FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE

Thursday, December 1, 2016
8:15 am
Florida International University
Modesto A. Maidique Campus
Graham Center Ballrooms

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. FIU Direct Support Organizations Financial Audits FY 2015-16 — **Kenneth A. Jessell**

   A. FIU Foundation, Inc.
   B. FIU Research Foundation, Inc.
   C. FIU Athletics Finance Corporation
   D. FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.

   FA2. Restructuring of Athletics Finance Corporation Debt — **Kenneth A. Jessell**

   FA3. Proposed Finance and Facilities Committee Charter — **Carlos B. Castillo**

   FA4. Proposed Audit and Compliance Committee Charter — **Carlos B. Castillo**

4. **Discussion Items** *(No Action Required)*

   4.1 Office of Internal Audit Status Report — **Allen Vann**

   4.2 Financial Performance Review – First Quarter FY 2016-17 — **Kenneth A. Jessell**

   4.3 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, March 2, 2017

Approval of Minutes

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

Subject: Approval of Minutes of Meeting held September 1, 2016

Proposed Committee Action:

Approval of Minutes of the Finance and Audit Committee meeting held on Thursday, September 1, 2016 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms.

Background Information:

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Thursday, September 1, 2016 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms.

Supporting Documentation:	Minutes: Finance and Audit Committee Meeting, September 1, 2016
Facilitator/Presenter:	Gerald C. Grant, Jr., *Finance and Audit Committee Chair*

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FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
MINUTES
SEPTEMBER 1, 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 8:20 am on Thursday, September 1, 2016, at the Modesto A. Maidique Campus, Graham Center Ballrooms.

The following attendance was recorded:

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

Board Chair Claudia Puig and Trustee Alian Collazo and 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 June 2, 2016. Trustee Kathleen L. Wilson motioned that the June 2, 2016 Minutes be amended to reflect her request that the Department of Intercollegiate Athletics be given special priority within the Office of Internal Audit Risk Assessment/Five Year Plan. A motion was made and passed to approve the amended Minutes of the Finance and Audit Committee Meeting held on Thursday, June 2, 2016.

3. Discussion Items

3.1 Office of Internal Audit Status Report

Internal Audit Director Allen Vann presented the Internal Audit Report, providing updates on the recently completed audits of the University's Mobile Health Centers and on sub-recipient monitoring. He also reported on work in progress and a presented a follow-up status report on past audit recommendations, noting that 30 of the 46 recommendations were completed and that the remaining 16 recommendations are in progress.

Mr. Vann presented an overview of the audit of payment services, adding that a review of the supplier list was conducted in terms of analyzing potential relationships between vendors and FIU employees. He stated that the analysis established that in terms of vendors, 320 addresses and 84 bank accounts corresponded to that of FIU employees. He reported that a recommendation was made that the Payment Services Department increase collaboration with the Division of Human Resources in order to proactively monitor for conflict of interests between employees and suppliers. Mr. Vann also presented on the findings relating to the review of nepotism policies and procedures, noting that the audit concluded that in terms of employees, 287 bank accounts match to other University employees. He added that 99 University employees with matching bank accounts were found to be employed by the same College or business unit. He reported that the audit resulted in four recommendations that require the establishment of more proactive procedures for identifying potential relationships at various points of an employee's career life beyond onboarding.

The Committee engaged in a substantive discussion with Mr. Vann regarding the audit of payment services and the review of the nepotism policies and procedures. Mr. Vann noted that University employees that are also vendors must fully disclose that mutual relationship in accordance with FIU policies. Trustee Leonard Boord requested that the Committee further review the audit of payment services in terms of understanding the potential impacts, if any, to the University. Senior Vice President and Chief Financial Officer Kenneth A. Jessell noted that in relation to the findings in the audit of payment services, the monetary impact to the University is relatively small. Chief Compliance and Privacy Officer Karyn Boston added that the Compliance office will conduct a review of the current conflict of interest policy and implement a corresponding monitoring plan. Committee Chair Grant noted a sense of urgency in terms of conducting follow-up audits of payment services and the nepotism policies and procedures in order to ensure appropriate compliance.

- **Benchmarking Internal Audit Activities**

Mr. Vann presented a benchmarking analysis comparing internal audit activities among the State University System institutions. He provided an overview of standards for internal auditing and mitigating oversight functions at the University. He also presented a comparison where FIU was benchmarked against 21 universities with similar overall budget and size, noting that the data was based on the 2005 study by the Association of College and University Auditors in collaboration with the International Institute of Internal Auditors.

Trustees engaged in a discussion with Mr. Vann on the appropriate staffing levels for the Office of Internal Audit, noting that the costs of hiring one or two additional auditors over the next two fiscal years would provide for increased efficiencies that will result in long-term cost-savings. Trustee Boord suggested that the Committee recommend that two auditors be hired, adding that the primary functions of one auditor should be devoted to information technology. President Mark B. Rosenberg appreciated the Committee's advice and stated that the University would move to hire auditors aligned with the needs of the unit.

3.2 Financial Performance Review, FY2015-16
Sr. VP and CFO Jessell presented the Financial Performance Review for the fourth 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 above estimates by $15.4M (or 1 percent), which can be primarily attributed to: higher academic auxiliary revenue; higher housing occupancy; and increased sales at the Panther TECH store. He added that these were offset by lower cash contributions combined with a timing delay in new gift agreements and lower enrollment in continuing education programs and higher patient volume. He noted that expenses were below estimates by $38.9M (or 4 percent), primarily due to lower expenditures, delayed spending, and University and College of Medicine vacant positions.

Trustee Kathleen L. Wilson inquired as to the long term plan for reducing the student Athletic Fee. Sr. VP and CFO Jessell noted that FIU's Athletic Fee is comparable when benchmarked to other similar institutions, adding that the Athletic Fee supports the University's student-athletes and contributes to a quality program. He added that the University must also fulfill the obligation of the debt incurred in relation to the building of the football stadium. He stated that as the football program continues to build upon its current growth trajectory, a rise in sponsorships to benefit Athletics can offset any future fee increases.

Trustees inquired as to the University's financial planning in terms of Performance Funding revenue. Sr. VP and CFO Jessell noted that while the University works towards achieving the goals set out in the annual Work Plan and strives to increase its percentage points, changes to the Performance Funding Model could impact the University's relative ranking.

Trustee Boord engaged with members of the administration in a discussion on the effects of the growing number of student debt holders that have loans in varying stages of non-payment. President Rosenberg indicated that over 12,000 FIU undergraduate students receive full Federal Pell Grant awards, noting that they have a zero Expected Family Contribution index. He added that FIU is the second lowest in terms of student debt loads within the State University System. He mentioned that there is a positive correlation between on-time graduation and student indebtedness, stating that many University students opt to delay graduation in favor of avoiding debt. Vice President for Academic Affairs Elizabeth M. Bejar provided an overview of the University's past efforts and current proactive approach, which have contributed and continue to create a positive impact on decreasing the default rate.

Trustee Alian Collazo requested a benchmarking analysis of FIU housing rates compared to the State University System institutions in terms of the required meal plan purchase for first year students living on campus. Sr. VP and CFO noted that this is not a unique requirement to FIU, adding that the meal plan requirement is an item for discussion in the current competitive negotiation for the University's food service contract.

3.3 University Compliance Report
Ms. Boston presented the University Compliance Report, providing implementation updates on the progress towards reaching Program goals. She discussed the progress towards finalizing the University Code of Conduct, noting that it was in the vetting stages. She added that it is anticipated that a draft of the Code of Conduct and roll-out plan will be shared with the Committee at the next regularly scheduled meeting.

4. 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.

Trustee Wilson inquired as to the plans for enrollment growth in the Biscayne Bay Campus (BBC). Provost and Executive Vice President Kenneth G. Furton discussed a state-wide and national trend where stand-alone regional campuses of universities have experienced enrollment decreases, which can be attributed to the growth of online learning. He reported on the University's efforts aimed at expanding enrollment in BBC, noting that the Communication Arts and Global Strategic Communications degrees will be offered in BBC.

5. New Business
5.1 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 Senior Management without the presence of the Office of Internal Audit. He further noted that as a meeting conducted in the Sunshine, no one present was required to leave during the discussion with Senior Management, adding that this was strictly voluntary. Members of Senior Management discussed the auditor's performance. Committee Chair Grant confirmed with Mr. Vann that the Office of Internal Audit had the full cooperation of management and that there were no audit scope impairments. Committee members discussed the creation of a separate Audit and Compliance Committee with Mr. Vann. Mr. Vann explained that it was a best practice and will serve to elevate the importance that the Board places in its oversight responsibilities.

6. 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 Thursday, September 1, 2016 at 9:42 am.

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Trustee Requests	**Follow-up**	**Completion Date**
1. *Trustee Leonard Boord requested that the Committee further review the audit of payment services in terms of understanding the potential impacts, if any, to the University.*	*Internal Audit Director Allen Vann*	*Follow-up: March 2017*
2. *Trustee Alian Collazo requested a benchmarking analysis of FIU housing rates compared to the State University System institutions in terms of the required meal plan purchase for first year students living on campus.*	*Senior Vice President and Chief Financial Officer Kenneth A. Jessell*	*Next Regularly Scheduled Committee Meeting*

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

FIU DIRECT SUPPORT ORGANIZATIONS FINANCIAL AUDITS – SUMMARY JUNE 30, 2016

- FIU has four Component Units and their annual financial audits will be reflected on the University's financial audit that is currently underway by the State of Florida Auditor General.
- The four entities are: ***FIU Foundation; Research Foundation; Athletics Finance Corporation***; and ***Academic Health Center Health Care Network Faculty Group Practice Inc.***
- The financial statements for the FIU Foundation are prepared in conformity with **Financial Accounting Standards Board** requirements; the remaining DSO statements apply **Governmental Accounting Standards Board** requirements.
- FIU Board of Trustee approval of the audits is required in order for the State Auditor to include the audits as Component Units of the University.
- The audits were completed by James Moore, Certified Public Accountants and Consultants, and were presented to and approved by the respective Boards in October 2016; this is the second year James Moore has been engaged; the previous auditors were Marcum LLC.
- All of the audits received an "Unmodified" [formerly known as Unqualified] Opinion meaning the financial statements presented fairly, in all materials respects, the financial positions of the entities as of June 30, 2016.
- The Auditors did **NOT** identify any weaknesses in Internal Control that they considered material weaknesses.
- The Auditors did **NOT** identify any instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

HIGHLIGHTS OF FINANCIAL RESULTS

ENDING JUNE 30, 2016 WITH JUNE 30, 2015 COMPARISONS

FIU FOUNDATION, INC.

- **Total Assets were $336.0M**, a decrease of $9.3M, primarily the result of decreased cash of $3.6M, decreased net contributions receivable of $2.7 M, decreased investments of $2.0M, decreased Other Assets of $360,000, and decreased net fixed assets of $624,000. The majority of the decreases are attributable to less contributions than anticipated and investment losses.

- **Total Liabilities were $11.5M**, an increase of $298,000 primarily from an increase in due to FIU of $385,000 and an increase in funds held for others of $1.9M (NIH Endowment), offset by a decrease in deferred revenue of $1.2M attributed to the recognition of revenues received from the Bank of America affinity card program and a decrease in notes payable of $745,000.

- **Total Net Assets were $324.5M**, a decrease of $9.6M

- **Total Revenues were $24.0M**, a decrease of $28.0M primarily from a decrease in contributions of $16.9 million and a decrease in net investment income/unrealized investment loss of $12.1M, offset by an increase in accumulated royalty income from Bank of America affinity program of $1.5M.

- **Total Expenses were $33.0M**, an increase of $3.1M due primarily to an increase in University-wide scholarships and salary support for the University of $1.4M and an increase of $2.8M in fund-raising expenses associated with the capital campaign initiative, offset by a decrease of $1.1M in general and administrative expenses related to lobbying, salary savings and decreased interest expense.

RESEARCH FOUNDATION, INC.

- **Research Foundation Total Assets (Cash) were $344,311**, an increase of $193,727 over the prior year due to the FIU USAID grant in Burkina Faso, West Africa.

- **Research Foundation Total Liabilities were $262,056**, an increase of $186,382 primarily the result of an increase in $184,382 in Due to FIU, representing funds that were sent to Burkina Faso related to grant operations.

- **Operating revenues of $0,** no change from prior years; operating activities flow through the balance sheet as "pass-throughs".

- **Research Foundation Operating Expenses were $20,313,** primarily for audit and tax fees, a decrease of $248,861 from the prior year (in 2015, there was a $250,000 payment to University of Central Florida as part of the Florida Advanced Materials Research and Manufacturing Center Initiative).

- **Non-Operating Revenue of $27,658**, the result of FIU Division of Research transferring Sponsored Research Royalty Revenue to support operating expenses of the Research Foundation.

- The Audited financial statements are broken up into two sections. The second section includes the component unit "**FIU iWASH Initiative Limited**" that receives funding from USAID (US Agency for International Development). The iWASH financial statements were audited by KPMG in Tanzania in accordance with International Standards on Auditing, for period ending December 31, 2015.

- iWASH program supports sustainable, market-driven water supply, sanitation and hygiene services to improve health in rural areas in West Africa.

