

To foster a climate that encourages exemplary behavior, our Program continues to develop a comprehensive approach that goes beyond legal compliance. Our institutional compliance framework emphasizes responsibility, accountability, and integrity as we fulfill our mission to our students, staff, faculty, donors, volunteers and the State of Florida.

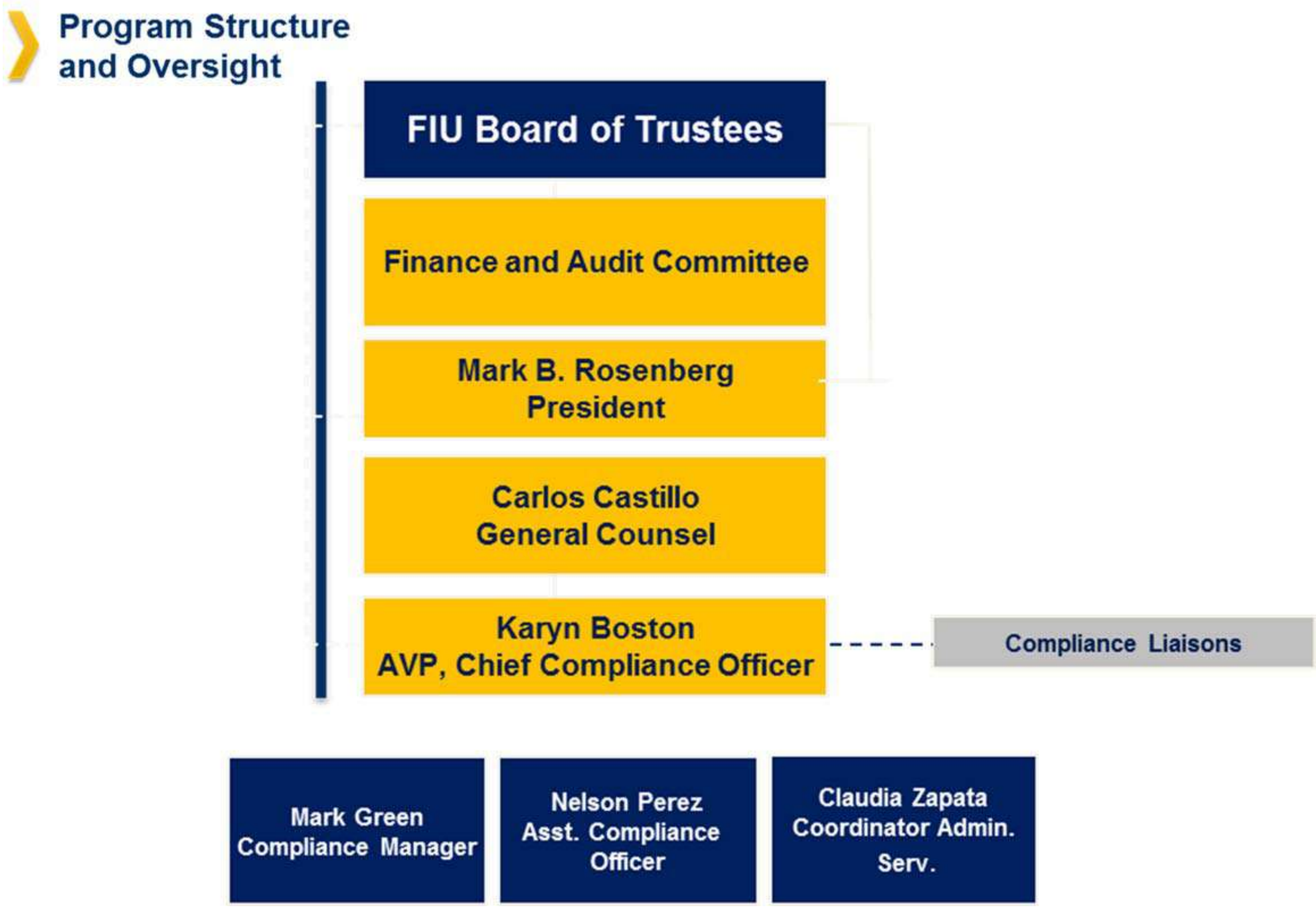
Office of University Compliance and Integrity

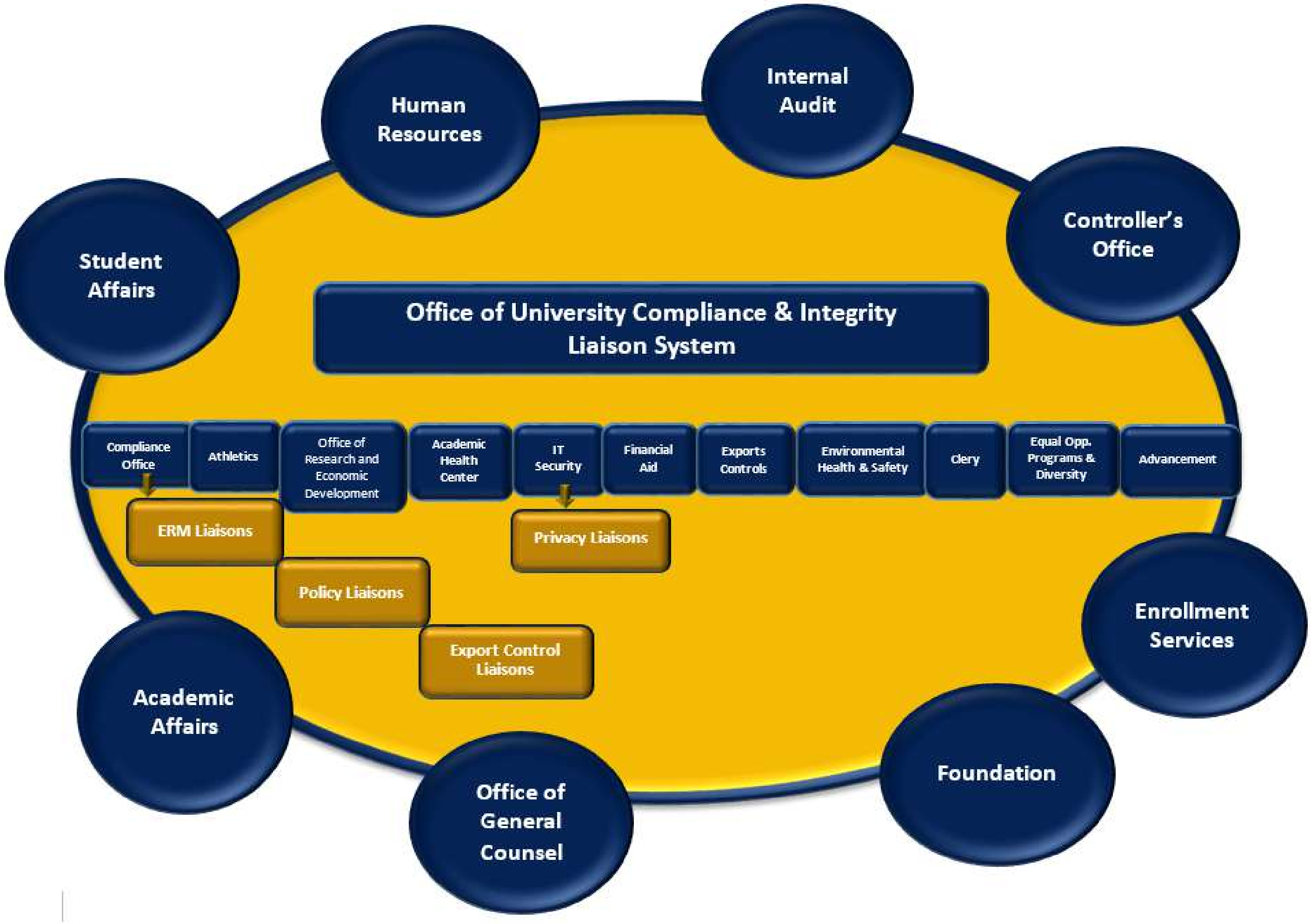
The primary goal of the Compliance Office for the fiscal year 2015–2016, was to enhance the infrastructure for the institutional compliance program ("Program"), by establishing the compliance liaison structure and securing compliance resources that allow for better tracking and documenting compliance with our standards.

The Compliance Office is responsible for coordinating, supporting, and promoting the Program, as well as providing assurance to the Board of Trustees and to FIU leadership, that controls and mechanisms are in place to prevent, detect and mitigate compliance risk. In fulfilling these responsibilities, one of the primary objectives of the Compliance Office is to provide direction, guidance, and resources to faculty, staff and students on maintaining an ethical and compliant culture through an effective Program.

FIU Substantive Compliance Areas		
Accounting Irregularities	Discrimination	Identity Theft
Access/Accommodations/Disability	Drug law policy violation	Immigration Concerns
Admissions Irregularities	Export Control Violations	Information Security
Animal Subject Research	Firearms and Dangerous Weapons policy violation	Interruption to campus operations or services
Anti-bribery	FIU Trademarks	Laboratory Safety
Billing for Health Care Services	Fraud and Financial Abuse	NCAA Rules Violations
Child Abuse or Neglect	Grant Expenditure Violations	Political Activity Violation
Conflict of Interest	Grant Performance	Privacy
Criminal or civil charges against FIU Executives	Harassment	Research Misconduct
Copyright infringement	IACUC Violations	Retaliation
Damage to campus property	IBC/IRE Violations	Sexual Misconduct
Death or serious bodily injury on campus	IRB Violations	Workplace Safety
Student and faculty systems – Limited management over compliance systems, but potentially significant implications for culture or systems failure		

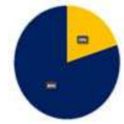
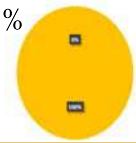
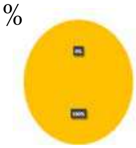
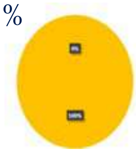
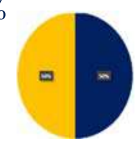
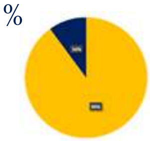
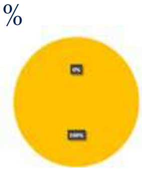
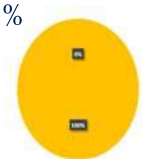
FIU Compliance Governance

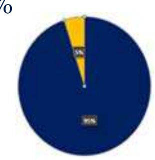
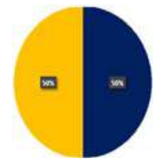
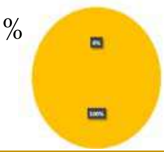
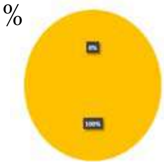
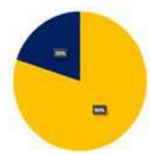
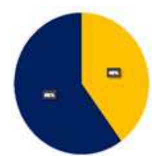
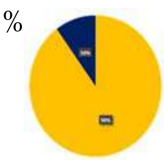
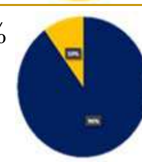
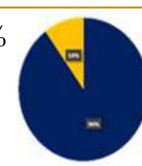


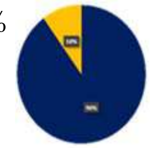
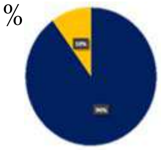
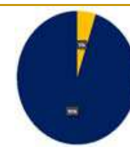
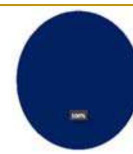
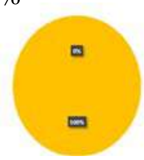
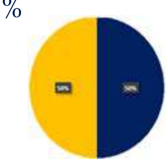
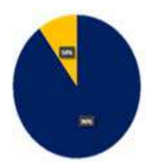