- iWASH total assets (primarily cash and equivalents) and total liabilities (primarily deferred grant) were $49,224, a decrease of $13,202; total income (primarily grant income) and expenses (operating expenses) were $404,490, an increase of $17,540.

ATHLETICS FINANCE CORPORATION

- **Total Assets were $27.7M**, a decrease of $1.7M, due primarily to the annual decrease in prepaid rent of $1.3M, a decrease in suites and tickets sales receivable of $112,000 related to multi-year suite contract, and a decrease of $201,000 in cash and investments.

- **Total Liabilities were $37.4M**, an increase of $351,000 due primarily from an increase in derivative liability of $1.2M, offset by a decrease in bonds payable of $697,000 and a decrease in unearned revenue of $171,000 from multi-year suite contracts.

- **Operating Revenues were $3.5M**, a decrease of $257,000, due primarily to decreased ticket sales of $85,000 (5 home games v. 8 the previous year), decreased suite revenue of $91,000, and decreased transfers from Foundation contributions of $234,000, offset by higher event and rental income of $164,000.

- **Operating expenses were $2.3M**, a decrease of $205,000, due primarily to lower game/event day contractors of $157,000 (8 home games) and lower repairs and maintenance of $50,000.

- **The reduction in net position of $749,000** was primarily the result of an additional $380,000 transfer to FIU Athletics for release of conference payments as per the Bond Trust Indenture, $93,000 is higher than anticipated event day contactor expenses and lower operating revenues by $257,000.

ACADEMIC HEALTH CENTER HEALTH CARE NETWORK

FACULTY GROUP PRACTICE, INC.

- **Total Assets were $4.0M**, an increase of $2.2 million, primarily due to an increase in cash of $2.5M and an increase in management fee receivable of $209,000, offset by a decrease in educational program and rent receivable of $149,000, a decrease in patient and other receivables of $267,000, and a decrease in depreciable capital assets of $87,000.

- **Total Liabilities were $9.7M**, an increase of $110,000 primarily due to an increase in accounts payable of $418,000, and an increase in unearned revenue of $151,000, offset by a reduction in due to FIU in the amount of $459,000. The total due to FIU, $8.3M, is associated with prior operating losses and is secured by lease payments of $468,000 received from Miami Children's Hospital.

- **Total Operating Revenues were $5.6M**, a decrease of $375,000, due primarily to an increase in management fee revenue of $1.2M, an increase in educational program revenue of $1.2M received from American University of Antigua for the Clinical Certificate Program, and an increase in rental revenue of $357,000, offset by a reduction in net patient service revenue of $3.1M.

- **Total Operating Expenses were $3.3M**, a decrease of $5.4M due primarily to a decrease in contractual personnel services of $4.5M, a decrease in rentals and leases of $304,000, and a decrease in medical supplies of $142,000.

- **Non-Operating Expenses were $207,000**, a decrease of $742,000, due primarily to a decrease in Loss on the Disposal of Capital Assets of $802,000 (prior year loss associated with the cancellation of the lease in PG-5) offset by an increase in interest expense of $60,000.

- **Change in net position of $2.1M** is due to a net gain as a result of the realignment and change in business model to a Management Service Organization. This resulted in a reduction in personnel, operating expenses; net position improved from ($7.8M) to ($5.7M).

- As described in the MD&A, as of July 1, 2015, FIU HCN operates as a Management Services Organization (MSO) for FIU. Under the MSO, revenues derive from management fees of services provided to Student Health Services, Herbert Wertheim College of Medicine (HWCOM), Office of International Affairs, Embrace, and from leases to Miami Children's Hospital and Gastro Health. The net patient revenues and respective accounts receivable for patient services provided since July 1, 2015 are recorded under the books of the FIU HWCOM.

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Agenda Item 3 **FA1-A**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

Subject: Florida International University Foundation Inc., Financial Audit, 2015-16

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Foundation, Inc. Financial Audit for the 2015-16 Fiscal Year and authorize the CEO of the Florida International University Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Foundation, Inc. Financial Audit for 2015-16 was approved by the Florida International University Foundation, Inc. Board of Directors on October 22, 2016, and the University President is recommending its acceptance.

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

Supporting Documentation: Florida International University Foundation, Inc. Financial Audit, 2015-16

Facilitator/Presenter: Kenneth A. Jessell

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FLORIDA INTERNATIONAL UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
TABLE OF CONTENTS
JUNE 30, 2016 AND 2015

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Florida International University Foundation, Inc. and Subsidiaries (the Foundation), a direct support organization and component unit of Florida International University, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in the consolidated schedule of expenses on page 30 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 21, 2016

CONSOLIDATED FINANCIAL STATEMENTS

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 8,338,074	$ 11,972,635
Contributions receivable, net	79,648,946	82,383,328
Investments	229,073,465	231,026,551
Bond issuance costs, net	72,711	85,181
Other assets	1,305,344	1,665,398
Fixed assets, net	17,566,435	18,190,373
Total Assets	$ 336,004,975	$ 345,323,466
Liabilities		
Accounts payable and other liabilities	$ 417,206	$ 452,193
Deferred revenue	255,000	1,500,700
Due to Florida International University	2,539,417	2,154,133
Split-interest obligations	882,014	893,615
Funds held for others	1,962,240	12,190
Note payable	5,420,000	6,165,000
Total Liabilities	11,475,877	11,177,831
Net Assets		
Unrestricted	27,009,655	32,027,997
Temporarily restricted	87,854,851	95,709,060
Permanently restricted	209,664,592	206,408,578
Total Net Assets	324,529,098	334,145,635
Total Liabilities and Net Assets	$ 336,004,975	$ 345,323,466

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Revenue, Gains and Other Support					
Contributions	$ 2,973,619	$ 15,561,056	$ 3,277,555	$ 21,812,230	$ 38,715,158
Rental income	2,191,394	3,900	-	2,195,294	2,189,983
Administrative fees	2,341,825	-	-	2,341,825	2,282,209
Contributed services	897,826	-	-	897,826	899,905
Dues	390,750	154,807	18,459	564,016	706,639
Change in value of interest rate swap	-	-	-	-	103,307
Royalty income	1,542,374	-	-	1,542,374	90,220
Special events revenue, net of direct donor benefits of $251,042 and $72,962	-	86,466	-	86,466	66,821
Other	56,965	161,091	-	218,056	545,578
Net investment income	832,450	2,221,377	-	3,053,827	6,925,409
Net unrealized investment gain (loss)	(2,126,463)	(6,618,195)	-	(8,744,658)	(539,899)
	9,100,740	11,570,502	3,296,014	23,967,256	51,985,330
Net assets released from restrictions	18,982,833	(18,982,833)	-	-	
Total Revenue, Gains and Other Support	28,083,573	(7,412,331)	3,296,014	23,967,256	51,985,330
Expenses					
Program services	21,112,442	-	-	21,112,442	19,730,731
General and administrative	4,812,526	-	-	4,812,526	5,872,791
Fundraising	7,116,334	-	-	7,116,334	4,352,252
Total expenses	33,041,302	-	-	33,041,302	29,955,774
Change in Net Assets From Current Operations	(4,957,729)	(7,412,331)	3,296,014	(9,074,046)	22,029,556
Other Changes					
Change in value of split-interest obligations	(60,613)	-	-	(60,613)	(60,613)
Provision for uncollectible promises to give	-	(441,878)	(40,000)	(481,878)	(466,539)
Loan guarantee	-	-	-	-	1,033,478
Change in Net Assets	(5,018,342)	(7,854,209)	3,256,014	(9,616,537)	22,535,882
Net Assets, beginning of year	32,027,997	95,709,060	206,408,578	334,145,635	311,609,753
Net Assets, end of year	$ 27,009,655	$ 87,854,851	$ 209,664,592	$ 324,529,098	$ 334,145,635

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	$ 3,036,657	$ 28,778,519	$ 6,899,982	$ 38,715,158
Rental income	2,181,771	8,212	-	2,189,983
Administrative fees	2,282,209	-	-	2,282,209
Contributed services	899,905	-	-	899,905
Dues	351,942	281,153	73,544	706,639
Change in value of interest rate swap	103,307	-	-	103,307
Royalty income	90,220	-	-	90,220
Special events revenue, net of direct donor benefits of $72,962	-	66,821	-	66,821
Other	65,777	201,256	278,545	545,578
Net investment income	2,303,160	4,622,249	-	6,925,409
Net unrealized investment gain (loss)	(1,439,016)	899,117	-	(539,899)
	9,875,932	34,857,327	7,252,071	51,985,330
Net assets released from restrictions	14,661,213	(14,433,551)	(227,662)	-
Total Revenue, Gains and Other Support	24,537,145	20,423,776	7,024,409	51,985,330
Expenses				
Program services	19,730,731	-	-	19,730,731
General and administrative	5,872,791	-	-	5,872,791
Fundraising	4,352,252	-	-	4,352,252
Total expenses	29,955,774	-	-	29,955,774
Change in Net Assets From Current Operations	(5,418,629)	20,423,776	7,024,409	22,029,556
Other Changes				
Change in value of split-interest obligations	(60,613)	-	-	(60,613)
Provision for uncollectible promises to give	-	(466,539)	-	(466,539)
Loan guarantee	1,033,478	-	-	1,033,478
Change in Net Assets	(4,445,764)	19,957,237	7,024,409	22,535,882
Net Assets, beginning of year	36,473,761	75,751,823	199,384,169	311,609,753
Net Assets, end of year	$ 32,027,997	$ 95,709,060	$ 206,408,578	$ 334,145,635

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ (9,616,537)	$ 22,535,882
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	747,892	677,202
Provision for uncollectible promises to give	481,878	466,539
Net unrealized investment loss	8,744,658	539,898
Change in value of interest rate swap	-	(103,307)
Changes in value of split-interest obligations	60,613	60,613
Net investment income restricted for long-term reinvestment	(2,221,377)	(4,622,249)
Loss on disposal of property and equipment	-	2,432
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	2,252,502	(17,372,459)
Other assets	360,054	542,339
Due from Florida International University	-	23,421
Increase (decrease) in:		
Accounts payable and other liabilities	(34,987)	(8,642)
Split-interest obligations	11,787	(3,888)
Due to Florida International University	385,284	508,567
Funds held for others	1,950,050	(33,390)
Due to FIU Athletics Finance Corp.	-	(218,000)
Deferred revenue	(1,245,700)	224,905
Total adjustments	11,492,654	(19,316,019)
Net cash provided by operating activities	1,876,117	3,219,863
Cash Flows from Investing Activities		
Contributions restricted for long-term investment	(7,115,981)	(5,747,943)
Proceeds from sale of capital assets	-	68
Purchases of property and equipment	(111,484)	(2,567,596)
Purchases of investments	(170,676,038)	(210,700,757)
Sales of investments	163,884,467	212,018,933
Net cash used in investing activities	(14,019,036)	(6,997,295)
Cash Flows from Financing Activities		
Principal repayments on note payable	(745,000)	(755,000)
Payments on split-interest obligations	(84,000)	(84,000)
Proceeds from contributions restricted for long-term investment	7,115,981	5,747,943
Net investment income restricted for long-term reinvestment	2,221,377	4,622,249
Net cash provided by financing activities	8,508,358	9,531,192
Net Increase (Decrease) in Cash and Cash Equivalents	(3,634,561)	5,753,760
Cash and Cash Equivalents, beginning of year	11,972,635	6,218,875
Cash and Cash Equivalents, end of year	$ 8,338,074	$ 11,972,635
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 101,667	$ 208,532
Non-Cash Operating Activities		
In-kind donated capital asset	$ 68,500	$ -

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

(1) Nature of Organization and Significant Accounting Policies:

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

The Wolfsonian, Inc. was established in 1986 to create and operate a museum and research center in Miami Beach, Florida, and to support a comprehensive program focused on the collection, exhibition, interpretation, preservation, research and publication of the decorative, design and architectural arts. The Mitchell Wolfson, Jr. Collection of nearly 27,000 objects of art and rare books dating from the late nineteenth to the mid-twentieth century has been loaned to the Wolfsonian, Inc. It encompasses furniture, sculptures, paintings, books, graphics and other works of art on paper, as well as archives relating to the period. Through a series of academic study and fellowship programs, national and international traveling exhibitions, and scholarly initiatives, the Wolfsonian, Inc. promotes public education and awareness of the social, historical, technological, political, economic, and artistic material culture of Europe and America in the 1885-1945 periods. The Wolfsonian, Inc. is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

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

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

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

Foundation Enterprise Holdings III, LLC ("FEH III") is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On June 14, 2013, FEH III was organized pursuant to a gift agreement with Mitchell Wolfson, Jr. which transferred the gift of real property located at 100 East Flagler Street (Floors 2, 8, and 9), Miami, Florida, for the benefit of the Wolfsonian-FIU. See Note 1(u) describing agreement entered into after year end to sell the property.

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

Foundation Enterprise Holdings IV, LLC ("FEH IV") is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On February 25, 2014, FEH IV purchased real property ("Islamorada Property") located at 85932 Overseas Highway, for the purpose of leasing to the University's College of Arts and Sciences to serve as the staging area for the Aquarius Reef Base, an undersea research laboratory. A donor pledged a gift to be paid in five annual installments to support the acquisition of this property.