Key Program Activities	
Federal Sentencing Guideline Element	**Activity**
Oversight and Accountability	Launched the Compliance Liaison Structure
Board Reporting	Provided quarterly updates and written reports to the Finance and Audit Committee members
Finance and Audit Committee Charter	Worked with the General Counsel and the Chief Audit Executive to enhance the oversight language for Finance and Audit Committee Charter
Standards and Procedures	Launched the tracking process for distribution and review of compliance policies
Education and Training	Launched the process to review and track on-line trainings and attestations
Risk Assessments	Began conducting short targeted risk assessments for regulated areas based on changing regulations

Progress on Program Goals

Federal Sentencing Guidelines Provisions	Compliance Program Objectives	Key Action Items	% Completed
Policies and Procedures Organizations should have standards reasonably capable of preventing and detecting misconduct	Enhance the effectiveness of the policy program	•Support the launch of the Code of Conduct	20% 
		•Develop and launch the new policy administration framework	100% 
		•Roll out the process to begin tracking policy review and electronic certificate of completion	100% 
Program Structure and Oversight Organizations should have high-level oversight and adequate resources and authority given to those responsible for program	Manage the implementation of the institutional compliance framework through the compliance liaison program	•Develop the infrastructure and roll out the Compliance Liaison system	100% 
		•Develop and roll out department level compliance risk assessments	50% 
		•Incorporate university compliance and ethics standard into annual performance evaluation	90% 
Training and Communication Organizations should include periodic education, communication and awareness of its compliance and ethics program in its everyday organizational structure	Oversee the compliance training and communication initiatives plan	• Develop and pilot test the new communication and training process as part of the policy administration program	100% 
		• Train Policy Liaisons on the new policy framework and the policy taxonomy	100% 

Federal Sentencing Guidelines Provision	Compliance Program Objectives	Key Action Items	% Completed
Measurement and Monitoring Organizations should have in place a system and schedule for routine monitoring and auditing of organizational transactions, business risks, controls and behaviors	Monitor regulatory compliance and adherence to laws and regulations relevant to FIU	• Develop a compliance monitoring plan for high risk compliance functions based on risk assessments and audit plans	10% 
		• Distribute a monitoring resource kit and provide guidance to Compliance Liaisons on executing the compliance monitoring plans	50% 
Allegation Reporting and Investigations Organizations should take appropriate investigative actions in response to suspected ethics and compliance violations	Provide intake support for the anonymous reporting line, provide follow up for timely resolution and conduct investigations when appropriate	• Re-brand and re-launch the ethics and compliance reporting line	100% 
		• Revise the incident reporting intake process and set up the new Convercent reporting system	100% 
		• Train FIU investigators on investigation protocols and distribute investigation guidelines	80% 
		• Embed the review of compliance analytics data into the compliance program improvement process	40% 
Discipline and Incentives Organizations should have policies and procedures to effectively enforce compliance and incentivize employees to perform in accordance with the compliance program	Coordinate efforts to support consistent discipline and incentive practices	• Develop the templates and tracking mechanisms for generating compliance data	90% 
		• Provide guidelines to address and enforce policy and training requirements	10% 
		• Develop and roll out a plan to integrate ethics and compliance incentive opportunities	10% 

Federal Sentencing Guidelines Provision	Compliance Program Objectives	Key Action Items	% Completed
Compliance Risk Management Appropriate compliance and ethics program improvements should be designed to reduce identified risks or compliance violations	Support compliance risk identification and mitigation efforts to support the strategic objectives of FIU	• Launch the enterprise risk assessment survey	10% 
		• Launch targeted compliance risk assessments for high risk activities	10% 
		• Determine university risk priorities	5% 
		• Establish ownership and oversight responsibilities	0% 
		• Determine the methodology to use for a periodic risk assessment process	0% 
Organization Culture Organizations should encourage a speak up culture to support reporting instances of misconduct	Maintain awareness of cultural challenges and support mitigation efforts to support FIU's speak up culture	• Launch the FIU-Convercent Ethical Panther Reporting System	100% 
		• Conduct a university ethics and compliance culture and awareness survey	50% 
		• Develop an ethics and integrity awareness campaign with incentives	10% 

Benchmarking Summary

Various compliance-enforcing agencies expect organizations to have "adequate" compliance programs. A common method used to determine whether a compliance program is adequate is to compare the organization's program with the compliance efforts of other organizations of similar type, size, and structure. Notwithstanding, it is understood that effective compliance programs address the organization's particular risk structure. The information below provides an insight into trends as well as industry standards and best practices from reporting mid-size organizations (including for-profit and non-profit) and Florida State University System (SUS) institutions compared to FIU's current state.

Oversight and Accountability Standards

Reporting Structures

- **Mid-size organizations:** Most mid-size organizations reported that compliance function reports to the Board or a committee of the Board quarterly.
- **FIU:** FIU provides quarterly reporting to the Finance and Audit Committee and annually to the full Board.

Reporting Relationships

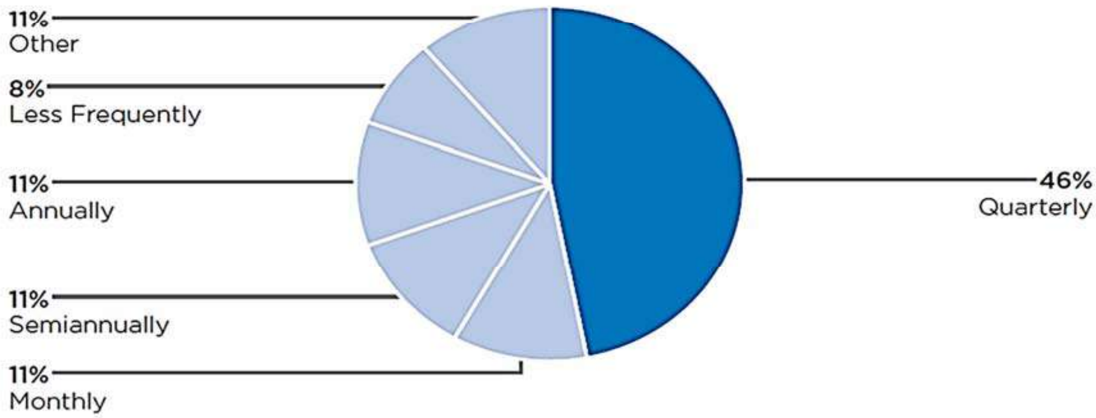
- **Mid-size organizations:** Most mid-size organizations reported that the head of compliance reports to the chief executive officer or the general counsel.
- **SUS Schools:** Most SUS schools reported that the head of compliance reports to the President, Internal Audit, or the General Counsel with a reporting relationship to a committee of the Board.
- **FIU:** FIU's head of compliance reports functionally to the General Counsel with a reporting relationship to the President of the University and the Board through the Finance and Audit Committee.

Trend: Florida Board of Governors draft regulations 4.003 states that Chief Compliance Officers ("CCO") will be required to report to the Office of the President within the next two (2) years after the regulation goes into effect.

With the permission of the sources cited, the benchmarking data used to generate this report is from the Ethisphere and Convercent 2015 Benchmarks, Case Studies and Best Practices, CEB 2015 Compliance Program Assessment Tool Benchmarking, SCCE, and NYSE Governance Services jointly administered 2014 Compliance and Ethics Program Environment Survey, and the 2015 survey results from the Florida State University System Compliance Consortium.

FREQUENCY OF BOARD REPORTING

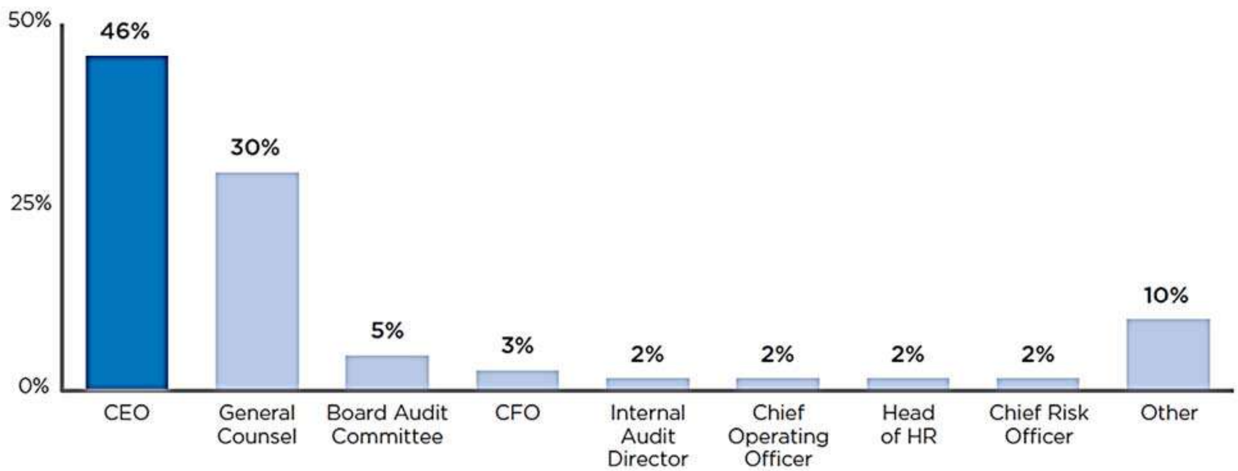
Frequency of Board Reporting
Percentage of Respondents



n = 61.
Source: CEB 2015 Compliance Program Assessment Tool Benchmarking.
Note: Total does not equal 100% due to rounding.

REPORTING STRUCTURE

Primary Reporting Relationship for Compliance Program
Percentage of Respondents



n = 61.
Source: CEB 2015 Compliance Program Assessment Tool Benchmarking.

Standard, Policies and Procedures Standards

Code of Conduct

- **Mid-size organizations:** Most mid-size organizations reported maintaining a Code of Conduct, and one out of three reported that all employees must complete annual training on eight topics.
- **SUS Schools:** Most SUS schools reported that a Code of Conduct will be rolled out within 3 years.
- **FIU:** FIU is in the process of creating a University Code of Conduct. Code of Conducts currently exists for some colleges and functional areas.

Trends: Code of Conducts are typically reviewed and acknowledged annually. Other policies are typically reviewed every 2-3 years, and translated into other languages.

Policies

- **Mid-size organizations:** Most mid-size organizations reported that employees are required to acknowledge in writing that compliance policies have been reviewed.
- **SUS Schools:** Half of the SUS schools reported that employees are required to acknowledge that compliance policies have been reviewed.
- **FIU:** FIU implemented an electronic acknowledgement process in 2015.

Trends: There is an increase of regulatory agencies ask for proof of training, and proof of a policy acknowledgement when conducting investigations.

Education, Communication and Awareness Standards

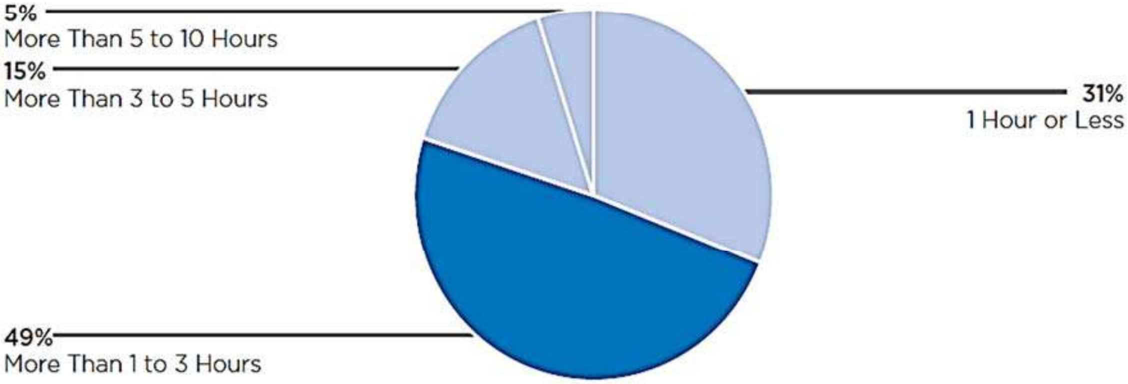
Compliance Training Effectiveness

- **Mid-size organizations:** Most mid-size organizations reported that compliance training includes the review of pre-test and post test results to help determine effectiveness. Further, many mid-size organizations reported struggling with completion rates for compliance training.
- **SUS Schools:** Most SUS schools reported that training completion rates are tracked.
- **FIU:** FIU embeds quiz questions, tracks misconduct data and conducts surveys to measure effectiveness

Trends: An increasing number of organizations are developing compliance training curriculums and tracking training frequency. In addition, there is an increase in the number of reporting organizations creating manager specific trainings for the Code of Conduct and complaint handling.

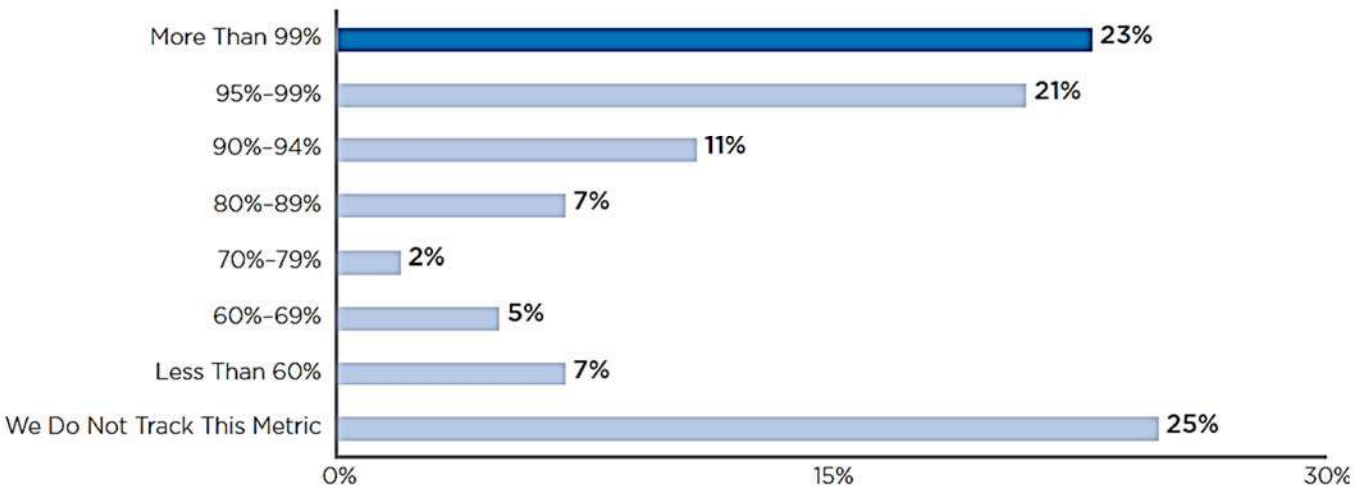
FREQUENCY OF TRAINING AND CERTIFICATION

Time Spent on Compliance Training Annually
Percentage of Respondents



n = 61.
Source: CEB 2015 Compliance Program Assessment Tool Benchmarking.

Employees Certifying on Training
Percentage of Respondents



n = 61.
Source: CEB 2015 Compliance Program Assessment Tool Benchmarking.
Note: Total does not equal 100% due to rounding.

Risk Assessment, Monitoring and Auditing Standard

Anonymous Reporting

- **Mid-size organizations:** Most mid-size organizations reported having an anonymous reporting hotline.
- **SUS Schools:** Most SUS schools reported having an anonymous reporting hotline.
- **FIU:** FIU has an anonymous reporting hotline called the Ethical Panther line.

Risk Assessments

- **Mid-size organizations:** Most mid-size organizations reported that risk assessments are conducted annually.
- **SUS Schools:** Most SUS schools reported that targeted risk assessments are being conducted annually.
- **FIU:** FIU conducts risk assessments; however, there are no consistent formal criteria used to prioritize risk across the University.

Compliance and Ethics Program Assessments

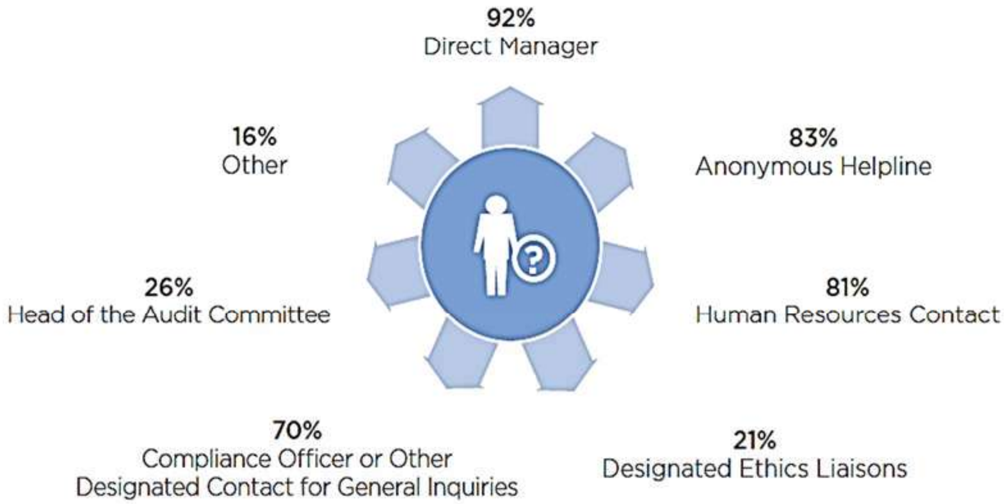
- **Mid-size organizations:** Most mid-size organizations reported that compliance program assessments are conducted annually.
- **SUS Schools:** Most SUS schools reported that a compliance program risk assessment has not been conducted; however, all reporting schools anticipate conducing a compliance program risk assessment within the next 3 years.
- **FIU:** FIU conducted a program assessment via a 3rd party vendor in 2014.

Trends: A best practice related to the assessment of an ethics and compliance program is to periodically have a formal risk assessment conducted by a third party and have a peer review assessment conducted.

AVAILABILITY AND USE OF REPORTING CHANNELS

Reporting Channels Available to Employees

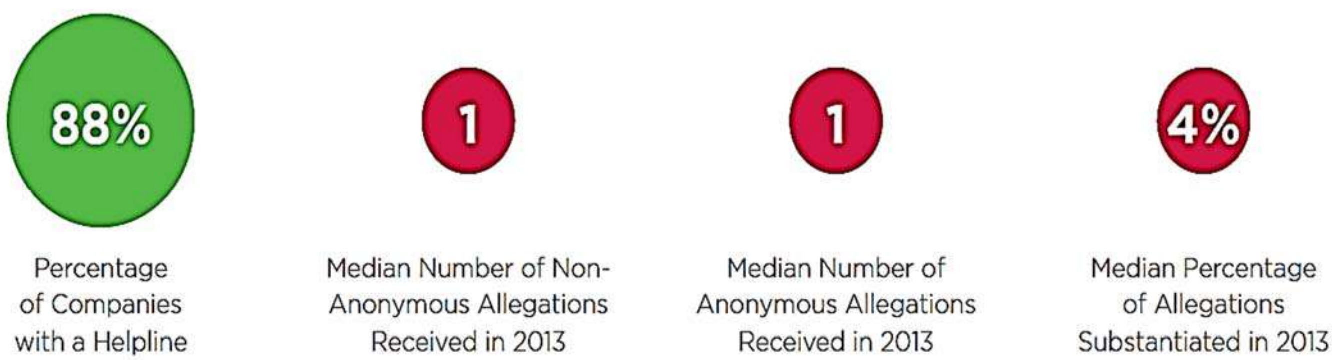
Percentage of Respondents Promoting Use of Channel; Multiple Responses Allowed



n = 77.

Source: CEB 2014 Culture of Integrity Benchmarking.

Common Helpline Metrics



n = 55–77.

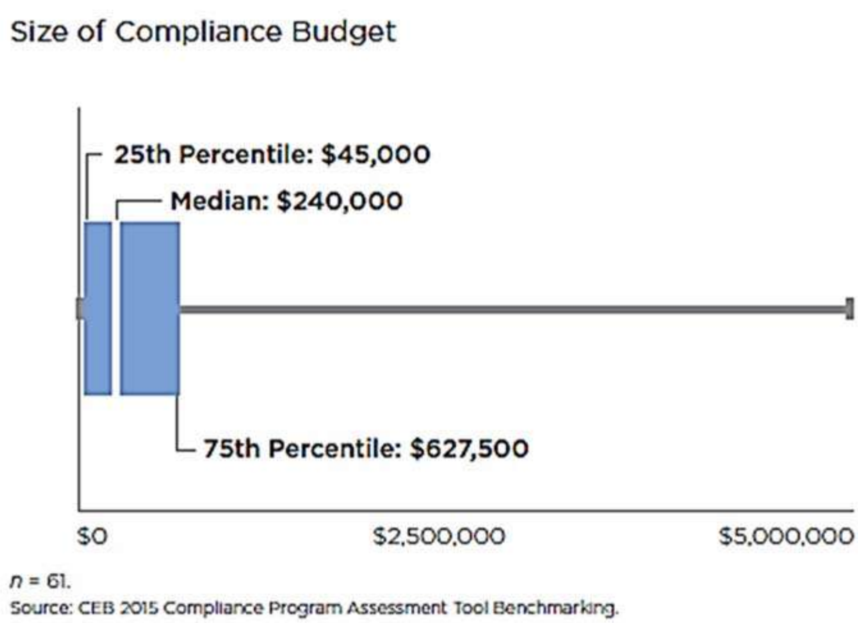
Source: CEB 2014 Culture of Integrity Benchmarking.

Ongoing Program Improvement

Compliance Budget

- **Mid-size organizations:** Most mid-size organizations reported having a compliance budget of approximately $250,000.00.
- **SUS Schools:** Compliance budgets range from $25,000.00 to $100,000.00.
- **FIU:** The Office of Compliance budget is approximately $100,000.00.

Trends: The organizational guidelines state that "each of the requirements set forth in this guideline shall be met by an organization; however, in determining what specific actions are necessary to meet those requirements, factors that shall be considered include: (i) applicable industry practice or the standards called for by any applicable governmental regulation; (ii) the size of the organization; and (iii) similar misconduct." Most compliance benchmarking surveys include a compliance budget question to help organizations evaluate the adequate resource question referenced above; however, it is recommended that regulatory and governing bodies take into consideration that no two programs are expected to be the same.



THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
June 2, 2016

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

Pete Garcia, *Executive Director of Sports and Entertainment*

Fundraising Report

FIU Foundation, Inc.
Unaudited Preliminary Recap
Through the Period Ended March 30, 2016 (in thousands)

	Budget	Actual	Variance
Revenues	$632	$1,274	$642

- Favorable Revenues variance driven by one time receipt of Bank of America affinity revenue

Athletics Finance Corporation

FIU Athletics Finance Corporation
Unaudited Preliminary Recap
Through the Period Ended March 30, 2016 (in thousands)

	Budget	Actual	Variance
Revenues	$3,158	$3,005	($153)
Expenses	$1,744	$1,769	($25)

- Primary drivers include:
  - Revenue Variance due to timing of payment and posting of Pepsi sponsorship revenue
  - Expense variance due to higher than projected repair and maintenance

- The debt coverage covenant requirement is forecasted to be met for the period ending June 30, 2016

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FLORIDA INTERNATIONAL UNIVERSITY

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

June 2, 2016

BUSINESS SERVICES REPORT AS OF MAY 04, 2016

New Vendors

Vicky Bakery: Agreement signed to begin construction on Vicky Bakery in the lobby of the Frost Art Museum. Vicky Bakery is South Florida's destination for authentic Cuban pastries better known as "Pastelitos". Vicky Bakery offers a diverse menu that ranges from baked goods to sandwiches, coffee, cakes, and party specials all at very affordable prices. Both indoor and outdoor seating will be available with an authentic "pass through" window located in the front of the museum. Expected completion date is July 2016.