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

(b) **Principles of consolidation**—The consolidated financial statements of the Foundation and its subsidiaries for the years ended June 30, 2016 and 2015, include the accounts of the Foundation, Wolfsonian, Inc., FEH I, FEH II, FEH III, and FEH IV, based on the Foundation's controlling economic interest in the five entities. The Foundation's controlling economic interest in the Wolfsonian, Inc. was the result of the gift agreement between the two entities, which became effective on March 26, 1998 (see Note 2).

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

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

The Foundation's controlling economic interest in FEH III was the result of a gift agreement for the acquisition of real property which was finalized on July 1, 2013.

The Foundation's controlling economic interest in FEH IV was the result of a purchase of real property on February 25, 2014.

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

(c) **Basis of presentation**—Financial statement presentation follows the requirements of Accounting Standards Codification ("ASC") 958, Not-for-Profit Entities. Under ASC 958, the Foundation is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Assets are presented according to their nearness of conversion to cash. Liabilities are presented according to the nearness of their maturity and resulting use of cash.

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

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

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

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

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

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

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

(f) **Cash equivalents**—The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(g) **Promises to give**—Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets.

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

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

(h) **Contributions**—Contributed goods and services are recorded as contributions at their estimated fair value at date of receipt.

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

The consolidated statements of activities include services received from University personnel and these services are measured at the cost recognized by the University. Refer to recent accounting pronouncements described in this note for further information. For the years ended June 30, 2016 and 2015, the contributed services total $897,826 and $899,905, respectively.

(j) **Investments and investment income**—Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value (see note below) in the consolidated statements of financial position. Investment gains and losses (including realized and unrealized gains and losses on investments as well as interest income and dividends) are included in the consolidated statements of activities as an increase or decrease in unrestricted net assets unless the gains or losses are restricted by donor or law. Restricted gains and losses and investment income where the restrictions are met in the same reporting period as the income is earned are recorded as unrestricted support.

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

See Note 5 for a summary of the inputs used as of June 30, 2016 and 2015, in determining the fair value of the Foundation's investments.

(l) **Property and equipment**—Property and equipment are defined as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of 5 years and are recorded at historical cost. If contributed, the asset, with the exception of the collection of decorative and propaganda arts, is recorded at the fair value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

the absence of such stipulations, contributions are recorded as unrestricted support. 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. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years.

The Foundation has elected to exercise the option of not capitalizing the items that meet the definition of "collections" as prescribed by accounting principles generally accepted in the United States. Therefore, the fair value of the donated collection of decorative and propaganda arts are not reflected in the accompanying consolidated financial statements. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

(m) **Deferred revenue**—Deferred revenue is comprised of advanced licensing and royalty fees. In July 2015, Bank of America waived its right to receive the unearned portion of advances at the expiration of the agreement ending December 31, 2015. As a result, the Foundation recognized revenue related to the advanced licensing and royalty fees during the fiscal year in the amount of $1,478,584.

During the fiscal year, a balance was added for deferred revenue related to unearned contributions. The Foundation entered into a challenge gift agreement to receive matching contributions up to $1 million for the benefit of a Chair of Transition Studies in the Vaclav Havel Center for Human Rights and Diplomacy. The donor made an initial advance of its matching funding payments to the Foundation in June 2016 in the amount of $250,000. Once the required matching donations are received, the Foundation will recognize contribution revenue.

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

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

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

(o) **Funds held for others**—In March 2016, the National Institutes of Health (NIH) awarded a grant in the amount of $9,500,000 to the University, with annual increments in the amount of $1,900,000 payable over five years in support of research in the area of minority health and health disparities. Pursuant to the terms of the grant, the NIH requires that the funds be held as an endowment for a period of at least 20 years. Thereafter, the funds may be used to support this research initiative. The University transferred the first installment of $1,900,000 in June of 2016 to the Foundation to be held as a term endowment. The endowment will be managed consistent with the Foundation's policies and procedures. In addition, the balance also includes funds deposited with the Foundation for management on behalf of a family foundation in the amount of $62,240 and $12,190 as of June 30, 2016 and 2015, respectively.

(p) **Program services**—Program services expenses on the consolidated statements of activities include amounts transferred to related parties or amounts disbursed directly to third parties to benefit the University or its DSO's. These expenses include salaries, scholarships, and other program related expenses.

(q) **Income taxes**—The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The subsidiaries are Limited Liability Companies which are wholly owned by the Foundation and therefore are disregarded for tax purposes. However, the Foundation is subject to income tax on unrelated business income. The Foundation's primary source of unrelated business income is from certain investments in private equity partnerships. Income taxes incurred during the year, if any, are estimated to be immaterial to the consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. If the Foundation were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations from years prior to 2013.

(r) **Concentrations of credit risk**—Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents in banks, investments, and promises to give.

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

(1) **<u>Nature of Organization and Significant Accounting Policies:</u>** (Continued)

The Foundation maintains certain investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. At June 30, 2016 and 2015, approximately $228,600,000 and $230,500,000 was held in these accounts, respectively. The Foundation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(s) **Recent accounting pronouncements**—In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *"Presentation of Financial Statements of Not-for-Profit Entities."* The ASU is effective for Foundation's fiscal year ending June 30, 2019. ASU 2016-14 aims to improve not-for-profit entity financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The standard significantly changes how net assets will be presented on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for the liquidity and availability of resources. Management is still evaluating the impact of this pronouncement on the Foundation's financial statements.

(t) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2015 account balances have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net position.

(u) **Subsequent events**—Management has evaluated subsequent events to determine if events or transactions occurring through October 21, 2016, the date the consolidated financial statements were available to be issued, require adjustment to or disclosure in the consolidated financial statements. On October 14, 2016, FEH III closed on a Real Estate Purchase and Sale Contract to sell the property located at 100 East Flagler Street (Floors 2, 8, and 9), Miami, Florida for a contract sales price of $1,800,000.

(2) **<u>Gift Agreements:</u>**

On July 1, 1997, the Foundation entered into a gift agreement (the "Agreement") with Mitchell Wolfson, Jr., the Wolfsonian, Inc. and the University, whereby Mitchell Wolfson, Jr. agreed to donate all rights, title and interest in and to all objects constituting The Mitchell Wolfson, Jr. Collection of Decorative and Propaganda Arts (the "Collection") to the Foundation, subject to an agreement made and entered into by the Wolfsonian, Inc. and Mr. Wolfson, Jr., dated July 29, 1991. The agreement is effective through July 2021, at which time it can be renewed for an additional period of ten years.

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

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

(2) **Gift Agreements:** (Continued)

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

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

According to the gift agreement, the University will develop a presence for the FIU Judaic Studies Program at the JMOF Property and the JMOF Museum will be operated and known as the "Jewish Museum of Florida – FIU". The University shall operate the JMOF Museum and educational and outreach activities in accordance with the guidelines of the American Association of Museums and will maintain the JMOF Museum as a unit of the University within its College of Arts and Sciences. The University and the Foundation will provide the JMOF Museum with the same administrative support afforded to other units pursuant to University and Foundation policies.

On June 14, 2013, the Foundation entered into a gift agreement with Mitchell Wolfson, Jr., Washington Storage Company, Inc., the University, and FEH III whereby Mr. Wolfson conveyed real property located at 100 E. Flagler Street (Floors 2, 8 and 9) to FEH III for the benefit of Wolfsonian-FIU and its programs.

(3) **Contributions Receivable:**

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

	2016	2015
Receivable in less than one year	$ 17,878,122	$ 19,506,028
Receivable in one to five years	53,759,597	46,682,729
Receivable in more than five years	12,964,919	24,689,409
	84,602,638	90,878,166
Less allowance for doubtful accounts	(1,134,046)	(1,473,658)
Less discount to present value	(3,819,646)	(7,021,180)
Contributions receivable, net	$ 79,648,946	$ 82,383,328

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

(3) **Contributions Receivable:** (Continued)

State match receivable

In accordance with Florida Statute Chapter 1011.94, Trust Fund for Major Gifts, endowment contributions of $100,000 or more, made after July 1, 1985 through June 29, 2011, with income to be used to “support libraries and instruction and research programs”, are eligible for state match for gifts. Effective July 1, 2011, the state matching funds are temporarily suspended by the Legislature for donations received for this program on or after June 30, 2011. Existing eligible donations remain eligible for future matching funds. The program may be restarted after $200 million of the backlog for programs have been matched. The state has approved the Foundation’s state matching requests that have not yet been received totaling $41,967,040.

The State of Florida did not appropriate funds to pay for this program during the fiscal year; therefore the receivable is recorded in the accompanying consolidated financial statements discounted back through 2023 since the exact year of receipt is unknown. This receivable is included in the table above. The ultimate collection of the state match receivable is dependent upon the future appropriation of funds for this program by the State of Florida legislature. The estimate of the collectability of this receivable may be adjusted in future periods and any adjustment could be significant.

(4) **Investments:**

	As of June 30,	
	2016	**2015**
Domestic equities	$ 39,897,818	$ 38,928,909
Global equities	59,888,795	61,461,624
Real assets	13,168,406	12,232,126
Fixed income	30,565,183	30,919,505
Hedge funds	53,666,126	60,539,187
Private investments	31,887,137	26,931,444
	229,073,465	231,012,795
Plus accrued income	-	13,756
Total investments	$ 229,073,465	$ 231,026,551

Total net investment income and net unrealized losses for the year ended June 30, 2016 totaled $3,053,827 and $8,744,658, respectively. Earnings applied to individual endowments for the year ended June 30, 2016 totaled $3,993,652. Total net realized and unrealized investment gains and investment income for the year ended June 30, 2015 totaled $6,385,510 of which $4,520,871 was applied to individual endowments. Investment revenues are reported net of related expenses for custodial fees, investment management and incentive fees, and mutual fund expenses. Fees paid during the fiscal years ended June 30, 2016 and 2015, totaled $2,558,933 and $4,445,410, respectively. Investment consulting fees are reported as an expense in the consolidated statements of activities. Investment consultant fees totaled $572,658 and $559,665 for 2016 and 2015, respectively.

(5) **Fair Value Measurements**:

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

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

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

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

(i) quoted prices for similar assets or liabilities in active markets;
(ii) quoted prices for identical assets and liabilities in markets that are not active;
(iii) observable inputs, other than quoted prices, for similar or identical assets and liabilities; or
(iv) inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 – Valuation is based on unobservable inputs for an asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant. Therefore, unobservable inputs reflect the Investment Manager's own assumptions about the assumptions that market participants would use in valuing the asset or liability, including assumptions about risk. Unobservable inputs are developed based on the best information available in the circumstances, which might include the Investment Manager's own data. The Investment Manager's own data used to develop unobservable inputs are adjusted if information is reasonably available without undue cost and effort that indicates market participants would use different assumptions. Investment types which have been valued using this approach generally include investments in investee funds that have lock-ups that are greater than 12 months.

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

(5) **Fair Value Measurements**: (Continued)

The following tables set forth by levels, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2016 and 2015:

	Investments at Fair Value as of June 30,			
	2016			
	Level 1	Level 2	Level 3	Fair Value Total
Investments				
Domestic equities[1]	$ 1,644,640	$ -	$ -	$ 1,644,640
Domestic equities measure at net asset value[2]				38,253,178
Total domestic equities	1,644,640	-	-	39,897,818
Global equities[1]	17,871,517	-	-	17,871,517
Global equities measured at net asset value[2]				42,017,278
Total global equities	17,871,517	-	-	59,888,795
Fixed income[1]	26,462,041	-	-	26,462,041
Fixed income measured at net asset value[2]				4,103,142
Total fixed income	26,462,041	-	-	30,565,183
Real assets[1]	8,980,422	-	-	8,980,422
Real assets measured at net asset value[2]				4,187,984
Total real assets	8,980,422	-	-	13,168,406
Hedge funds measured at net asset value[2]				53,666,126
Private investments measured at net asset value[2]				31,887,137
Subtotal investments at fair value	54,958,620	-	-	229,073,465
Plus accrued income	-	-	-	-
Total investments at fair value	$ 54,958,620	$ -	$ -	$ 229,073,465

[1] Excludes investments measured at net asset value.

[2] In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

(5) **Fair Value Measurements:** (Continued)

	Investments at Fair Value as of June 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Fair Value Total**
Investments				
Domestic equities[1]	$ 484,979	$ -	$ -	$ 484,979
Domestic equities measure at net asset value[2]				38,443,930
Total domestic equities	484,979	-	-	38,928,909
Global equities[1]	13,586,868	-	-	13,586,868
Global equities measured at net asset value[2]				47,874,756
Total global equities	13,586,868	-	-	61,461,624
Fixed income[1]	21,902,429	-	-	21,902,429
Fixed income measured at net asset value[2]				9,017,076
Total fixed income	21,902,429	-	-	30,919,505
Real assets[1]	8,690,367	-	-	8,690,367
Real assets measured at net asset value[2]				3,541,759
Total real assets	8,690,367	-	-	12,232,126
Hedge funds measured at net asset value[2]				60,539,187
Private investments measured at net asset value[2]				26,931,444
Subtotal investments at fair value	44,664,643	-	-	231,012,795
Plus accrued income	13,756	-	-	13,756
Total investments at fair value	$ 44,678,399	$ -	$ -	$ 231,026,551

[1] Excludes investments measured at net asset value.