EXN: A nutrition specialist carrying the widest selection of nutrition products and vitamins at wholesale prices will be opening on campus (PG6) this summer. Follow them at www.exnatfiu.com.

Fleet Services: Completed agreement with *First Vehicle Services (FVS)* to assume full responsibility including repairs and preventive maintenance of the 468 FIU fleet vehicles across the Modesto A. Maidique Campus and Biscayne Bay Campus. FVS began operations April 4, 2016. During the summer of 2016, FVS will introduce an Oil Change Service to the entire FIU community. Students, Faculty, and Staff will be able to drop off their cars at Fleet Services and have their oil changed either while they wait or for later pick up (much like Pronto Car Wash).

Updates

<u>Vending:</u> Overall vending sales are up 16% ($154,973) for July through March 2016 as compared to the same period last year primarily due to an increase in credit card sales.

- As of March 2016, 100% of Beverage and 99.8% of Snack machines have credit card readers including *One* Card.
- 100% of Beverage and Snack machines have Telemetry. This has resulted in an optimization of inventory stocking, routing, and service calls.
- Average response time for service issues between report and resolution is less than four hours for both beverage and snacks.
- Total Beverage Machines: 125
- Total Snack/Food: 119

<u>Barnes & Noble:</u>
As a way to counteract competition from online vendors such as Amazon, Business Services and B&N implemented a program in the fall of 2015, "Price Match", whereby a lower price obtained elsewhere is matched by the University bookstore. This includes "on the spot matches" whereby a smartphone display is enough to obtain the discount as well as after the fact purchases. The total match amount for Fall 2015 was $4,811.10. The match amount for Spring was $21,763.58 demonstrating a surge in awareness for the campaign and a positive development to counter competition.

Sales for the month ended March 31, 2016 as compared to the same period last year are up 6% ($31,150) signaling a significant change from prior period decreases as a result of online competition such as Amazon. This is very important as it demonstrates that efforts at countering competition and cannibalization are proving effective.

<u>Network Printing and Copying</u>: The University has undertaken an extensive, campus-wide, installation of copying machines resulting in the deployment of 286 new pieces of equipment. This has been accomplished with the assistance of Toshiba and the Division of IT. The deployment of the project presented some challenges regarding compatibility issues and customization concerns that were required to fit the FIU community however all issues have now been resolved.

FIU | FLORIDA INTERNATIONAL UNIVERSITY

Quick Facts

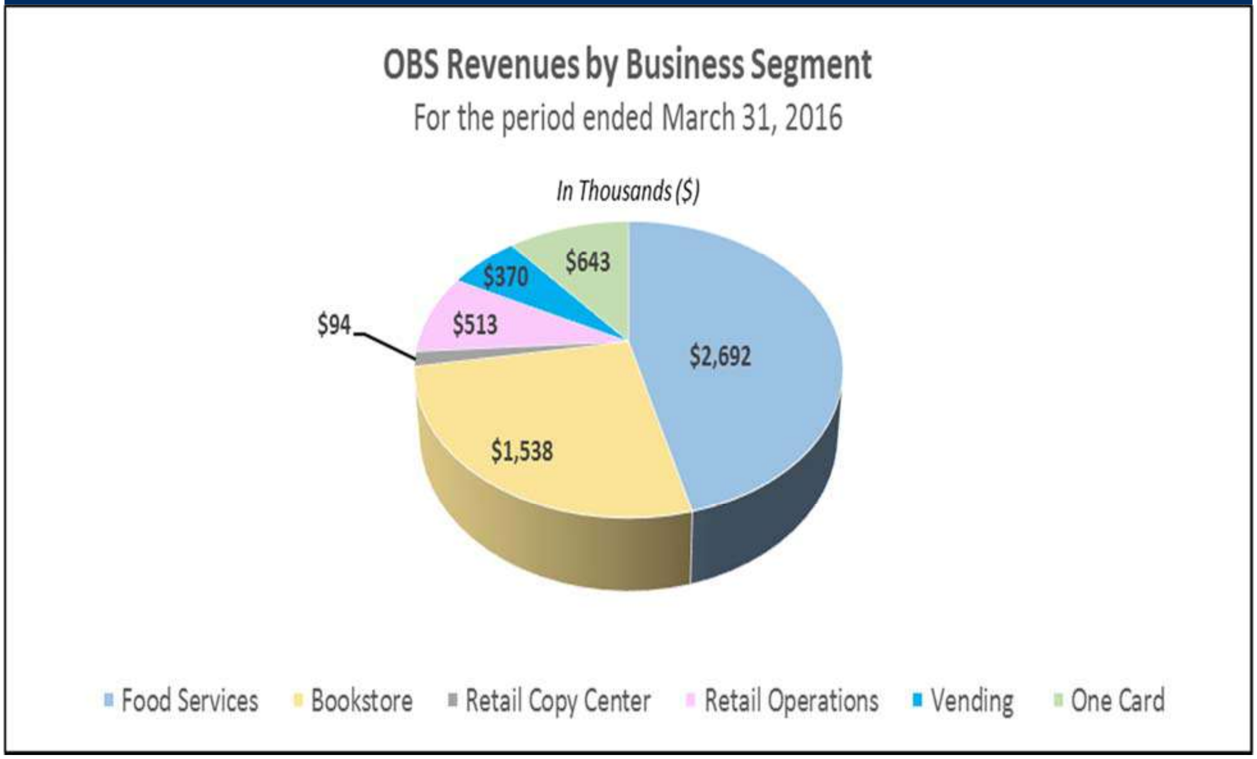
shopFIU

Services under Management:
46 food and retail venues, beverage and snack vending, FIU *One* Card Program, printing and copying, multi-use facilities, property management and advertising. All information on food and retail including hours of operation can be found at **www.shop.fiu.edu**

Investments:
For fiscal year 2015-16, Business Services is committed to spend more than $3M 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 $1.7M to fund University initiatives, provide scholarships, underwrite student services and support FIU facilities.

Revenues:
For the period ended March 31, 2016, Business Services managed sales of $35M from operations. Total operating revenues through March 31, 2016 are $5.8M.

OPERATING REVENUES



Finance and Administration
*11200 SW 8th Street * DC 121 * Miami, FL 33199 * Tel: (305) 348-2187 * Fax: (305) 348-2832 * Web: obs.fiu.edu*

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
June 2, 2016

EMERGENCY MANAGEMENT STATUS REPORT AS OF APRIL 20, 2016

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

FIU Alert Emergency Notification System Test

Attached, please find the summary report for the January 27, 2016 Fall test of FIU Alert, our emergency notification system.

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FIU Alert™

Emergency Notification System
January 27, 2016
University Wide Emergency Notification Test
Department of Emergency Management

Incident Summary

On January 27, 2016 at approximately 2:00 pm, the FIU Police Department initiated a University-wide FIU Alert emergency notification test, to test text messages, automated voice calls, email, outdoor speakers, callboxes, VOIP phones, electronic messaging boards and social media. That FIU Alert message read as follows:

> **FIU ALERT! This is a test of the FIU emergency notification system. This is only a test.**

An email containing a survey was sent immediately following the test to the FIU community to gauge the effectiveness of the FIU Alert emergency notification system. A copy of the survey is located at the end of this report.

FIU Alert Performance Evaluation Data

FIU Alert Results

System Performance	Attempted	Delivered
Voice Calls	50,531	45,346
Cell phone text messages	50,537	48,042
FIU VOIP and Speakers	7,493	7,338
Email		Successful
Facebook		Successful
Twitter		Successful
Electronic message boards		Partially Successful

Issues and Solutions

- The electronic messaging board system only partially activated.
    - Ernest R. Graham University Center, Steven J. and Dorothea Green Library and Glenn Hubert Library electronic messaging boards (EMB) successfully activated. Wolfe University Center and residential Housing EMBs did not activate. This was the first time Wolfe University Center and residential Housing EMBs were tested using a University-wide FIU Alert test message.

Summary

- Most of the systems used for initiating FIU Alerts functioned correctly and provided timely notification. The systems that failed reiterate the importance of operating multiple forms of emergency alert notification and are being reviewed to identify failure points and solutions.

- Wolfe University Center and residential housing implementation of the EMBs is almost complete.

Survey Results

1. What best describes your affiliation to Florida International University?

#	Answer		Response	%
1	Student		757	58%
2	Faculty		148	11%
3	Staff		388	30%
4	Other		9	1%
	Total		1,302	100%

2. How did you receive the test message? (Mark all that apply)

#	Answer		Response	%
1	University email		1,095	84%
2	University telephone system		674	52%
3	Cell phone text message		985	76%
4	Outdoor speaker		307	24%
5	FIU Website		21	2%
6	Facebook or Twitter		16	1%
7	Friend / co-worker		39	3%
8	Emergency call box		49	4%
9	I did not receive it		10	1%
10	Automatic telephone call		764	59%
11	Indoor/outdoor digital display		41	3%

3. On January 27th, 2016 at 2:00 p.m., the University conducted a University-wide test of the FIU Alert emergency notification system. Where were you located when the test alert was sent out?

#	Answer		Response	%
1	On campus outdoors		128	10%
2	On campus indoors		665	51%
3	Off campus		501	38%
4	Did not receive the alert		8	1%
	Total		1,302	100%

4. If you did receive the cellphone text message, how long after 2:00 p.m. did you receive the message?

#	Answer		Response	%
1	Within 5 minutes		879	71%
2	Between 5 to 10 minutes		121	10%
3	10 minutes to 15 minutes		34	3%
4	15 minutes to 30 minutes		16	1%
5	More than 30 minutes		11	1%
6	Did not receive alert		183	15%
	Total		1,244	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		20	8%
2	I am not able to receive text messages		16	7%
3	I am faculty/staff and are not signed up to receive cellphone text alerts		67	28%
4	I have not liked FIU on Facebook/ I am not following FIU on Twitter		57	24%
5	Could not hear the alert clearly, (Please specify your location)		36	15%
6	Other (Please briefly describe problem)		75	31%

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
June 2, 2016

FACILITIES AND CONSTRUCTION UPDATE AS OF APRIL 20, 2016

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

Projects Completed

- None during the reporting period.

Projects under Construction

- **Student Academic Success Center (SASC) (BT-882)** - $32.7M Public Education Capital Outlay (PECO), Tech Fee, and Education and General funds project budget. A/E – Gould Evans; CM – Balfour Beatty. (81,045 gsf with an additional 7,350 gsf for an elevated exterior amphitheater terrace and stair system). Additional scope has been added: wood acoustical paneling in the 750 seat auditorium; atrium stair redesign for increased strengthening and stiffening; terrazzo flooring throughout all public areas of the 1st floor; double doors at the auditorium main entrance from the atrium; entrance doors to the balcony; and minor changes to the public restroom. Utility infrastructure for a future food and beverage area in the auditorium lobby and an exterior plaza location for the University Torch have also been added. Department space changes have been accepted and are under construction. Parking lot modifications and a new bus lane are under construction. Slab-on-grade work and precast concrete panel installation are completed. Framing and drywall installation are 99% complete on all floors. Current Owner Direct Purchase (ODP) savings total $282,244, surpassing the 1% target objective of $207,600. Budget and schedule both continue to be under pressure in the current South Florida construction market. Target delivery date: May 2016.

- **Bayview Housing** - $58.3M Public-Private Partnership (P3) project. Developer/operator - Servitas; Architect - PGAL; CM – Facchina Construction, (200,682 gsf). This student housing project consists of a nine (9) story building with 410 beds located on 2.5 acres adjacent to Biscayne Bay. Unit types include 4 bedroom/2 bath suites with living room and kitchen; 2 bedroom/2 bath suites with living room and kitchen; and studio apartments. Amenities include a resort style swimming pool, recreation room, fitness room, computer lab, laundry room, 16 study lounges, two classrooms, two guest apartments, and residential life offices. A 210 car surface parking lot is also included. Servitas has begun their marketing and leasing campaign. Window installation has been completed along with interior framing and rough-in of electrical, plumbing, and HVAC. Drywall installation is complete on lower floors and continues on the higher floors. Exterior painting is 85% complete while site work and landscaping continues. Target delivery date: August 2016.