[2] In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

(5) **Fair Value Measurements:** (Continued)

The following table discloses the nature and risk of investments for which fair value has been estimated using the net asset value per share (NAV) of the investments as a practical expedient as of June 30, 2016 and 2015:

	Investments Measured at Net Asset Value as of June 30, 2016			
	Total Fair Value	**Unfunded Commitments**	**Exit Frequency**	**Days Notice**
Equities				
Domestic equities (a)	$ 38,253,178	$ -	Monthly – Quarterly	5 – 40 days
Global equities (b)	34,964,372	-	Monthly – Quarterly	6 – 60 days
Emerging markets (c)	7,052,906	-	Monthly	7 – 30 days
Fixed income				
Domestic fixed income (d)	4,101,742	-	Daily	2 days
Global bonds (e)	1,400	-	Monthly	10 days
Real assets				
Natural resource equities (f)	4,187,984	-	Monthly	30 days
Hedge funds				
Fund of funds (g)	2,098,202	-	Quarterly	90 days
Long/short equity (h)	25,003,830	-	Quarterly – Every 3 Years *	30 – 180 days
Event driven/open mandate (i)	21,183,173	-	Quarterly – Annually*	30 – 90 days
Global macro (j)	5,380,921	-	Monthly	3 – 15 days
Private investments				
Private equity (k)	16,186,951	14,937,417	Illiquid	N/A
Venture capital (l)	15,700,186	4,619,428	Illiquid	N/A
	$ 174,114,845	$ 19,556,845		

* Ten percent of the redemption value is customarily held back by the hedge funds manager, for a period up to one year, pending a final audit of the fund for the year of exit.

(5) **Fair Value Measurements:** (Continued)

	Investments Measured at Net Asset Value as of June 30, 2015			
	Total Fair Value	**Unfunded Commitments**	**Exit Frequency**	**Days Notice**
Equities				
Domestic equities (a)	$ 38,443,930	$ -	Monthly – Quarterly	5 – 40 days
Global equities (b)	40,098,829	-	Monthly – Quarterly	6 – 60 days
Emerging markets (c)	7,775,927	-	Monthly	7 – 30 days
Fixed income				
Domestic fixed income (d)	4,029,286	-	Daily	2 days
Global bonds (e)	4,987,790	-	Monthly	10 days
Real assets				
Natural resource equities (f)	3,541,759	-	Monthly	30 days
Hedge funds				
Fund of funds (g)	2,089,457	-	Quarterly – Semiannually	90 – 95 days
Long/short equity (h)	31,898,197	-	Quarterly – Every 3 Years *	30 – 180 days
Event driven/open mandate (i)	24,271,433	-	Quarterly – Annually*	30 – 90 days
Global macro (j)	2,280,100	-	Monthly	15 days
Private investments				
Private equity (k)	14,519,322	12,688,353	Illiquid	N/A
Venture capital (l)	12,412,122	6,761,988	Illiquid	N/A
	$ 186,348,152	$ 19,450,341		

* Ten percent of the redemption value is customarily held back by the hedge funds manager, for a period up to one year, pending a final audit of the fund for the year of exit.

(a) **Domestic equities**—This category includes investments in publically listed equities of companies domiciled in the U.S.

(b) **Global equities**—This category includes investments in publically listed equities of companies domiciled globally.

(c) **Emerging markets**—This category includes investments in publically listed equities of companies listed in markets which have been categorized as emerging.

(d) **Domestic fixed income**—This category includes investments in publically traded debt instruments traded in the U.S.

(e) **Global bonds**—This category includes investments in globally listed public debt instruments.

(5) **Fair Value Measurements:** (Continued)

(f) **Natural resources equities**—This category includes investments in publically listed equities of companies that derive a substantial portion of their operations from natural resources related business operations.

(g) **Fund of funds**—This category includes investments in hedge funds that invest in a portfolio of other hedge funds.

(h) **Long/short equity**—This category includes investments in hedge funds that invest domestically and globally in both long and short common stocks across all market capitalizations. These investments offer a low correlation to traditional long-only equity benchmarks in order to achieve absolute return. Management of the hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures.

(i) **Event driven/open mandate**—This category includes investments in hedge funds that invest in event-driven strategies including merger arbitrage, distressed debt, and convertible arbitrage to achieve returns.

(j) **Global macro**—This category includes investments in hedge funds that invest in global macro strategies including long and short equities, currencies, commodities, etc. based on evaluation of macroeconomic trends.

(k) **Private equity**—This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies or conduct buyouts of public companies the result in a delisting of public equity. The nature of the investment in this category prohibits redemptions through the duration of the partnership, which ranges between 10 to 15 years. Distributions are received through the liquidation of underlying assets of the funds.

(l) **Venture capital**—This category includes investments in several limited partnership funds that invest in early-stage, high-potential startup companies or small businesses that do not have access to public funding. The nature of the investment in this category prohibits redemptions through the duration of the partnership, which ranges between 10 to 15 years. Distributions are received when underlying companies are exited via acquisition or IPO.

(6) **Property and Equipment:**

	2016	2015
Management and Research Center (MARC) Building	$ 13,325,539	$ 13,325,539
Construction in progress – MARC	-	447,225
Infrastructure & other improvements – MARC	2,570,980	2,012,271
FEH I Building	2,100,000	2,100,000
FEH II Building	3,007,000	3,007,000
FEH III Building	1,350,000	1,350,000
Furniture and equipment	926,465	926,465
	23,279,984	23,168,500
Less: Accumulated depreciation	(5,713,549)	(4,978,127)
Property and equipment, net	$ 17,566,435	$ 18,190,373

Depreciation expense was $735,422 and $664,732 for the years ended June 30, 2016 and 2015, respectively.

(7) Bond Issuance Costs:

As of June 30, 2016, issuance costs related to the tax-exempt bonds (Florida International University Foundation Project – Series 1999) issued by the Miami-Dade County Educational Facilities Authority, as described in Note 9. The issuance costs will be amortized over the term of the bonds which mature in 2022.

	2016	2015
Bond issuance costs	$ 230,985	$ 230,985
Less: Accumulated amortization	(158,274)	(145,804)
Bond issuance costs, net	$ 72,711	$ 85,181

Amortization expense was $12,470 for the years ended June 30, 2016 and 2015.

(8) Other Assets:

Other assets include the cash surrender value of life insurance policies in the amount of $889,047 and $804,653 at June 30, 2016 and 2015, respectively. The net benefit value of the underlying life insurance in force at June 30, 2016 and 2015, was approximately $7,394,543 and $6,754,543, respectively. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner.

Additionally, other assets include a lease receivable in the amount of $192,311 and $620,510 at June 30, 2016 and 2015, respectively. In 2014, FEH IV entered into a lease agreement with Florida International University Board of Trustees to lease the Islamorada Property, commencing March 1, 2014, to the University's College of Arts and Sciences for five years beginning March 2015. The property is to be transferred to the University at the end of the lease term.

As of June 30, 2016, the following represents the future principal payments to be received related to this lease agreement:

June 30	Amount
2017	$ 192,311
Total	$ 192,311

(9) Notes Payable:

On January 20, 2000, the Miami-Dade County Educational Facilities Authority (the Authority) issued $13,000,000 tax-exempt revenue bonds (Florida International University Foundation Project – Series 1999). These bonds are payable from and secured by a pledge of payments to be made to the Authority under a loan agreement dated December 1, 1999, between the Foundation, Inc. and the Authority.

The Bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see Note 14). The $13,000,000 original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on fifty percent of the original issue, $6,500,000, has been synthetically fixed at 4.63 percent through

(9) **Notes Payable:** (Continued)

February 1, 2015, by way of an interest rate swap agreement with a commercial bank. The bond proceeds were used to acquire, construct and equip the multi-function support complex located on the University campus in Miami-Dade County and to pay issuance costs. As of June 30, 2016 and 2015, the outstanding principal balance due under this note payable amounted to $5,420,000 and $6,165,000, respectively. For the years ended June 30, 2016 and 2015, total interest incurred and paid was $101,667 and $208,532, respectively.

On December 1, 1999, the Foundation entered into a letter of credit agreement with a commercial bank that permitted the Foundation to borrow up to $13,000,000 through December 15, 2004, bearing interest at the prime rate plus 2 percent. On November 29, 2004, this agreement was extended, with the same terms and conditions, through December 15, 2009. There were two additional extensions subsequent to that date through July 30, 2010. The Foundation must pay an annual commitment fee of 0.45 percent on the unused portion of the commitment. Borrowings under the financing agreement mature 90 days after the date of the borrowing.

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

The bonds were repurchased by the Trustee under the SunTrust Bank letter of credit due to the diminishing ability to remarket the variable rate demand bonds in the public marketplace. On July 30, 2010, the commercial bank converted the variable rate demand bonds into a five year tax exempt qualified loan. After the initial 5 year period, the bank would have the right to require the Foundation to refinance the bank qualified loan or could agree to extend the maturity date for an additional five year period. The Foundation agrees to pay interest at a rate of 67% of one month LIBOR plus 1.68% (4.67% at June 30, 2016). The bond maturity date of May 1, 2022 remains unchanged. The Foundation paid $52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments and therefore, all remains unchanged.

The aggregate maturities of the note payable as of June 30, 2016 are as follows:

For the Year Ending June 30	Amount
2017	$ 785,000
2018	825,000
2019	865,000
2020	910,000
2021	960,000
Thereafter	1,075,000
Total	$ 5,420,000

(10) **Split Interest Obligations:**

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

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

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

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

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

The fair value of the assets held, included in fixed assets in the accompanying consolidated statements of financial position and corresponding liability to the donor, included in split-interest obligations are as follows:

	Fixed Asset	Liability to Donor	Net
Life Annuity	$ 2,100,000	$ 697,739	$ 1,402,261

The Foundation has received, as of June 30, 2016 and 2015, $555,000 and $530,000, respectively, in gifts under charitable remainder annuity trust agreements. The Foundation recognized the contributions received as revenue during the period that the trust was established. The amount of the contribution was the fair value of the trust assets less the fair value of the estimated annuity payments to be paid annually over the expected life of the annuities. The Foundation recorded the present value of the annuities, plus an additional 10 percent of that amount, as required by Florida Statute Section 627.481, as the liability of annuities payable totaling $184,276 and $172,489 at June 30, 2016 and 2015, respectively.

(11) Temporarily and Permanently Restricted Net Assets:

Temporarily restricted net assets of $87,854,851 and $95,709,060, which includes $13,281,171 and $24,545,818 of undistributed earnings related to endowment funds, at June 30, 2016 and 2015, respectively, represent gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. Temporarily restricted amounts also include earnings on permanently restricted endowments that have not yet been appropriated for expenditure by the Foundation.

Permanently restricted net assets of $209,664,592 and $206,408,578 at June 30, 2016 and 2015, respectively, consisted of endowment funds. Investment income earned by endowment funds are available for spending based on the Foundation's spending policy. The spending rate is determined by the Foundation's Board at its annual meeting. The spending rate for years ending June 30, 2016 and 2015 was 6.0%, 4.0% to support donor-designated scholarships and programs and 2.0% for administrative fee. The spendable earnings are recorded as either temporarily restricted or unrestricted assets, as stipulated by the donor.

(12) Contributions to University Building Program:

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

During the years ended June 30, 2016 and 2015, the Foundation transferred $927,266 and $2,324,638 to support numerous construction projects, as follows:

	As of June 30,	
	2016	2015
Alumni Center Building	$ 20,000	$ -
Art Museum Construction Fund	19,272	-
CBA Building Complex	68,601	310,024
Football Stadium Expansion	-	299,576
HM BBC Dining Facility Building	734,262	884,208
Kovens Center BBC	-	1,234
Law School Building	-	16,481
Nursing - Health Sciences Building	-	37,947
SIPA Bricks and Mortar Building	73,876	20,086
Southern Wine & Spirits Beverage Management	-	20,485
Stocker Astrophysics Center Building	-	733,031
World for Tropical Botany	11,255	1,566
Total Contributions to University Building Program	$ 927,266	$ 2,324,638

(13) Commitments and Contingencies:

Loan Guarantees

In January of 2012, the Foundation board approved to guarantee the loan balance of the Graduate Association of Phi Gamma Delta Housing facility at Florida International University. This guarantee is expected to retire without being funded, and is not expected to significantly impact operations or future cash flows. The outstanding loan amount as of June 30, 2016 and 2015 was $257,435 and $351,594, respectively.

(14) Related Party Transactions:

On December 1, 1999, the Foundation entered into a ground lease agreement with the Board of Regents of the State University System of the State of Florida for and on behalf of the University. Under this agreement, the Foundation, as lessee, has leased the grounds on which the multi-functional support complex was built, as described in Note 9. The consideration required to be paid by the Foundation is $10 annually. The lease will expire on December 31, 2024 or the final payment date under the letter of credit agreement, as described in Note 9. Total amounts paid to the Foundation under this agreement were $1,692,276 and $1,678,177 for the years ended June 30, 2016 and 2015, respectively.