- **Frost Museum of Science Batchelor Environmental Center at FIU (BT-913)** - $5.0M privately funded project budget. A/E – Leo A Daly (Phase I); CM – Pirtle Construction (Phase I). The project includes a new research wildlife center to be developed in partnership with the Frost/Miami Science Museum. To date, $2.4M has been received for Phase I. The Museum has reserved $1.3M for equipment, leaving only $1.3M for Phase II. Additional funding will be needed to complete Phase II. Phase I includes programming, infrastructure, and the first half of the animal holding area and support facilities. Construction documents (CDs) were submitted April 21, 2015 for Phase I. Pirtle Construction has been awarded Phase I construction with an approved guaranteed maximum price (GMP) of $1,652,802. The shortfall of $560,302 for Phase I was funded from Phase II to award the GMP and begin work. Notice-To-Proceed was issued on January 21, 2016. All submittals have been submitted and approved. Department of Environmental Resources Management (DERM) provided approval to commence work on March 1st and site work has begun. Substantial Completion (SC) is projected for late July 2016. Phase II will be a classroom and lab building (approximately 3,000 gsf) and the balance of the animal holding area. Phase II is on hold pending resolution of the budget shortfall. MC Harry Associates (a continuing service contract architect) has been engaged for the scope of work associated with Phase II.

- **Recreation Center Expansion (BT-903)** - $26.0M Capital Improvement Trust Fund (CITF), Housing Auxiliary Fund, and Student Government Association (SGA) project budget. A/E – HKS; CM –Moss Construction. (67,487 gsf) Funding spans five (5) years of CITF allocations. The project will expand the existing facility into Parking Lot #8 and will include an indoor basketball/volleyball gym, a weight training room, additional locker rooms, exterior basketball courts, sand volleyball courts, and a mezzanine level to include a jogging track. The GMP for 100% CDs was submitted on March 9th and is currently under negotiation. The project team is evaluating Value Engineering (VE) proposals to lower the GMP. Concurrent with these evaluations and the GMP negotiations, a contract amendment has been executed to mobilize, initiate site work, and begin modifications to the existing Recreation Center. The construction site has been fenced off and site work has begun. Estimated construction delivery date is July 2017 pending final evaluation of VE proposals and negotiation of the GMP.

Projects in Design

- **University City Prosperity Project (UCPP) (BT-904) -** \$10.9M TIGER Grant project budget; multiple funding sources. Design/Build Team – MCM+FIGG. The project consists of urban design and infrastructure improvements along SW 109th Avenue between SW 6th Street and SW 10th Street, including a new pedestrian bridge over SW 8th Street, complete streets, and other pedestrian-oriented transit access improvements. These infrastructure improvements will support the synergistic integration of FIU and the adjacent City of Sweetwater. Most importantly, the pedestrian bridge will provide a safe way to reconcile pedestrian and vehicular traffic. The Notice to Proceed (NTP) was issued to the design/build team on January 14, 2016. Construction is scheduled to start early October 2016. Construction Engineering and Inspection (CEI) Services shortlist selection was completed on February 25, 2016 with presentations held on April 12th. The selection committee's recommendation is now being reviewed by the Florida Department of Transportation (FDOT) and the Federal Highway Administration (FHWA) for final approval. An application for an additional \$1M in funding through the Transportation Alternatives Program (TAP) was submitted on April 1st for bridge sensors and cameras, titanium dioxide concrete, and furniture, among other items. Target delivery date: June 2018.

- **International Center for Tropical Botany (BT-914) at The Kampong** -\$5.0M privately funded project budget. A/E – MC Harry; CM – Thornton Construction. The project will construct a new 8,000 -12,000 gsf facility on a site immediately adjacent to the National Tropical Botanical Garden (NTBG) property in Coconut Grove to house educational, lab, and office spaces. Programming was formally approved August 28, 2015. MC Harry has begun design. Thornton Construction was selected as CM and contract negotiations are in progress. Target delivery date: December 2017.

Projects in Planning Stage

- **Multi-Purpose Practice Fields (BT-916)** - \$8.9M; multiple funding sources. The project will construct two (2) full-sized practice fields, one natural grass and the other artificial turf, a 900 SF covered seating area, and a 1,524 SF scalable multi-purpose field support facility. The FIU Board of Trustees (BOT) approved the program concept December 9, 2015; the program was approved January 26, 2016. The A/E advertisement was published January 28, 2016; A/E shortlisting was completed on April 1st; final presentations are scheduled for May 2nd. CM shortlisting is scheduled for April 29th with presentations slated for the week of May 25th. As approved by the BOT in March, the location for the fields has shifted from the site west of the Football Stadium to a preferred site east of the Soccer Stadium, at the northern portion of the FIU preserve. Construction delivery is scheduled for August 2017.

FIU FOUNDATION, INC.

FINANCIAL STATEMENTS RECAP
& INVESTMENT SUMMARIES

March 31, 2016

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FIU FOUNDATION, INC.
Recap of Statement of Activities
For the Period Ended March 31, 2016

(In Thousands of Dollars)

	2015-16 9-Month Budget	2015-16 9-Month Actuals	Budget to Actual 9-Month Variance		2015-16 Annual Budget	2014-15 9-Month Actuals	Current Year to Previous Year Variance
REVENUES:							
Cash Contributions	$ 19,311	$ 21,367	$ 2,056	[1]	$ 27,000	$ 18,741	$ 2,626
MARC Building	$ 1,271	$ 1,335	$ 65		$ 1,694	$ 1,439	$ (103)
Foundation Subsidiaries	$ 437	$ 434	$ (3)	[2]	$ 511	$ 507	$ (73)
Estimated Investment Returns	$ 8,832	$ (10,376)	$ (19,208)	[3]	$ 12,220	$ 4,747	$ (15,123)
TOTAL REVENUES	**$ 29,851**	**$ 12,760**	**$ (17,091)**		**$ 41,425**	**$ 25,434**	**$ (12,674)**
EXPENSES:							
University Programs:							
Scholarships & Programs	$ 12,687	$ 11,368	$ 1,319	[4]	$ 15,976	$ 9,997	$ (1,371)
Building Funds	$ 1,243	$ 115	$ 1,128	[5]	$ 1,243	$ 1,391	$ 1,276
Unrestricted Annual Expenses	$ 1,502	$ 1,292	$ 210		$ 2,171	$ 651	$ (641)
TOTAL UNIVERSITY PROGRAMS EXPENSES	**$ 15,433**	**$ 12,776**	**$ 2,656**		**$ 19,390**	**$ 12,040**	**$ (737)**
Operational:							
MARC Building	$ 470	$ 344	$ 125		$ 608	$ 334	$ (10)
Foundation Subsidiaries	$ 362	$ 299	$ 62	[2]	$ 452	$ 566	$ 267
Administrative & Fund-Raising	$ 4,710	$ 3,929	$ 781		$ 7,427	$ 4,888	$ 959
TOTAL OPERATIONAL EXPENSES	$ 5,541	$ 4,573	$ 968		$ 8,488	$ 5,788	$ 1,216
TOTAL EXPENSES	**$ 20,974**	**$ 17,349**	**$ 3,625**		**$ 27,878**	**$ 17,828**	**$ 479**
EXCESS REVENUES OVER EXPENSES	8877453.22	-4588681.381	-13466134.6		13547515.68	7605867.95	-12194549.33

*These financial statement recaps reflect expenses on an accrual basis and receipts on a cash basis, with the exception of investment returns.
**Please refer to Appendix A for detailed variance notes.

Florida International University Foundation
Preliminary Performance Summary
As of March 31, 2016

Asset Class/Manager	Market Value ($000s)	% of Total Managed	Long-Term Policy	Long-Term Policy	Current Month	Trailing 3-Month	Fiscal Year to Da	Trailing 1-Year	Trailing 2-Years	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
GMO Global Equity Asset Allocation	4,964	2.2%			8.5	1.9	-6.9	-6.5	-3.5	---	---	---	-0.5
Indus Markor Master Fund	4,023	1.8%			1.4	-0.4	-4.6	-0.6	7.9	---	---	---	5.6
Kiltearn Global Equity Fund	9,125	4.1%			9.0	4.1	-7.1	-7.1	-5.0	---	---	---	-4.3
Maverick Long Fund, Ltd	8,392	3.7%			6.6	-1.5	-5.3	-3.8	6.8	---	---	---	6.8
Vanguard Total World Stock Index	6,643	3.0%			8.0	0.5	-4.8	-4.1	---	---	---	---	0.3
iShares MSCI ACWI ETF	5,346	2.4%			7.4	6.1	---	---	---	---	---	---	6.1
Global Public Equity	**38,493**	**17.1%**	**12.5%**	**5.0%-25.0%**	**7.2**	**0.8**	**-6.1**	**-5.0**	**0.6**	**---**	**---**	**---**	**2.7**
D.E. Shaw Core Alpha Extension	9,009	4.0%			6.3	0.6	0.2	0.7	6.4	---	---	---	6.3
First Eagle U.S. Equity Fund	8,845	3.9%			6.4	1.8	0.2	-0.4	6.9	---	---	---	6.9
Sirios Focus Fund	8,368	3.7%			5.9	-1.8	-7.1	-5.3	2.9	---	---	---	2.9
HHR Titan Offshore	4,725	2.1%			7.9	-8.3	-6.7	-4.4	---	---	---	---	-3.7
U.S. Public Equity	**30,947**	**13.8%**	**15.0%**	**7.5%-35.0%**	**6.5**	**-1.2**	**-3.0**	**-2.3**	**3.8**	**9.6**	**7.8**	**5.5**	**4.2**
Vanguard FTSE Dev. Markets	332	0.1%			7.2	-1.8	-8.1	-7.4	-4.1	---	---	---	-2.3
AKO European Master Fund	7,735	3.4%			1.4	-2.3	-1.7	-5.8	6.9	---	---	---	6.6
Cevian Capital II	4,064	1.8%			6.0	1.0	-9.2	-13.1	-2.5	---	---	---	0.7
Buena Vista Asian Opp. Fund	4,827	2.1%			8.6	-3.6	-9.5	-9.8	---	---	---	---	-1.9
Kabouter International Opps. Fund II	4,463	2.0%			6.9	0.8	-0.5	7.5	---	---	---	---	6.7
Non-U.S. Developed Public Equity	**21,420**	**9.5%**	**10.0%**	**5.0%-25.0%**	**5.1**	**-1.3**	**-4.7**	**-5.4**	**2.4**	**6.3**	**2.1**	**1.9**	**2.0**
DFA Emerging Markets Value	5,728	2.5%			14.7	8.9	-12.9	-11.4	-7.7	---	---	---	-6.3
Somerset Emerging Markets	3,179	1.4%			14.2	6.3	-7.5	-8.8	---	---	---	---	-4.9
Polunin Developing Countries Fund	3,781	1.7%			13.9	8.6	-12.1	-9.4	---	---	---	---	-8.3
Emerging Markets Public Equity	**12,688**	**5.6%**	**5.0%**	**0.0%-15.0%**	**14.3**	**8.1**	**-11.3**	**-10.1**	**-5.4**	**---**	**---**	**---**	**-2.6**
Total Global Private Equity	**23,511**	**10.5%**	**15.0%**	**0.0%-25.0%**	**---**	**---**	**4.4**	**7.0**	**11.5**	**17.4**	**15.7**	**7.8**	**7.5**
Total Long Public and Private Equity	**127,060**	**56.5%**	**57.5%**	**45.0%-70.0%**	**5.9**	**0.5**	**-3.6**	**-2.7**	**2.9**	**8.9**	**6.8**	**4.7**	**3.9**
Valinor Capital Partners	2,623	1.2%			1.1	-7.0	-21.0	-20.8	-0.8	---	---	---	-0.1
Blue Harbour Strategic Value	3,309	1.5%			2.6	0.2	-6.1	-7.6	-2.1	---	---	---	0.7
Roystone Master Fund	2,775	1.2%			-1.9	-12.1	-21.8	-21.9	-5.1	---	---	---	-4.0
Fir Tree International Value	3,014	1.3%			1.3	-10.9	-21.1	-20.7	---	---	---	---	-10.8
Pelham Long/Short Fund Ltd	3,613	1.6%			3.3	-1.2	-1.7	3.2	---	---	---	---	3.2
Highfields Capital	4,044	1.8%			2.1	1.1	1.1	---	---	---	---	---	1.1
Hedge Funds (Growth Objective)	**19,378**	**8.6%**	**---**	**0.0%-15.0%**	**1.6**	**-4.6**	**-12.0**	**-11.4**	**-0.9**	**---**	**---**	**---**	**0.3**
Indus Asia Pacific Fund - Holdback	257	0.1%			---	---	---	---	---	---	---	---	---
Indus Asia Pacific Sidepocket	74	0.0%			0.0	-3.0	-33.7	-35.0	---	---	---	---	-35.0
Brahman Capital Partners	2,698	1.2%			-3.5	-10.3	-20.9	-21.1	---	---	---	---	-8.7
Naya Offshore Fund	3,061	1.4%			1.9	-4.8	-7.3	-5.9	---	---	---	---	0.6
Janchor Partners	3,138	1.4%			6.2	4.6	---	---	---	---	---	---	4.6
Hedge Funds (Blended Objective)	**9,229**	**4.1%**	**---**	**0.0%-15.0%**	**2.1**	**-3.9**	**-9.3**	**-7.8**	**0.0**	**3.1**	**3.8**	**2.7**	**4.4**
Davidson Kempner	3,524	1.6%			0.8	0.7	0.6	1.1	2.0	---	---	---	3.0
Kynikos Opportunity Fund	2,959	1.3%			-5.1	-2.6	0.7	-1.0	0.1	---	---	---	-0.8
Luxor Capital Partners	1,818	0.8%			-3.0	-6.9	-28.9	-26.1	---	---	---	---	-20.4
Scopia PX Funds	3,160	1.4%			-0.6	-2.9	-5.3	-4.9	---	---	---	---	2.6
GMO Systematic Global Macro Fund	5,076	2.3%			0.1	1.4	---	---	---	---	---	---	1.2
Hedge Funds (Diversifying Objective)	**16,537**	**7.4%**	**---**	**0.0%-15.0%**	**-1.2**	**-1.3**	**-6.3**	**-7.1**	**-2.8**	**---**	**---**	**---**	**-1.8**
Total Hedge Funds	**45,144**	**20.1%**	**17.5%**	**10.0%-30.0%**	**0.7**	**-3.3**	**-9.6**	**-9.3**	**-1.7**	**2.1**	**3.2**	**2.5**	**4.2**

Florida International University Foundation
Preliminary Performance Summary
As of March 31, 2016

Asset Class/Manager	Market Value ($000s)	% of Total Managed	Long-Term Policy	Long-Term Policy	Current Month	Trailing 3-Month	Fiscal Year to Da	Trailing 1-Year	Trailing 2-Years	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
Clifton Global Defensive Equity	3,502	1.6%			3.0	0.0	---	---	---	---	---	---	3.5
Other Diversifying Investments	**3,502**	**1.6%**	**---**	**0.0%-30.0%**	**3.0**	**0.0**	**0.2**	**0.9**	**2.9**	**4.6**	**---**	**---**	**6.4**
Total Diversified Growth	**48,646**	**21.6%**	**17.5%**	**10.0%-40.0%**	**0.9**	**-3.1**	**-9.0**	**-8.6**	**-1.4**	**1.9**	**3.1**	**2.4**	**4.2**
Van Eck Global Hard Assets	4,148	1.8%			11.8	11.3	-24.4	-26.3	-23.1	---	---	---	-18.7
SPDR Gold ETF	4,615	2.1%			-0.8	16.0	4.7	3.5	-2.4	---	---	---	1.1
Harvest MLP Income Fund	3,504	1.6%			7.8	-6.6	-30.8	-32.7	-14.4	---	---	---	-11.7
Public Inflation Sensitive	**12,267**	**5.5%**	**4.0%**	**0.0%-12.5%**	**5.6**	**8.1**	**-16.3**	**-18.0**	**-12.8**	**-8.3**	**-3.8**	**---**	**-3.7**
Private Inflation Sensitive	**6,228**	**2.7%**	**6.0%**	**0.0%-15.0%**	**6.8**	**6.6**	**15.5**	**15.8**	---	**---**	**---**	**---**	**8.9**
Total Inflation Sensitive	**18,494**	**8.2%**	**10.0%**	**5.0-20.0%**	**6.0**	**7.7**	**-7.7**	**-9.0**	**-8.2**	**-5.1**	**-1.9**	**---**	**-2.5**
Dodge and Cox Income Fund	7,495	3.3%			2.3	2.4	1.7	0.5	2.4	---	---	---	2.6
Vanguard Short-Term Bond Index Fund	2,570	1.1%			0.5	1.6	1.6	1.5	---	---	---	---	2.0
Vanguard Intermediate-Term Treasury Fund	11,351	5.0%			0.2	3.4	---	---	---	---	---	---	3.2
Colchester Global Bonds ($-Hdg)	1,344	0.6%			2.8	5.3	3.2	1.7	3.3	---	---	---	3.6
Cash Pending	6,695	3.0%			---	---	---	---	---	---	---	---	---
SunTrust Cash	1,204	0.5%			0.0	0.1	0.1	0.1	---	---	---	---	0.1
Total Deflation Sensitive	**30,660**	**13.6%**	**15.0%**	**9.0%-30.0%**	**1.3**	**2.5**	**1.8**	**0.9**	**2.1**	**1.5**	**3.9**	**5.6**	**5.8**
Total Managed Assets Net of CA Fees	**224,859**	**100.0%**	**100.0%**	**---**	**4.1**	**0.5**	**-4.6**	**-4.3**	**0.8**	**5.3**	**5.1**	**4.3**	**4.0**
Foundation Enterprise Holdings I	574	574	**---**		---	---	---	---	---	---	1.5	---	1.5
Student Managed Investment Fund	257	257	**---**		3.9	-0.6	-9.0	-9.2	-4.2	2.0	3.8	---	3.5
SunTrust Balanced Annuity Account	273	273	**---**		0.4	-1.1	-5.6	-6.8	-6.7	-3.6	-0.2	2.5	3.5
Islamorada Investment	855	855	**---**		---	---	---	---	---	---	---	---	3.9
StoneCastle FICA Program	3,010	3,010	**---**		0.0	0.1	0.2	0.3	---	---	---	---	0.2
IR&M Short Fund	4,075	4,075	**---**		0.4	1.1	1.1	1.2	---	---	---	---	1.3
Archstone Offshore	2,180	2,180	**---**		0.7	-4.7	-9.8	-9.4	-2.8	1.2	2.1	---	2.7
State of Florida Treasury Fund	1,241	1,241	**---**		---	---	0.0	---	---	---	---	---	---
Other Alternatives	**12,465**	**12,465**	**---**		**0.3**	**-0.5**	**-1.7**	**-1.6**	**0.2**	**1.0**	**2.5**	**2.9**	**3.8**
Total Assets Net of CA Fees	**237,325**	**237,325**	---		**3.9**	**0.5**	**-4.5**	**-4.1**	**0.8**	**5.2**	**5.0**	**4.2**	**3.9**

Notes:
1. Funds available for investment in the Wells Fargo operating account have been deployed to the investment portfolio as of December 31, 2013.
2. Private Investments' trailing performance represents time-weighted quarterly returns. Data represents NAVs and performance through September 30th, 2015 or December 31st, 2015, updated with cashflows through the most recent period.

Florida International University Foundation
Preliminary Performance Summary
As of March 31, 2016

Asset Class/Composite	Market Value ($(	% of Total Manage	Long-Term Polic	Long-Term Policy	Current Mor	Trailing 3-M	Calendar Yea	Fiscal Year t	Trailing 1-Yea	Trailing 2-Years	Trailing 3-Yea	Trailing 5-Y	Trailing 10-Y	Since Inceptio
Global Public Equity	38,490	17.1%	12.5%	5.0%-25.0%	7.2	0.8	0.8	-6.1	-5.0	0.6	---	---	---	2.7
U.S. Public Equity	30,947	13.8%	15.0%	7.5%-35.0%	6.5	-1.2	-1.2	-3.0	-2.3	3.8	9.6	7.8	5.5	4.2
Non-U.S. Developed Public Equity	21,418	9.5%	10.0%	5.0%-25.0%	5.0	-1.3	-1.3	-4.7	-5.4	2.4	6.3	2.1	1.9	2.0
Emerging Markets Public Equity	12,688	5.6%	5.0%	0.0%-15.0%	14.3	8.1	8.1	-11.3	-10.1	-5.4	---	---	---	-2.6
Global Private Long Equity	23,511	10.5%	15.0%	0.0%-25.0%	---	---	---	4.4	7.0	11.5	17.4	15.7	7.8	7.5
Total Long Public Equity and Private Investments	**127,055**	**56.5%**	**57.5%**	**45.0%-70.0%**	**5.9**	**0.5**	**0.5**	**-3.6**	**-2.7**	**2.9**	**8.9**	**6.8**	**4.7**	**3.9**
Total Hedge Funds	45,143	20.1%	17.5%	10.0%-30.0%	0.7	-3.3	-3.3	-9.7	-9.3	-1.8	2.1	3.2	2.5	4.2
Other Diversifying Investments	3,502	1.6%	---	0.0%-30.0%	3.0	0.0	0.0	0.2	0.9	2.9	4.6	---	---	6.4
Total Diversified Growth	**48,645**	**21.6%**	**17.5%**	**10.0%-40.0%**	**0.9**	**-3.1**	**-3.1**	**-9.0**	**-8.6**	**-1.4**	**1.9**	**3.1**	**2.4**	**4.2**
Total Inflation Sensitive	**18,494**	**8.2%**	**10.0%**	**5.0%-20.0%**	**6.0**	**7.7**	**7.7**	**-7.7**	**-9.0**	**-8.2**	**-5.1**	**-1.9**	**---**	**-2.5**
Total Deflation Sensitive	**30,660**	**13.6%**	**15.0%**	**9.0%-30.0%**	**1.3**	**2.5**	**2.5**	**1.8**	**0.9**	**2.1**	**1.5**	**3.9**	**5.6**	**5.8**
Total Managed Assets Net of CA Fees	**224,859**	**100.0%**	**100.0%**	**---**	**4.1**	**0.5**	**0.5**	**-4.6**	**-4.3**	**0.8**	**5.3**	**5.1**	**4.3**	**4.0**
Total Assets Net of CA Fees	**237,325**	**---**	**---**	**---**	**3.9**	**0.5**	**0.5**	**-4.5**	**-4.1**	**0.8**	**5.2**	**5.0**	**4.2**	**3.9**

Variance Notes:

[1] The positive variance of $2.1 million in cash contributions as of March 31, 2016 is a result of new unbudgeted contributions that were received from various donors.

[2] Foundation subsidiaries are comprised of four single member LLCs – Foundation Enterprise Holdings I through IV – with FIU Foundation as their sole member. Each LLC has its own operating budget, with positive or break-even net income, that rolls into the Foundation's overall budget. The negative variance in revenues and positive variance in expenses is related to a sewer system connection project for the Islamorada property that has not yet occurred (since the expense has not yet occurred, revenue has not been collected from the College of Arts, Sciences and Education). The negative variance for revenues has been offset by the 100% occupancy rate against the 10% budgeted allowance.