On December 1, 1999, the Foundation also entered into an operating lease with the Board of Regents on behalf of the University to lease the 75,000 square foot multi-function support complex to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 9, will be secured by the pledged lease payments from the University. The University has agreed to pay the Foundation, as lessor, rent in the amount equal to all amounts due and payable by the Foundation under the letter of credit agreement, if any, and the loan agreement. The payments also include any costs of operating and maintaining the multi-functional support complex, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the multi-function support complex became operational.

The lease expires on May 1, 2022 which is the date of maturity of the loan agreement. The cost of the leased asset is $13,325,539 and the net book value is $8,583,533 at June 30, 2016. Minimum future rentals as of June 30, 2016 are approximately as follows:

For the Year Ending June 30	Amount
2017	$ 1,363,000
2018	1,418,000
2019	1,418,000
2020	1,418,000
2021	1,418,000
Thereafter	1,418,000
Total	$ 8,453,000

FEH IV entered into a lease agreement with Florida International University Board of Trustees to lease the Islamorada Property, commencing March 1, 2014, to the University's College of Arts and Sciences for an annual rent in the amount of $250,212 for five years beginning March 2015. The property is to be transferred to the University at the end of the lease term. At June 30, 2016, the $192,311 lease receivable was included in other assets on the consolidated statements of financial position. See further details in Note 8.

(15) **Endowments:**

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

Interpretation of Relevant Law

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

As of June 30, 2016, endowment net assets consisted of the following:

	Temporarily Restricted*	Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ 24,545,818	$ 206,408,578	$ 230,954,396
Endowment investment return:			
Interest, dividends and realized gains	2,268,363	-	2,268,363
Unrealized gains	(6,262,015)	-	(6,262,015)
Total endowment investment returns	(3,993,652)	-	(3,993,652)
Contributions and other revenues	1,900,000	3,296,014	5,196,014
Appropriation of endowment assets for expenditure	(6,856,170)	-	(6,856,170)
Appropriation for administrative fee	(2,314,825)	-	(2,314,825)
Provision for uncollectible promises to give	-	(40,000)	(40,000)
Endowment net assets, June 30, 2016	$ 13,281,171	$ 209,664,592	$ 222,945,763

(15) **Endowments:** (Continued)

As of June 30, 2015, endowment net assets consisted of the following:

	Temporarily Restricted*	Permanently Restricted	Total
Endowment net assets, July 1, 2014	$ 29,035,407	$ 199,384,169	$ 228,419,576
Endowment investment return:			
Interest, dividends and realized gains	901,365	-	901,365
Unrealized gains	3,619,506	-	3,619,506
Total endowment investment returns	4,520,871	-	4,520,871
Contributions and other revenues	-	7,252,071	7,252,071
Appropriation of endowment assets for expenditure	(6,390,843)	-	(6,390,843)
Appropriation for administrative fee	(2,218,347)	-	(2,218,347)
Release of JMOF endowment	(401,270)	(227,662)	(628,932)
Endowment net assets, June 30, 2015	$ 24,545,818	$ 206,408,578	$ 230,954,396

* Temporarily restricted net assets shown above only include the earnings on permanently restricted and term endowments that have not yet been appropriated for expenditure by the Foundation.

Return Objectives and Risk Parameters
The Foundation has adopted investment policies and spending polices for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

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

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

(15) **Endowments:** (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy states that the Finance and Audit Committee will recommend, subject to approval by the Board of Directors, the annual spending distribution to be made to endowed accounts. In June 2015, the Board approved a resolution to determine the spending distribution as a percentage of the endowment's average market value (gift corpus plus undistributed investment earnings since inceptions) over twelve consecutive quarters ending on December 31 and distributed at the close of the Foundation's fiscal year. In prior years, the spending distribution was determined as a percentage of the endowment's average yearly market value.

Spending distributions are dependent on the Foundation's investment returns and are therefore not guaranteed. If in any given year investment losses reduce the endowment's market value below original corpus, future spending distributions are contingent on first restoring the endowment to its original corpus, before any distribution is made for spending. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. As of June 30, 2016 and 2015, the amount included in the endowment's temporarily restricted balance and approved for future spending on program services was $6,856,171 and $6,390,843, respectively.

SUPPLEMENTAL INFORMATION

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

Project Name	Program Services	General and Administrative	Fundraising	2016	2015
Academic Affairs	$ 1,683,783	$ -	$ 17,327	$ 1,701,110	$ 1,803,639
Administrative Reserve	-	67,067	-	67,067	53,664
Advancement operations	-	-	896,785	896,785	504,641
Athletics Fund - Golden Panthers	255,546	-	25,528	281,074	408,659
Banking fees	-	19,846	-	19,846	21,871
Business office operations	-	399,346	-	399,346	463,133
Capital Campaign	-	-	5,670,752	5,670,752	3,847,611
College of Communication, Architecture & the Arts	980,153	-	-	980,153	749,473
College of Arts, Sciences & Education	1,655,377	-	-	1,655,377	1,460,608
College of Business Administration	1,665,801	-	79,340	1,745,141	2,091,911
College of Engineering & Computing	1,246,931	-	-	1,246,931	1,061,271
College of Law	996,125	-	-	996,125	745,277
College of Medicine	3,839,711	-	229,176	4,068,887	2,807,316
College of Nursing & Health Sciences	900,846	-	-	900,846	621,110
Contributions to University Building Program	927,746	-	-	927,746	2,384,638
Depreciation & amortization	-	747,892	-	747,892	677,202
Division of Research	346,723	-	-	346,723	179,419
External Relations	26,448	-	-	26,448	26,367
FIU Alumni Association	297,277	-	171,453	468,730	527,385
FIU Libraries	67,423	-	-	67,423	71,146
FIU Vice President's allowance	-	12,460	-	12,460	8,720
Florida Board of Governor's assessment	-	36,165	-	36,165	36,254
Foundation Enterprise Holdings I, LLC	-	146,329	-	146,329	146,647
Foundation Enterprise Holdings II, LLC	-	54,261	-	54,261	55,341
Foundation Enterprise Holdings III, LLC	-	171,309	-	171,309	164,488
Foundation Enterprise Holdings IV, LLC	-	20,431	-	20,431	26,759
Frost Art Museum	346,651	-	-	346,651	261,825
General Reserve	-	22,070	-	22,070	46,179
Green School of International & Public Affairs	599,132	-	-	599,132	-
Honors College	89,028	-	-	89,028	77,734
Human Resources	18,197	-	-	18,197	22,038
Insurance	-	104,636	-	104,636	102,031
Interest	-	101,667	-	101,667	208,532
Investment consultant fees	-	572,658	-	572,658	559,665
Office of Engagement	77,380	-	-	77,380	92,213
President's Allowance	-	80,692	-	80,692	77,847
President's compensation	-	634,252	-	634,252	691,569
President's Office	6,250	-	-	6,250	102,606
Professional fees	-	334,646	-	334,646	961,926
School of Computing & Information Sciences	342,498	-	-	342,498	219,377
School of Hospitality Management	991,754	-	-	991,754	1,178,576
Stempel School of Public Health	669,736	-	25,973	695,709	483,793
Student Access and Success	598,357	-	-	598,357	413,118
Student Affairs	97,594	-	-	97,594	85,953
University Advancement	94,289	-	-	94,289	93,934
University College	40,767	-	-	40,767	2,206
University Support	-	25,000	-	25,000	276,392
University Wide Scholarships and Programs	1,500,067	897,826	-	2,397,893	1,892,098
Utilities and Maintenance	-	304,590	-	304,590	384,273
Wolfsonian Museum	750,852	-	-	750,852	766,946
Wolfsonian, Inc. Expenses	-	59,383	-	59,383	10,393
Total Expenses	$ 21,112,442	$ 4,812,526	$ 7,116,332	$ 33,041,302	$ 29,955,774

See accompanying notes to consolidated financial statements.

COMPLIANCE REPORT

James Moore
Certified Public Accountants and Consultants

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

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

We have audited 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, the consolidated financial statements of Florida International University Foundation, Inc. and Subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of and for the year ended June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated October 21, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 21, 2016

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Agenda Item 3 **FA1-B**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

Subject: Florida International University Research Foundation Inc., Financial Audit, 2015-16

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Research Foundation, Inc. Financial Audit for the 2015-16 Fiscal Year and authorize the Executive Director of the Florida International University Research Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Research Foundation, Inc. Financial Audit for 2015-16 was approved by the Florida International University Research Foundation, Inc. Board of Directors on October 20, 2016, and the University President is recommending its acceptance.

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

Supporting Documentation: Florida International University Research Foundation, Inc. Financial Audit, 2015-16

Facilitator/Presenter: Kenneth A. Jessell

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FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
TABLE OF CONTENTS
JUNE 30, 2016 AND 2015

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Florida International University Research Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida International University Research Foundation, Inc. (the Research Foundation), a direct support organization and component unit of Florida International University, as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Research Foundation's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Research Foundation as of June 30, 2016 and June 30, 2015, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 8 be presented to supplement the basic financial statements. Such information, although not a part of the 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.

Blended Component Unit

The financial statements of the Florida International Research iWASH Initiative Limited (iWASH) are presented in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). iWASH is a blended component unit, is presented in the Research Foundation's financial statements, and has a December 31st year-end. iWASH is audited by other independent auditors. Since the iWASH year end and presentation is not compatible with the Research Foundation's presentation as it is presented under the international accounting standards and not in accordance with generally accepted accounting principles in the United States of America, the financial statements and notes related to iWASH are presented on separate pages 15 – 30 along with the respective Report of the Independent Auditors.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016, on our consideration of the Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Research Foundation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Florida International University Research Foundation, Inc. (the "Research Foundation") for the fiscal years ended June 30, 2016 and 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto are the responsibility of management.

FINANCIAL HIGHLIGHTS

The Research Foundation's assets totaled $344,311 at June 30, 2016. This balance increased by approximately $194,000, or 129% from the 2015 fiscal year, entirely resulting from an increase in cash. While assets increased, liabilities also increased by approximately $186,000, or 246%. As a result, the Research Foundation's net position increased by approximately $7,300 reaching a year-end balance of $82,255.

The Research Foundation had no operating revenues for the 2016 fiscal year. Transfers from Florida International University (FIU) totaled $27,658. Operating expenses totaled $20,313 for the 2016 fiscal year, representing a decrease of 92% over the 2015 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

The Statements of Net Position

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

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

Condensed Statements of Net Position at June 30

	2016	2015	2014
Assets			
Current assets	$ 344,311	$ 150,584	$ 306,955
Total assets	344,311	150,584	306,955
Liabilities			
Current liabilities	262,056	75,674	85,871
Total liabilities	262,056	75,674	85,871
Net position			
Unrestricted	82,255	74,910	221,084
Total net position	$ 82,255	$ 74,910	$ 221,084

Current assets are comprised entirely of cash. The University operates the U.S. Agency for International Development (USAID) grant in Burkina Faso, West Africa. The changes in cash are related to this grant in West Africa. The activities are reflected on the statement of net position as Due to Florida International University, which is part of Current Liabilities.

In summary, total assets increased by approximately $194,000, or 129%, while total liabilities increased by approximately $186,000, or 246%. As a result, the net position balance at June 30, 2016, had a favorable increase of approximately $7,300 or 10%.

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

The Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses, and changes in net position present the Research Foundation's revenue and expense activity, categorized as operating and non-operating. The Organization uses the accrual basis of accounting.

The following summarizes the Research Foundation's activity for the 2016, 2015, and 2014 fiscal years:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2016	2015	2014
Operating expenses	$ 20,313	$ 269,174	$ 24,670
Operating loss	(20,313)	(269,174)	(24,670)
Expenses before transfers	(20,313)	(269,174)	(24,670)
Transfers from Florida International University	27,658	123,000	20,000
Changes in net position	7,345	(146,174)	(4,670)
Net position - beginning of year	74,910	221,084	225,754
Net position - end of year	$ 82,255	$ 74,910	$ 221,084

Operating Revenues

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

Operating Expenses

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

The following summarizes the operating expenses by natural classifications for the 2016, 2015, and 2014 fiscal years:

Operating Expenses

	2016	2015	2014
Professional services	$ --	$ 250,000	$ --
Audit and tax fees	19,600	18,534	17,418
Other operating expenses	713	640	7,252
Total operating expenses	$ 20,313	$ 269,174	$ 24,670

Operating expenses totaled $20,313 for the 2016 fiscal year. This represents a 92% decrease over the 2015 fiscal year and was due to a one-time expenditure for professional services related to the establishment of the Florida Advanced Materials Research and Manufacturing Center in the prior year.

TRANSFERS

As in prior years, the University transferred funds to the Research Foundation to support its operating expenses. Transfers for the June 30, 2016 fiscal year totaled $27,658 versus $123,000 for the June 30, 2015 fiscal year.

BLENDED COMPONENT UNIT

Florida International Research iWASH Initiative Limited

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

In January 2010, Florida International University received a cooperative agreement funding award to support the Tanzania Integrated Water, Sanitation and Hygiene Program (iWASH). The company was established in Tanzania by the Florida International University Research Foundation, Inc. in order to implement the iWASH program in Tanzania. The funding is obligated under the USAID Strategic Assistance Objective #13 "Biodiversity Conserved in Targeted Landscapes through Livelihood Driven Approaches," and is under the bilateral Economic and Technical Cooperation Agreement signed between the Government of the United Republic of Tanzania and the Government of the United States of America. Current funding is for the period January 1, 2010 through February 29, 2016. The company has a December 31 year end. For additional information on this component unit, see the blended component unit section in Note 1 of the financial statements on page 12.

In January 2014, USAID granted the Program a two-year 'with cost extension' to February 2016, so activities in early 2015 had to gear up quickly. Overall, the iWASH Program progressed well during the period from January to December 2015. Our partners Winrock International, and local partners SAWA and SEMA in Mvomero and Kilosa, MSABI in Kilombero, SHIPO in Njombe, and IDYDC in Iringa continued to work to improve water supply to the communities. As a result of the activities carried out during this period, the iWASH program provided water supply to serve 61,335 people. Moreover, the intervention of the program increased 1,758 households capacity to adapt to climate variability and change. In addition, 5,651 people in program target area gained access to improved sanitation facilities. The iWASH Program support to increase the institutional capacity to sustainably manage water resources has taken many forms, including the formation of four Water User Associations (WUAs), and extended training to 6 other WUAs in the Basin. Also, 8,794 people received training in natural resources and water resources management related activities.

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

The period from January to March 2010 was the "set up phase", during which the company was established. The iWASH Office in Morogoro was established in April 2010. The full activities of the program commenced in July 2010 and ended on February 29, 2016. During this term, the key achievements of the iWASH Program included:

- Over 200,000 people obtained improved access to water for drinking and productive purposes through new or rehabilitated wells, gravity schemes, or deep borehole schemes. This was achieved through implementation of a 'demand driven approach' working with a network of likeminded local implementing partners.
- At least 3700 household benefited from the productive use of water, increasing their economic or livelihood resilience to climate variability. This was achieved through implementation of the 'Multiple Use Services' (MUS) approach.
- Over 250,000 people were sensitized on sanitation and hygiene, and more than 28,000 school children and their teachers gained access to improved sanitation, and at least 11,400 people gained access to improved household sanitation through ~ 2,280 new or improved household latrines.
- Nearly 100 small-scale private sector WASH providers received training through iWASH and the implementing partners and are actively providing WASH products and services on a commercial basis (including Rope Pumps and hand drilling services).
- Over 1000 people in basins, local government, and communities have been trained on water resources management (WRM) and 30 professionals were supported to obtain Master's degrees in WRM related subjects. Also, a diverse range of research and studies have increased understanding of water resources within the Wami Ruvu Basin, and elsewhere.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The primary factor that will impact the Research Foundation in the future will be the University's ability to develop intellectual property rights. Royalty income generated from licenses of University intellectual property is transferred to the Research Foundation for re-investment in the FIU research enterprise.

REQUESTS FOR INFORMATION

This financial statement is designed to provide a general overview of the Research Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Florida International University Research Foundation, Inc., 11200 S.W. 8th Street, Miami, Florida 33199.

BASIC FINANCIAL STATEMENTS

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash	$ 344,311	$ 150,584
LIABILITIES		
Current liabilities		
Accounts payable	4,000	2,000
Due to Florida International University	258,056	73,674
Total current liabilities	262,056	75,674
NET POSITION		
Net position		
Unrestricted	$ 82,255	$ 74,910

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

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
Operating expenses		
Professional fees	$ -	$ 250,000
Audit and tax fees	19,600	18,534
Other operating expenses	713	640
Total operating expenses	20,313	269,174
Operating loss	(20,313)	(269,174)
Transfers from Florida International University	27,658	123,000
Change in net position	7,345	(146,174)
Net position, beginning of year	74,910	221,084
Net position, end of year	$ 82,255	$ 74,910

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

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Receipts from Florida International University	$ 184,382	$ -
Cash used in program activities	(18,313)	(279,371)
Net cash provided by (used in) operating activities	166,069	(279,371)
Cash flows from non-capital and related financing activities		
Transfers from Florida International University	27,658	123,000
Net increase (decrease) in cash	193,727	(156,371)
Cash, beginning of year	150,584	306,955
Cash, end of year	$ 344,311	$ 150,584
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (20,313)	$ (269,174)
Change in assets and liabilities:		
Increase (decrease) in accounts payable	2,000	(166)
Increase (decrease) in due to Florida International University	184,382	(10,031)
Net cash provided by (used in) operating activities	$ 166,069	$ (279,371)

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

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the significant accounting policies of the Florida International University Research Foundation, Inc. (the "Research Foundation" or "Organization"), affecting elements of the accompanying basic financial statements:

(a) **Reporting entity**— The Research Foundation, a Florida not-for-profit corporation, is a direct support organization and a component unit of Florida International University ("FIU" or "University") and was organized in the State of Florida on November 25, 1997 for educational and scientific purposes. The articles of incorporation were amended and restated on July 29, 2010.

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

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

(b) **Blended component unit**—The Florida International Research iWASH Initiative Limited (iWASH) was incorporated in Tanzania on February 22, 2010, under the Tanzania Companies Act of 2002. The entity is a not-for-profit company as defined by the laws in Tanzania. This entity was established for the sole purpose of serving as the legal entity to implement the development initiative known as Tanzania iWASH Program.

The financial statements of iWASH presented are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB). The iWASH board consists of two members, one of whom is authorized as the Research Foundation's representative at any meeting of the company and is entitled to exercise the same powers on behalf of the company as if it were an individual member present at the meeting including power to vote. iWASH is fiscally dependent on the Research Foundation. Accordingly, iWASH is a blended component unit and is presented in the Research Foundation's financial statements. iWASH has a December 31 year-end and it is presented under the international accounting standards. The Research Foundation has a June 30 year-end and is presented in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. As a result of these reporting differences, the financial statements and notes related to iWASH are presented separately. Complete financial statements for iWASH can be obtained by writing to: Controller, Florida International University Research Foundation, Inc., 11200 S.W. 8th Street, Miami, FL 33199.

(1) **Summary of Significant Accounting Policies:** (Continued)

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

The Research Foundation met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses when a liability is incurred, regardless of timing of the related cash flow.

(d) **Use of estimates**—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

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

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

(g) **Income taxes**—The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such are subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the years ended June 30, 2016 and 2015.

(1) **Summary of Significant Accounting Policies:** (Continued)

The application of GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Research Foundation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. Management believes the Organization is no longer subject to income tax examinations for years prior to 2013.

(h) **Transfers**—For the years ended June 30, 2016 and 2015, transfers from the University to support the operating expenses of the Research Foundation totaled $27,658 and $123,000, respectively.

(2) **Deposits:**

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

CONCENTRATIONS OF CREDIT RISK FOR CASH

The Organization has a bank account in Burkina Faso, West Africa to support the operations pertaining to the West Africa Water Supply, Sanitation and Hygiene (WA-WASH) Program under a U.S. Agency for International Development (USAID) grant. The balance in this account of $118,362 and $51,750 as of June 30, 2016 and 2015, respectively, is not FDIC insured and is subject to foreign currency exchange risk. The Research Foundation maintains its cash balances with high quality financial institutions, which the Research Foundation believes limits these risks.

(3) **Due to Florida International University:**

The amount Due to Florida International University of $258,056 and $73,674 as of June 30, 2016 and 2015, respectively, represents funds that were sent to Burkina Faso related to grant operations. This liability will be reduced as vendors are paid in Burkina Faso. The funds for grant operations in Burkina Faso are repaid directly to the University from the grantor.

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH iWASH INITIATIVE LIMITED

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REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF FLORIDA INTERNATIONAL RESEARCH IWASH INITIATIVE LIMITED

Report on the financial statements

We have audited the annual financial statements of the Florida International Research iWASH Initiative Limited (by Guarantee), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 12 to 20.

The memorandum column representing the results in Tanzanian Shillings (Tzs) do not form part of the audited financial statements.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Florida International Research iWASH Initiative Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002.

KPMG

REPORT OF THE INDEPENDENT AUDITORS' TO THE MEMBERS OF FLORIDA INTERNATIONAL RESEARCH IWASH INITIATIVE LIMITED (CONTINUED)

Emphasis of Matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 b (iv) to the financial statements concerning the Company's ability to continue as a going concern.

As discussed in the note, the directors and members of the Company (Florida International University Research Foundation, Inc) have the intention to maintain Company open and to continue providing financial support.

Report on other legal and regulatory requirements

As required by the Companies Act, 2002 we report that:

- in our opinion, proper accounting records have been kept by The Florida International Research iWASH Initiative Limited;
- the individual accounts are in agreement with the accounting records of the Organisation; and
- We obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG
Certified Public Accountants (T)

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Signed by: M. Salim Bashir
Dar es Salaam

5 April 2016

FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2015

	2015	2014
Assets		
Non Current Assets		
Property and equipment	$ 2,892	$ 4,336
Current Assets		
Cash and cash equivalents	46,332	58,090
Total Assets	$ 49,224	$ 62,426
Equity and Liabilities		
Fund Accounts		
Retained earnings	$ -	$ -
Long Term Liabilities		
Capital grant	-	-
Current Liabilities		
Capital grant - current portion	2,892	4,336
Deferred grant	46,332	58,090
Total Current Liabilities	49,224	62,426
Total Equity and Liabilities	$ 49,224	$ 62,426

FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF COMPREHENSIVE INCOME AND
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Statement of Comprehensive Income		
Income		
Grant income	$ 403,046	$ 385,506
Amortization of capital grant	1,444	1,444
Total Income	404,490	386,950
Expenditure		
Operating expenditure	404,490	386,950
Operating Surplus	-	-
Other Comprehensive Income (Net Taxes)	-	-
Total Comprehensive Income	$ -	$ -

Statement of Changes in Equity

	Accumulated Surplus	Accumulated Surplus
Balance - January 1	$ -	$ -
Surplus for the period	-	-
Balance - December 31	$ -	$ -

FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
Cash Flow (Used in) from Operating Activities		
Operating surplus	$ -	$ -
Depreciation	1,444	1,444
Amortization of capital grant	(1,444)	(1,444)
Operating Profit before Working Capital Changes	-	-
Net Cash Flow from Operating Activities	$ -	$ -
Cash Flow from Financing Activities		
Capital grant received	-	-
Movement in deferred grant	(11,758)	46,417
Cash Flow from Financing Activities	(11,758)	46,417
Cash Flow from Investing Activities		
Acquisition of plant and equipments	-	-
Cash Flow from Investing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equipvalents	(11,758)	46,417
Cash and Cash Equivalents - Beginning of Period	58,090	11,673
Cash and Cash Equivalents - End of Period	$ 46,332	$ 58,090

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Florida International Research iWASH Initiative Limited (the Company) is an Organization domiciled in Tanzania. The financial statements of the Company are for the period ended December 31, 2015.

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

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

Statement of Compliance
The financial statements are prepared in accordance with and comply with IFRS.

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

Use of Estimates and Judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liability, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Going Concern

The company operations are funded by its member, Florida International University Research Foundation, Inc. of Florida International University in order to implement the iWASH Program in Tanzania, following a cooperative agreement funding award by USAID to support the iWASH Program.

Florida International University Research Foundation, Inc. has confirmed in its letter dated March 28, 2016 its intention to continue providing financial support and will not recall the outstanding advance within the foreseeable future.

EMPLOYEE BENEFITS

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

REVENUE RECOGNITION

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

Capital grant recognized as differed income and amortized over the useful life of the assets.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Recognition and Measurement
Items of property and equipment are stated at cost less accumulated depreciation.

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

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

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

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

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

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

Motor vehicles	25.0%
Computer equipment	37.5%
Furniture and other equipment	12.5%

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AND ADOPTED DURING THE YEAR

- Defined Benefits Plans – Employee Contributions (Amendments to IAS 19)

  The amendments introduced reliefs that reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedience if they are:

  1. Set out in the formal terms of the plans;
  2. Linked to services; and
  3. Independent of the number of years of service.

  When contributions are eligible, for practical expedience, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related services are rendered. The amendments apply retrospectively for annual period beginning on or after July 1, 2014.

- Annual Improvements to IFRS 2010 – 2012 Cycle, Annual Improvements to IFRS 2011 – 2013 Cycle

  These annual improvement cycles involve various standards and are effective for the annual periods beginning on or after July 1, 2014.