[3] Investment returns for fiscal year 2015-16 were projected at 5.0% or $12.2 million, based on a beginning balance of $235 million. The monthly returns were forecasted based on our asset allocation and the historical performance of indexes for each asset class. Fiscal year-to-date investment losses on the portfolio through March 31, 2016 totaled approximately 4.5%, or ($10.4) million. These loses are broken down as follows by asset class: long public and private equity (56.5% allocation) down 3.6%; diversified growth (21.6% allocation) down 9.0%; inflation sensitive (8.2% allocation) down 7.7%; and deflation sensitive (13.6% allocation) up 1.8%.

[4] The positive $1.3 million variance in scholarships and program expenses is in part due to timing of the processing of several scholarships, salary reimbursements, and event-related invoices mainly in JMOF, College of Medicine, Wolfsonian, and College of Business. The majority of these expenses are expected to be incurred throughout the fourth quarter.

[5] The positive $1.1 million variance for Building Funds expenses is due to timing of Facilities billing the Foundation for the Hospitality Management third floor and stair renovation construction project (budgeted at $800,000). The expenses are expected to be incurred throughout the fourth quarter.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
June 2, 2016

SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT AS OF APRIL 13, 2016

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

Issue #1: FIU Gas Station Abandoned Tanks –Biscayne Bay Campus (BBC)
Agency: Environmental Protection Agency
Status: On December 2, 2015, the results from the preliminary groundwater sampling revealed contamination with organic compounds above the groundwater cleanup target levels. The Department of Environmental Health and Safety (EH&S) in coordination with an outside environmental FIU contractor (AMEC) and the BBC Facilities Management team scoped a project in phases, where Phase I included further testing of the surrounding wells in the questionable area to determine the extent of contamination, in order to determine the next steps of the remediation phase of the project. **Findings:** Phase I of the project was completed, and the results revealed that the contamination is still present. As of March 11, 2016, EH&S has continued to work with BBC Facilities Management and AMEC engineers to resolve the situation. Phase II will consist of the installation of a new monitoring well near the old wells, and sampling of the new well to determine the next course of action.

Issue #2: Storage Tank Facility Annual Inspection – Modesto A. Maidique Campus (MMC)
Agency: Florida Department of Environmental Protection (FDEP)
Status: On March 17, 2016, an inspection was conducted of **22** aboveground storage diesel tanks located at MMC. EH&S received a copy of the final inspection report on March 18, 2016. **Findings:** All 22 tanks (fill port boxes, product piping, and spill buckets) were in good condition. Two of the 22 tanks required completion of registration forms to update the tank status. Both registration forms were completed at the time of inspection. No violations were issued during time of inspection.

Issue #3: Industrial Waste Permit 5 Warning Notice – BBC Photo Lab Silver Recovery
Agency: Miami-Dade Department of Regulatory and Economic Resources (DERM)
Status: On March 3, 2016, FIU received a warning notice pertaining to the BBC Photography Lab stating that evidence of industrial waste discharges to the sanitary sewers exceeded Miami-Dade County (MDC) Sanitary Sewer Discharge Standards, as well as elevated levels of silver which violated Section 24-42.4 of Chapter 24 of the MDC Code. **Findings:** On March 3, 2016, EH&S advised the photo lab managers to CEASE and DESIST operations as required by the warning notice. The photo lab managers communicated to all users the cancelation of classes. The machine attached to the Silver Recovery Unit (SRU) was disconnected, and sewer lines were detached from all sinks in the lab area. All film process waste was collected for disposal by an approved Silver Liquid Waste Transporter on March 14, 2016. As of March 11, 2016, 15-day and 30-day responses have been submitted to DERM. The Photo Lab is in the process of acquiring a new SRU and is working closely with EH&S to ensure that all regulatory requirements are met. The compliance due date for the next DERM update report submittal is April 30, 2016.

Issue #4: Miami-Dade County Pollution Prevention Inspection – MMC
Agency: Miami-Dade Department of Regulatory and Economic Resources (DERM)
Status: On February 12, 2016 the Miami-Dade Regulatory and Economic Resources Department conducted an annual inspection of the following areas: paint shop, plumbing shop, carpentry shop, art rooms, central utilities, W1, W1C, and the VH photography lab. The inspector reviewed chemical inventories, training records, satellite hazardous waste accumulation areas, and general environmental compliance knowledge. **Findings:** No violations were observed during the time of inspection. FIU EH&S is currently pending the official inspection report.

Issue #5: Miami-Dade County Pollution Prevention Inspection – Engineering Campus (EC)
Agency: Miami-Dade Department of Regulatory and Economic Resources (DERM)
Status: On March 3, 2016 the Miami-Dade Regulatory and Economic Resources Department conducted an annual inspection at FIU's Engineering Center. The inspector reviewed laboratory chemical inventories, training records, satellite hazardous waste accumulation areas, and general knowledge of personnel working in a laboratory setting. **Findings:** No violations were observed at time of inspection.

Issue #6: Annual Life and Fire Safety Inspections – MMC
Agency: Division of State Fire Marshal, Florida Department of Financial Services
Status: As of the third quarter of this fiscal year 60% of state fire marshal inspections have been completed throughout the campus. Improvements to the process for correcting and reducing violations have been implemented and showing positive results. **Findings:** No high hazard fire safety violations were observed during the inspections.

Issue #7: Annual Emergency Evacuation Drills –MMC and BBC
Agency: Division of State Fire Marshal, Florida Department of Financial Services
Status: To date 77% of annually required emergency evacuation drills have been successfully conducted. **Findings:** EH&S is on target to complete all required drills prior to the close of fiscal year.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
June 2, 2016

TREASURY REPORT *(For quarter ending March 31, 2016)*

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

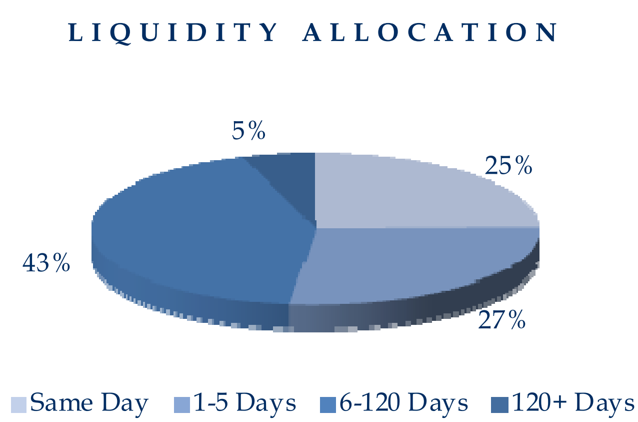
OVERVIEW

The University's total liquidity position of $333.8 million was 2.0 times the University's debt position of $170.9 million at the end of FY 2016 Q3. Including direct support organization ("DSO") debt, the liquidity to total debt ratio was 1.6 times. These results are better compared to the end of FY 2015 Q3, the liquidity to university debt and the liquidity to total debt ratios were 1.8x and 1.5x, respectively.

LIQUIDITY

Real Days Payable

At the end of FY 2016 Q3, $196.0 million, or 58.7 percent, of the liquidity position was accessible within 5 business days (See *Liquidity Allocation* chart for detail). At the end of FY 2016 Q3, the university had 48 real days payable[1] ("RDP") versus 43 RDP at the end of FY 2015 Q3. The increase in RDP was due mainly to higher inflows and lower outflows (see details in Sources and Uses sections).



Sources

The University started the fiscal year with $76.1 million in cash balances[2]. Total FYTD 2016 inflows (state and operational) were $853.6 million as compared to $851.7 million for the same period last fiscal year. On average, $4.3 million flowed into the university each business day in FYTD 2016 versus $4.3 million per day in FYTD 2015.

Uses

FYTD 2016, the university used $807.9 million as compared to $813.7 million in the same period last fiscal year. The FYTD 2016 velocity cash outflow was $4.1 million per day and was flat to FYTD 2015. The University ended the fiscal quarter with $121.8 million in cash balances.

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[1] 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.
[2] Cash includes Working Capital Pool assets and cash balances in the concentration bank account.

Stress Tests/Performance Simulations

The Office of the Treasurer ("Treasury") analyzes the effect of negative market performance on its liquidity position through both value-at-risk (VAR) analysis and Monte Carlo simulation analyses.

VAR analysis, completed quarterly, estimates the maximum potential loss during a specific time period at a given level of confidence. VAR uses the historical behavior of each asset class over various time horizons (five years, ten years, full history). Our VAR analysis predicts that there is a five percent probability that the portfolio (as of the FY 2016 Q3 ending balance) could have unrealized losses of up to $11.8 million and one percent probability of up to $22.0 million of unrealized losses within a twelve-month period.

At the end of FY 2016 Q3, the Monte Carlo analysis generated by a bottom decile performance for fixed income investments, translated into median 1.7 percent, or $5.5 million, in unrealized losses. Liquidity, as measured by 5-day accessibility, would drop to 54.7 percent, or $182.4 million, of the total current available cash and investment balances. RDP would fall to 44 days based on current fiscal year outflows.

The scenario with the bottom decile equity performance generates a median 2.9 percent, or $9.5 million, in unrealized losses. Liquidity, as measured by 5-days accessibility, would drop to $193.1 million or 57.8 percent of the total current available cash and investment balances. RDP would remain stable at 47 days based on fiscal year outflows in this stress scenario.

Bottom decile of overall portfolio performance represents a 4.1 percent loss, or $13.5 million, and a projected drop in liquidity to $170.0 million or 50.9 percent of the total current available balances. Furthermore, RDP drops to 41 days.

Forecast and Budget

Actual balances at the end of FY 2016 Q3 were 10.7 percent higher than the rolling forecast, -9.0 percent lower than the budget and 4.9 percent higher to the prior year. For the next quarter, the university should experience an increase in the cash and investment balances lasting through the third quarter of FY 2016.