  The adoption of these standards, amendments and interpretations did not have a significant impact on the financial statements of the Company.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

New Standard or Amendments	Effective for annual periods beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	January 1, 2016
Accounting for acquisitions of Interest in Joint Operations (Amendments to IFRS 11)	January 1, 2016
Amendments to IAS 41 – Bearer Plants (Amendments to IAS 16 and IAS 41)	January 1, 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortization	January 1, 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	January 1, 2016
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
Investments Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Disclosure Initiative (Amendments to IAS 1)	January 1, 2016
Annual Improvement to IFRSs 2012 – 2014 cycle – various standards	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 9 Financial Instruments (2014)	January 1, 2018
IFRS 16 Leases	January 1, 2019

COMPARATIVES

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

NOTE 2 – DEFERRED GRANT

	2015	2014
Opening Balance	$ 58,090	$ 11,673
Receipts for the period	394,935	431,923
Grant income release (see Note 3 below)	(403,046)	(385,505)
Exchange difference	(3,647)	-
Balance at December 31	$ 46,332	$ 58,090

NOTE 3 – OPERATING EXPENDITURES

	2015	2014
NRA-Salaries and consultants (non US personnel)	$ 239,752	$ 224,927
Foreign Travel (Travel in TZ)	66,044	43,063
Airfare - foreign	2,969	912
Maintenance Contracts	18,503	6,914
Security Services	6,440	7,981
Rent of buildings	5,484	5,850
Rent expenses	3,822	1,733
Cellular phones	1,618	1,713
Communications charges	2,336	3,688
Bank fees	885	1,491
Office supplies	4,061	4,467
Other materials and supplies	376	627
Gasoline & diesel	15,758	14,171
Other motor fuel supplies	5,648	7,297
Auto insurance	1,543	1,987
Courier/freight	123	479
Printing, copy card, Xerox and reproduction	411	16,126
Miscellaneous	389	5,259
Scholarships	-	6,613
Furniture & Equipment <$5000 (is under $5,000 not over)	1,130	1,712
Stipend	446	12,709
Professional fees	15,816	14,490
Exchange loss	-	(79)
Subcontracts under $25,000	-	(7,178)
Consulting services	-	3,750
Legal Services	1,200	-
Food products	8,292	4,804
Total Operating Expenses	403,046	385,506
Depreciation	1,444	1,444
Total Operating Expenditures	$ 404,490	$ 386,950

NOTE 4 – PROPERTY AND EQUIPMENT

	Office Equipment	Motor Vehicles	Office Furniture and Fittings	Computer Accessories	Total
Cost					
At January 1, 2014	$ 2,465	$203,110	$ 9,091	$ 23,333	$ 237,999
Additions	-	-	-	-	-
	-	-	-	-	-
Translation difference	-	-	-	-	-
At December 31, 2014	2,465	203,110	9,091	23,333	237,999
At January 1, 2015	2,465	203,110	9,091	23,333	237,999
Additions	-	-	-	-	-
Disposals	-				
Translation difference	-	-	-	-	-
At December 31, 2015	2,465	203,110	9,091	23,333	237,999
Depreciation					
At January 1, 2014	1,232	203,110	4,544	23,333	232,219
Charge for the year	308	-	1,136	-	1,444
Eliminated on disposal	-	-	-	-	-
Translation difference	-	-	-	-	-
At December 31, 2014	1,540	203,110	5,680	23,333	233,663
At January 1, 2015	1,540	203,110	5,680	23,333	233,663
Charge for the year	308	-	1,136	-	1,444
Eliminated on disposal	-				
Translation difference	-	-	-	-	-
At December 31, 2015	1,848	203,110	6,816	23,333	235,107
Carrying Amount at					
December 31, 2014	$ 925	$ -	$ 3,411	$ -	$ 4,336
December 31, 2015	$ 617	$ -	$ 2,275	$ -	$ 2,892

NOTE 5 – CASH AND CASH EQUIVALENTS

	2015	2014
USD Account 6002092	$ 37,682	$ 51,075
TZS Account 6000200	8,650	7,015
	$ 46,332	$ 58,090

NOTE 6 – CAPITAL GRANTS MOVEMENT

	2015	2014
Opening Balance	$ 4,336	$ 5,780
Capital grant received during the period	-	-
Amortization of capital grants	(1,444)	(1,444)
Balance at December 31	$ 2,892	$ 4,336
Long term portion	$ -	$ -
Current portion	2,892	4,336
Total	$ 2,892	$ 4,336

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

NOTE 7 – RELATED PARTY TRANSACTIONS

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

NOTE 8 – TAXES

The Florida International Research iWASH Initiative Limited has been registered as company limited by guarantee, governed by Tanzania Companies Act of 2002, having no motive to make profits. The management of the Company believes that the Company is exempted from taxes as it is not a for-profit organization.

NOTE 9 – FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments are comprised of cash and payables. These financial instruments arise directly from the Company's operations. The Company has not traded in financial instruments throughout the year ended December 31, 2015.

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

LIQUIDITY RISK

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

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

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

MARKET RISK

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

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

INTEREST RATE RISK

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

NOTE 9 – FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK

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

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

FOREIGN CURRENCY RISK

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

FAIR VALUES

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

NOTE 10 – SUBSEQUENT EVENTS

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

NOTE 11 – CONTINGENT LIABILITIES AND OTHER COMMITMENTS

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

NOTE 12 – ULTIMATE HOLDING ENTITY

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

REPORTING SECTION

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

Board of Directors
Florida International University Research Foundation, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida International University Research Foundation, Inc. (the Research Foundation), as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements, and have issued our report thereon dated October 20, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2016

Agenda Item 3 **FA1-C**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

December 1, 2016

Subject: Florida International University Athletics Finance Corporation Financial Audit, 2015-16

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Athletics Finance Corporation Financial Audit for the 2015-16 Fiscal Year and authorize the Executive Director of the Florida International University Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Athletics Finance Corp. Financial Audit for 2015-16 was approved by the Florida International University Athletics Finance Corp. Board of Directors on October 17, 2016, and the University President is recommending its acceptance.

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

Supporting Documentation:	Florida International University Athletics Finance Corp., Financial Audit, 2015-16
Facilitator/Presenter:	Kenneth A. Jessell

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FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
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JUNE 30, 2016 AND 2015

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
FIU Athletics Finance Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Corporation's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2016 and June 30, 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 our report dated October 17, 2016, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the FIU Athletics Finance Corporation (the Athletics Finance Corporation) for the fiscal years ended June 30, 2016 and 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto are the responsibility of management.

OVERVIEW OF FINANCIAL STATEMENTS

The Athletics Finance Corporation's financial report includes three basic financial statements: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. The overview presented below highlights the significant financial activities that occurred during the past three years and describes changes in financial activity from the prior year.

THE STATEMENTS OF NET POSITION

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

The following summarizes the Athletics Finance Corporation's total net position for fiscal years ended June 30:

Condensed Statements of Net Position at June 30

	2016	2015	2014
Assets			
Current assets	$ 3,206,542	$ 3,578,449	$ 3,472,121
Noncurrent assets	24,465,488	25,748,281	27,531,889
Total Assets	27,672,030	29,326,730	31,004,010
Deferred Outflows of Resources	3,989,674	2,732,791	2,555,311
Liabilities			
Current liabilities	1,425,916	1,170,705	1,158,742
Noncurrent liabilities	35,980,459	35,884,236	36,974,651
Total Liabilities	37,406,375	37,054,941	38,133,393
Total Net Position	$ (5,744,671)	$ (4,995,420)	$ (4,574,072)

The statements of net position reflect an increase in the net deficit position of the Athletics Finance Corporation. Current assets mainly depict cash, current prepaid rent, and investments. The current asset decrease is principally a result of decreased investments and receivables due to lower pledged revenues in the current year. Noncurrent assets consist mainly of restricted cash, restricted investments and prepaid rent. The decrease in noncurrent assets is mainly a result of a decrease in prepaid rent offset with an increase in restricted investments. Deferred outflows of resources reflect the accumulated decrease in fair value of its derivatives.

Total assets were $27,672,030 as of June 30, 2016. This balance reflects a decrease of approximately $1,655,000 or 5.6%, compared to June 30, 2015. Total liabilities were $37,406,375 as of June 30, 2016. This balance reflects an increase of approximately $351,000 or 1.0%, compared to June 30, 2015. As a result, the net position decreased at June 30, 2016, by approximately $749,000 or 15.0%.

For more detailed information, see the statements of net position on page 8 of the financial statements.

THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statements of revenues, expenses, and changes in net position present the Athletics Finance Corporation's revenue and expense activity, categorized as operating and non-operating revenues and expenses. The organization uses the accrual method of accounting.

The following summarizes the Athletics Finance Corporation's changes in net position for the fiscal years ended June 30:

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

	June 30, 2016	June 30, 2015	June 30, 2014
Operating revenues	$ 3,524,461	$ 3,781,020	$ 3,602,778
Operating expenses	2,252,946	2,457,568	2,287,002
Operating Income	1,271,515	1,323,452	1,315,776
Net non-operating expenses	(1,270,766)	(1,374,800)	(1,585,439)
Transfers to Florida International University	750,000	370,000	-
Change in Net Position	(749,251)	(421,348)	(269,663)
Net Position - beginning of year	(4,995,420)	(4,574,072)	(4,304,409)
Net Position - end of year	$ (5,744,671)	$ (4,995,420)	$ (4,574,072)

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015
(Continued)

The statements of revenues, expenses, and changes in net position reflect slightly lower operating revenues and expenses with relatively stable net non-operating expenses.

Operating Revenues

The Athletics Finance Corporation categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions associated with managing and operating the stadium.

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

Operating Revenues

	June 30,		
	2016	2015	2014
Athletic support	$ 870,000	$ 870,000	$ 870,000
Ticket sales	607,890	693,134	662,103
NCAA and conference payments	600,000	600,000	600,000
Suite revenues	402,950	494,240	582,096
Other operating revenues	549,951	470,687	376,373
Rental income	493,670	418,734	284,961
Contributions	-	234,225	227,245
Total Operating Revenues	$ 3,524,461	$ 3,781,020	3,602,778

Operating revenues were $3,524,461 for the fiscal year ended June 30, 2016, representing a 6.8% decrease over the June 30, 2015 fiscal year. This was mainly due to a decrease in contributions and suite revenues totaling approximately $326,000.

Operating Expenses

The Athletics Finance Corporation categorizes expenses as operating or non-operating. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications.

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

Operating Expenses

	June 30, 2016	June 30, 2015	June 30, 2014
Amortization of prepaid rent	$ 1,304,083	$ 1,304,083	$ 1,304,083
Gameday/Event day contractors and repairs	692,203	899,181	790,747
Other operating expenses	135,685	126,996	94,221
Utilities	120,975	127,308	97,951
Total Operating Expenses	$ 2,252,946	$ 2,457,568	$ 2,287,002

Operating expenses were $2,252,946 for the fiscal year ended June 30, 2016, a decrease of 8.3% over the June 30, 2015 fiscal year. In the 2015/2016 football season, there were 5 home games versus 8 home games in the 2014/2015 football season. The decrease in home games resulted in a decrease in gameday contractor expenses year over year.

Non-Operating Revenues and Expenses

Non-operating expenses consist of interest expense. The following summarizes the Athletics Finance Corporation's non-operating revenues and expenses for the fiscal years ended June 30:

Non-operating Revenues (Expenses)

	June 30, 2016	June 30, 2015	June 30, 2014
Interest income	$ 69,426	$ 1,295	$ 1,527
Interest expense and fiscal charges	(1,340,192)	(1,342,489)	(1,579,690)
Unrealized loss on investments	-	(33,606)	(7,276)
Net Non-operating Revenues (Expenses)	$ (1,270,766)	$ (1,374,800)	$ (1,585,439)

Non-operating expenses were $1,270,766 for the fiscal year ended June 30, 2016, a decrease of approximately $104,000 over the June 30, 2015 fiscal year.

TRANSFERS TO FLORIDA INTERNATIONAL UNIVERSITY

Transfers to Florida International University represent $750,000 in the Statements of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2016. The transfers were related to release of conference payments transferred back to Florida International University. During the fiscal year ended June 30, 2015, transfers to Florida International University represented $370,000.

DEBT ADMINISTRATION

As of June 30, 2016, the Athletics Finance Corporation had $30,718,607 in outstanding bonds payable, representing a decrease of approximately $697,000, or 2.2%, from fiscal year ended June 30, 2015.

Additional information about the Athletics Finance Corporation's bond payable is presented in note 4 to the financial statements on page 16.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University has pledged a significant portion of game guarantee revenue and Conference USA distribution revenues to the Athletics Finance Corporation.

The Athletics Department, including the Football Program, joined Conference USA effective July 1, 2013. Since joining Conference USA, the conference's television rights contract ended. Also, due to conference realignment and the loss of certain television markets from the Conference, the new agreement is less favorable than the previous year's agreement. This will result in lower conference revenues for the Athletics Department and in turn, the Athletics Finance Corporation.

REQUESTS FOR INFORMATION

These financial statements are designed to provide a general overview of the Athletics Finance Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, FIU Athletics Finance Corporation, 11200 S.W. 8th Street, MARC Building, 5th floor, Miami, Florida 33199.