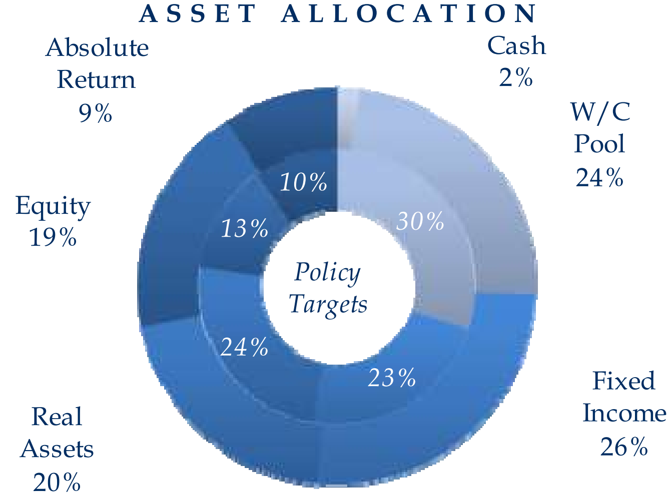
INVESTMENTS

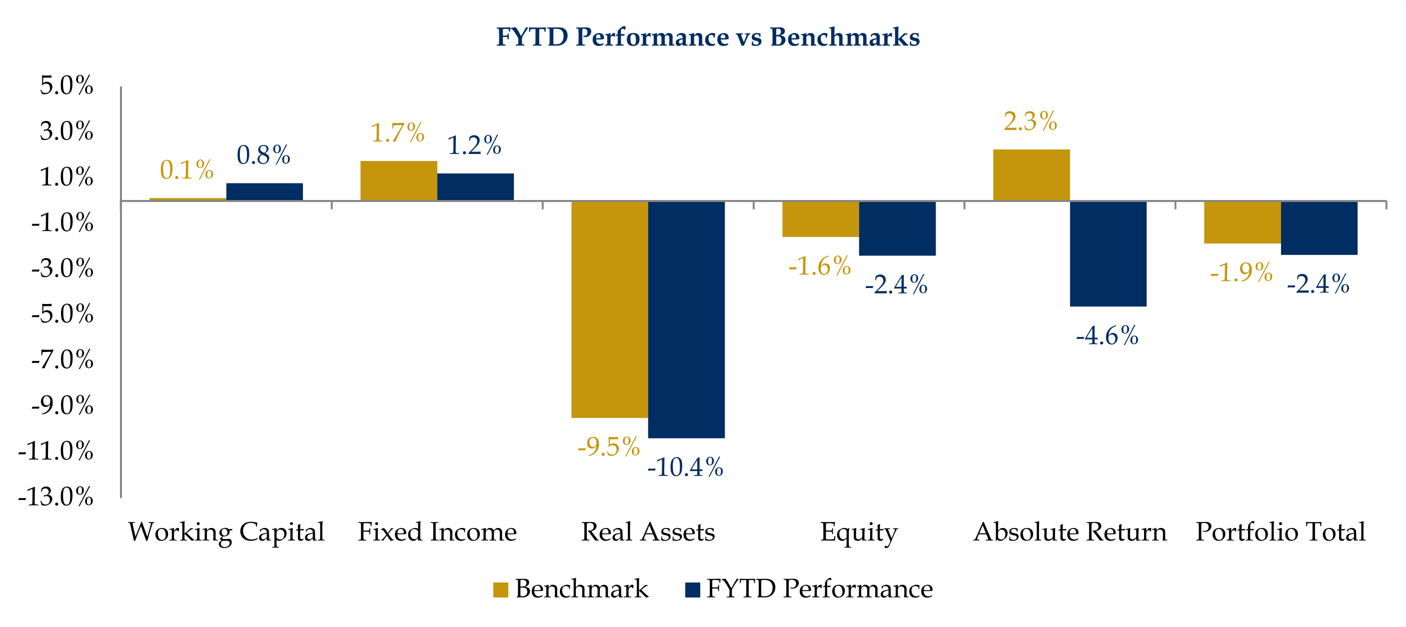
Composition

Asset allocations at the end of FYTD 2016 remained within policy guidelines (See *Asset Allocation* chart for detail of asset allocation at quarter end).

At the end of FY 2016 Q3, the market value of the University's operating funds portfolio and cash was $333.8 million. This balance reflects an increase of $50.9 million or 18.0 percent, from the previous quarter and was in line with the quarter-to-quarter seasonality of cash flows. The total portfolio market value was $4.2 million higher than the market value at the end of FY 2015 Q3.

ASSET ALLOCATION





Performance

FIU's operating portfolio continues to outperform the State Treasury investment pool ("SPIA"), returning 3.7 percent since inception versus the SPIA's 2.7 percent for the same time. At the end of FY 2016 Q3, the portfolio was down 2.4 percent. This compares unfavorably to a negative 0.1 percent return at the end of FY 2015 Q3. The Strategic Capital and Reserve Pools were down 3.7 percent while the Working Capital Pool gained 0.8 percent. Returns from the SPIA totaled 1.3 percent FYTD 2016 (See FYTD Performance vs. Benchmarks chart for additional performance detail by asset class).

The Working Capital Pool was the top performer and exceeded the benchmark by 0.7 percent. Most other asset classes lagged their respective benchmarks. Fixed Income returned 1.2 percent (vs 1.7 percent benchmark), Real Assets returned -10.4 percent (vs -9.5 percent benchmark), Absolute Return returned -4.6 percent (vs. 2.3 percent benchmark). Equities lagged behind with returns of -2.4 percent (vs -1.6 percent benchmark).

DEBT

Total Outstanding

The University and DSOs ended FY 2016 Q3 with $207.3 million in outstanding debt versus $217.9 at the end of FY 2015 Q3. The weighted average interest rate for the University and DSO issuances was 4.2 percent. At the end of FY 2016 Q3, 95.3 percent, or $197.5 million, of the University and DSOs' outstanding debt was fixed rate and 4.7 percent, or $9.7 million, was variable rate debt. All of the variable rate exposures are obligations of the DSOs (Athletics Finance Corporation, FIU Foundation).

Bond Refunding

The University, in conjunction with the Division of Bond Finance, has refunded all eligible outstanding bond series. The refundings are projected to save the University $9.4 million in interest expense over the term of the issuances. As of March 31, 2015, $1.3 million of interest savings have been realized from these refunding activities. The University is expected to save an additional $0.8 million in interest expense in Fiscal Year 2016 and $3.4 million over the next 5 years. The University will continue to seek additional opportunities to reduce capital costs.

(USD Millions)	Outstanding 2016	2015	Avg. Rate	Rating[*]	Tax Status	Maturity
Housing						
2011A Refunding	$17.8 M	$19.3 M	3.7%		Exempt	7/2025
2012A Parkview Hall	51.6 M	52.6 M	4.1%		Exempt	7/2021
2015A Refunding[**]	29.1 M	32.9 M	3.7%		Exempt	7/2034
Total Housing	**$98.5M**	**$104.8M**	**3.9%**	**Aa3 | A | A+**		
Parking						
2009B PG5 Market Station	$28.2 M	$28.9 M	4.5%		BABs	7/2039
2013A Tech Station	44.3 M	46.4 M	4.8%		Exempt	7/2043
Total Parking	**$72.5M**	**$75.3M**	**4.7%**	**Aa3 | AA- | A+**		
Total University	**$170.9M**	**$180.2M**	**4.2%**			
DSOs*						
2009 AFC - Stadium	$30.7 M	$31.4 M	4.6%		Exempt/Taxable	3/2033
2010 Foundation - MARC	5.6 M	6.3 M	2.0%		Exempt	5/2022
Total DSOs	**$36.3M**	**$37.8M**	**4.2%**	**Unrated**		
Total University/DSOs	**$207.3M**	**$217.9M**	**4.2%**			

[*] *(Moody's | S&P | Fitch)*

[**] *2015 Outstanding - Refunded 2004A Bonds*

*** *Direct Support Organizations*

FIU | FLORIDA INTERNATIONAL UNIVERSITY

Period Ending March 31, 2016

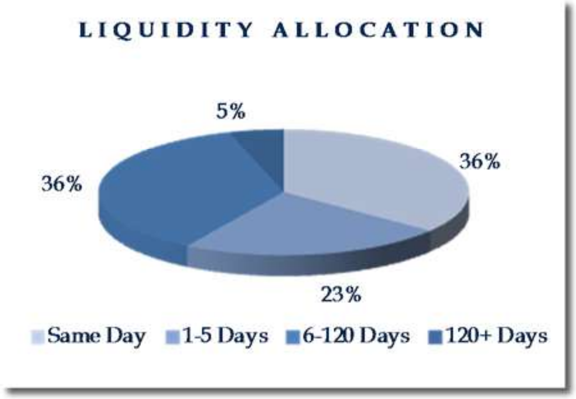
Finance and Administration
Office of the Treasurer
Treasury Summary
(000's)

OVERVIEW

Liquidity/University Debt		1.95
Liquidity/Total Debt		1.61
Liquidity Position		
Cash + W/C Pool	$	121,848
Strategic + Reserve Pools		211,956
Total	$	**333,804**
Debt Position		
University Debt	$	170,940
DSO Debt		36,325
Total	$	**207,265**

LIQUIDITY

Availability		
Same Day	$	118,582
1-5 Days		77,452
6-120 Days		121,709
120+ Days		16,060
Total	$	**333,804**
Real Days Payable (<5 Days)		
MTD Outflows		56
QTD Outflows		43
YTD Outflow		48

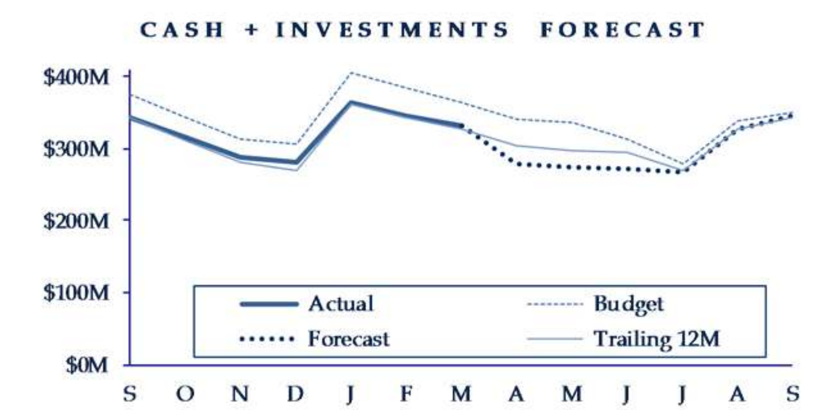


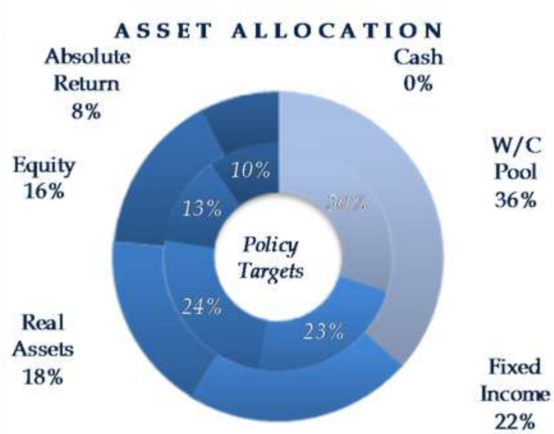
LIQUIDITY SOURCES AND USES

Sources		**MTD**		**QTD**		**YTD**
Opening W/C Pool Balance	$	78,116	$	67,451	$	70,135
Opening Cash Balance		62,414		5,366		5,949
From State		28,530		78,387		235,224
From Operations		33,569		260,170		618,421
Uses						
To Payroll		(53,070)		(137,700)		(401,473)
To Operations		(22,921)		(71,601)		(228,600)
To Students		(4,792)		(80,225)		(177,808)
Cash + W/C Pool	$	**121,848**	$	**121,848**	$	**121,848**

INVESTMENTS

Cash + W/C Pool		**Balance**	**FYTD**	**Last 1Y**
Cash	$	453	0.0%	0.0%
W/C Pool		121,395	0.8%	1.1%
Strategic + Reserve Pools				
Fixed Income		74,573	1.2%	-0.3%
Real Assets		58,832	-10.4%	-11.4%
Equity		53,180	-2.4%	-2.0%
Absolute Return		25,371	-4.6%	-4.5%
Total	$	**333,804**	**-3.7%**	**-4.4%**





DEBT

University		**O/s Balance**	**Avg. Rate**
Housing (Aa3 | A | A+)*	$	98,485	3.9%
Parking (Aa3 | AA- | A+)*		72,455	4.7%
Direct Support Organizations			
AFC (Unrated, Stadium)		30,719	4.6%
Foundation (Unrated, MARC)		5,606	2.0%
Total Outstanding Debt	$	**207,265**	4.2%

** (Moody's | S&P | Fitch)*

Fixed Rate Debt	197,546	95.3%
Variable Rate Debt	9,719	4.7%

	2016 Q3 Actuals	2015 FY Actuals
ASSETS (Uses of Funds)		
Current Assets		
Cash and Cash Equivalents	$ 55,607,455	$ 55,214,246
Adjustments to Fair Market Value	8,689,604	17,824,402
Total Current Assets	**$ 64,297,059**	**$ 73,038,648**
Noncurrent Assets		
Due from Component Units/University		
Parking Deferred Payment Plan	$ 499,962	$ 793,152
Athletics Operations Loan	4,707,892	4,707,892
Stadium Expansion Loan	-	
Total Non-Current Assets	**$ 5,207,855**	**$ 5,501,045**
TOTAL ASSETS	**$ 69,504,914**	**$ 78,539,692**
LIABILITIES AND CAPITAL (Sources of Funds)		
Accounts Payable	$ (350)	$ 9,005
Accrued Salaries & Wages	(3,854)	1,692
Due to/(from) Component Units	-	-
Total Liabilities	**$ (4,204)**	**$ 10,697**
Total Capital (Net Assets)	**$ 69,509,117**	**$ 78,528,996**
TOTAL LIABILITES AND CAPITAL	**$ 69,504,914**	**$ 78,539,692**