BASIC FINANCIAL STATEMENTS

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash	$ 19,575	$ 58,659
Investments	1,637,743	1,821,049
Suites and ticket sales receivable	155,440	267,900
Due from Florida International University	89,659	126,724
Prepaid rent and other	1,304,125	1,304,117
Total current assets	3,206,542	3,578,449
Noncurrent assets		
Restricted cash and cash equivalents	1,018,792	1,018,637
Restricted investments	2,690,039	2,668,904
Prepaid rent	20,756,657	22,060,740
Total noncurrent assets	24,465,488	25,748,281
Total Assets	27,672,030	29,326,730
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	3,729,734	2,446,631
Deferred amount on debt refundings	259,940	286,160
Total deferred outflows of resources	3,989,674	2,732,791
LIABILITIES		
Current liabilities		
Accounts payable	39,474	12,036
Accrued interest payable	118,068	117,758
Due to Florida International University	5,725	-
Bonds payable	1,090,035	697,270
Unearned revenue	172,614	343,641
Total current liabilities	1,425,916	1,170,705
Noncurrent liabilities		
Due to Florida International University	1,000,000	1,000,000
Derivative liability	5,351,887	4,165,629
Bonds payable	29,628,572	30,718,607
Total noncurrent liabilities	35,980,459	35,884,236
Total Liabilities	37,406,375	37,054,941
NET POSITION		
Total Net Position - Unrestricted	$ (5,744,671)	$ (4,995,420)

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues		
Athletic support	$ 870,000	$ 870,000
Ticket sales	607,890	693,134
NCAA and conference payments	600,000	600,000
Suite revenues	402,950	494,240
Rental income	493,670	418,734
Contributions	-	234,225
Sponsorship revenues	260,000	291,950
General concessions and vending commissions	78,455	60,784
Stadium naming rights	86,100	86,100
Merchandise royalties	36,604	31,853
Event revenues	88,792	-
Total operating revenues	3,524,461	3,781,020
Operating expenses		
Amortization of prepaid rent	1,304,083	1,304,083
Gameday contractors	306,597	556,598
Event day contractors	276,503	183,841
Repairs and maintenance	109,103	158,742
Utilities	120,975	127,308
Materials and supplies	73,785	62,216
Other operating expenses	17,139	22,750
Audit and tax professional fees	24,100	21,904
Banking fees	20,661	20,126
Total operating expenses	2,252,946	2,457,568
Operating income	1,271,515	1,323,452
Nonoperating revenues (expenses)		
Interest income	69,426	1,295
Interest expenses and fiscal charges	(1,340,192)	(1,342,489)
Unrealized loss on investments	-	(33,606)
Total nonoperating revenues (expenses)	(1,270,766)	(1,374,800)
Transfers to Florida International University	750,000	370,000
Decrease in net position	(749,251)	(421,348)
Net position, beginning of year	(4,995,420)	(4,574,072)
Net position, end of year	$ (5,744,671)	$ (4,995,420)

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Operating receipts	$ 3,502,959	$ 4,096,929
Payments to vendors	(915,700)	(1,156,014)
Net cash provided by operating activities	2,587,259	2,940,915
Cash flows from capital and related financing activities		
Payments and transfers to Florida International University	(750,000)	(870,000)
Principal payments on bonds	(697,270)	(676,567)
Interest paid	(1,410,507)	(1,414,610)
Net cash used in capital and related financing activities	(2,857,777)	(2,961,177)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	7,013,611	7,228,896
Purchase of investments	(6,851,441)	(7,954,419)
Interest income received	69,419	1,295
Net cash provided by (used in) investing activities	231,589	(724,228)
Net decrease in cash and cash equivalents	(38,929)	(744,490)
Cash and cash equivalents, beginning of year	1,077,296	1,821,786
Cash and cash equivalents, end of year	$ 1,038,367	$ 1,077,296
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,271,515	$ 1,323,452
Change in assets and liabilities:		
(Increase) decrease in:		
Suites and ticket sales receivable	112,460	(40,740)
Prepaid rent and other	1,304,083	1,304,079
Due from Florida International University	37,065	143,368
Due from the Florida International University Foundation	-	218,000
Increase (decrease) in:		
Accounts payable	27,438	95
Unearned revenue	(171,027)	(4,719)
Due to Florida International University	5,725	(2,620)
Total adjustments	1,315,744	1,617,463
Net cash provided by operating activities	$ 2,587,259	$ 2,940,915
Non-cash investing and financing activities		
Change in fair value derivative liability	$ (1,283,103)	$ (203,701)
Change in deferred amount on debt refundings	$ 26,220	$ 26,221
Amortization of derivative liability	$ 96,845	$ 96,846
Cash and cash equivalents are presented on the Statements of Net Position as:		
Cash	$ 19,575	$ 58,659
Restricted cash and cash equivalents	1,018,792	1,018,637
	$ 1,038,367	$ 1,077,296

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(1) <u>Summary of Significant Accounting Policies:</u>

The following is a summary of the more significant accounting policies and practices of the FIU Athletics Finance Corporation (the Athletics Finance Corporation or the Organization), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Athletics Finance Corporation is a Florida not-for-profit corporation and a direct support organization and component unit of Florida International University (FIU or the University) and was organized in the State of Florida on November 20, 2006.

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

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

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments,* the Athletics Finance Corporation met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses are recorded when a liability is incurred, regardless of timing of the related cash flow.

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

(d) **Cash and cash equivalents—**Amounts reported as cash and cash equivalents consist of cash on hand, cash held by a trust institution and invested in money market funds, and investments with original maturities of three months or less. 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.

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Investments—**Amounts reported as investments consist of investments in money market funds. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, money market funds are recorded at amortized cost, which is generally equivalent to fair value, and are not categorized in the fair value hierarchy. Investments 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.

(f) **Derivative financial instruments and fair value measurements—**The Athletics Finance Corporation entered into an interest rate swap agreement to reduce its exposure to market risks from changing interest rates. For interest rate swaps, the differential to be paid or received is accrued and recognized in interest expense and may change as market interest rates change. The fair value of the derivative liability is presented in the statements of net position. The Organization uses the synthetic instrument method to evaluate the effectiveness as of the end of the reporting period. The Organization determined the interest rate swap met the criteria as an effective hedging transaction. Therefore, the change in the fair value in the effective interest rate swap is presented in the statements of net position as a hedging derivative in deferred outflows of resources. The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 5 for additional information on the interest rate swap.

(g) **Income taxes**—The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such is subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the years ended June 30, 2016 and 2015.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Athletics Finance Corporation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination Management believes the Organization is no longer subject to income tax examinations for years prior to 2013.

(h) **Prepaid rent**—Pursuant to two (2) ground sublease agreements, the Organization prepaid a portion of their rent obligation to the University. The prepaid lease payments will be amortized on a straight line basis over the life of the sublease.

(1) **Summary of Significant Accounting Policies:** (Continued)

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

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

(k) **New accounting pronouncements**— For the year ended June 30, 2016, the organization implemented GASB Statement No. 72, which was issued in February 2015. GASB Statement No. 72 seeks to improve accounting and financial reporting by clarifying and enhancing the guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

(l) **Subsequent events**— The Athletics Finance Corporation has been in negotiation with a bank to refinance the bonds payable. As of the date of these financials, the terms have not been finalized; therefore, the impact is not readily determinable.

(2) **Concentration of Credit Risk:**

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

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

(b) **Investments**—In addition, the Athletics Finance Corporation maintains investment accounts with financial institutions that are not insured by the FDIC. Fund shares are not guaranteed by the U.S. government. Current and future portfolio holdings are subject to risk. At June 30, 2016 and 2015, $4,327,782 and $4,489,953, respectively, were held in these accounts. The Athletics Finance Corporation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(3) **Investments:**

Investments are made in accordance with the trust indenture. The Organization invests in the Fidelity Institutional Money Market Government Portfolio – Class III Fund (Fidelity Money Market Fund). This is a money market fund seeking to provide current income consistent with stability of principal by investing in a portfolio of short-term, U.S. treasury and government securities. These investments include repurchase agreements collateralized fully by U.S Treasury and government securities. The Fund limits its investment to those that would enable it to qualify as a permissible investment for federally chartered credit unions. Investments are made in accordance with the Trust Indenture dated as of December 1, 2009 (the "Trust Indenture") between the Miami-Dade County Industrial Development Authority and Regions Bank, as trustee. This transaction is further described in Note 4. The investments were reported at amortized cost of $1,637,743 and $1,821,049 as of June 30, 2016 and 2015, which is generally the equivalent of fair value.

(a) **Credit risk**—Credit risk is the risk that an issuer of securities in which the Fund invests may default on the payment of interest or principal on the securities when due, which would cause the Fund to lose money. At June 30, 2016 and 2015, the money market mutual fund investments were rated AAAm by Standard & Poor's.

(b) **Concentration credit risk**—All of the investments at June 30, 2016 and June 30, 2015 are held with Regions Morgan Keegan and are invested in money market funds. According to the bond indenture, the Organization can invest the bond proceeds in these investment vehicles; there are no stated limitations on the amount that can be invested in any one issuer. The short term nature of the investments is due to liquidity needs, since those funds are being used for operating expenses, debt service payments and stadium construction costs.

(c) **Interest rate risk**—A portfolio's weighted average days to maturity (WAM) reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the fund to interest rate changes. A portfolio's weighted average life (WAL) calculation is based on a security's stated final maturity date or, when relevant, the date of the next demand feature when the fund may receive payment of principal and interest. WAL reflects how a portfolio would react to deteriorating credit or tightening liquidity conditions.

The Fidelity Money Market Fund prices of fixed-income securities generally fall when interest rates rise. Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. The money market mutual fund WAM at June 30, 2016 and 2015 was 42 and 33 days, respectively, while the weighted average life (WAL) was 90 and 82 days at June 30, 2016 and 2015, respectively.

(4) Long-term Debt:

The debt activity for the years ended June 30, 2016 and 2015 is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
June 30, 2016:					
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	$ 30,000,000	$ -	$ -	$ 30,000,000	$ 371,428
2009 Taxable Capital Improvement Revenue Bonds (Series B)	1,415,877	-	697,270	718,607	718,607
	$ 31,415,877	$ -	$ 697,270	$ 30,718,607	$ 1,090,035

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
June 30, 2015:					
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	$ 30,000,000	$ -	$ -	$ 30,000,000	$ -
2009 Taxable Capital Improvement Revenue Bonds (Series B)	2,092,444	-	676,567	1,415,877	697,270
	$ 32,092,444	$ -	$ 676,567	$ 31,415,877	$ 697,270

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

These bonds were issued and secured under and pursuant to a trust indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and non-operating revenues. Principal payments for the bonds began March 1, 2010. Interest payments are made on a quarterly basis. The interest rate on the Series 2009A Bonds is equal to the sum of 63.7% of three-month LIBOR plus 1.90%. The interest rate on the Series 2009B Bonds shall be at a rate equal to three-month LIBOR plus 2.65%. The total proceeds from the new bond issue were used solely to retire and current refund the outstanding Series 2007 A and B bonds and pay costs of issuance of the bonds and other refinancing costs. The bonds are secured by operating and non-operating revenues as well as University athletic fees, not to exceed 5% of the total athletic fees collected. Total principal due at June 30, 2016 and 2015, was $30,718,607 and $31,415,877, respectively.

(4) **Long-term Debt:** (Continued)

The Athletics Finance Corporation has funded a debt service reserve fund in accordance with the bond indenture requirement of maintaining an amount equal to the maximum allowable debt service on the bond in the current and any future fiscal year. This debt service reserve fund totaled $2,690,039 and $2,668,904 as of June 30, 2016 and 2015, respectively, and is presented in restricted investments.

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

The interest rate on these bonds is both fixed and variable and is subject to a hedge agreement (see Note 5) 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, 2016 are as follows:

For the Year Ending June 30,	Principal	Interest	Total Principal and Interest
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	1,485,714	1,373,440	2,859,154
2022-2026	8,507,143	5,593,976	14,101,119
2027-2031	10,607,143	3,092,065	13,699,208
2032-2033	4,950,000	402,396	5,352,396
Total	$ 30,718,607	$ 16,676,403	$ 47,395,010

(5) **Derivative Financial Instruments:**

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

(b) **Terms**—On December 22, 2009, Athletics Finance Corporation entered into an interest rate swap agreement to hedge the floating rate on $21,000,000 of the principal amount of the 2009A Bonds. This represents the fixed portion of the tax exempt bonds payable mentioned in Note 4 above. Under the swap agreement, the Athletics Finance Corporation agrees to pay a fixed rate of 3.60% and receive a variable rate equal to 63.7% of three-month LIBOR. The swap agreement has a maturity date of March 1, 2033.

(5) **Derivative Financial Instruments:** (Continued)

(c) **Fair value**—The Athletics Finance Corporation swap had a derivative liability of $5,351,887 and $4,165,629 at June 30, 2016 and 2015, respectively, as reported in the statements of net position. The negative fair value was determined using a mark-to-market value and represents the closing mid-market values. It was classified in Level 2 of the fair value hierarchy at June 30, 2016 and 2015.

As of June 30, 2016 and 2015, the fair value of the Series 2007A ineffective interest rate swap was $1,622,154 and $1,718,999, respectively. This interest rate swap was not terminated when the bonds were refunded in December 2009. The interest rate on the refunded Series 2009A bonds reflects a higher rate due to not terminating this interest rate swap. Accordingly, the fair value of $1,622,154 of the ineffective Series 2007A interest rate swap at June 30, 2016, is being amortized over the remaining life of the refunded Series 2009A bond.

The synthetic instrument method evaluates the effectiveness by quantitative approach. The synthetic instrument method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item. The Organization determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap is presented in the statements of net position as a deferred outflow of resources in the amount of $3,729,734 and $2,446,631 at June 30, 2016 and 2015, respectively.

(d) **Credit risk**—As of June 30, 2016 and 2015, the Athletics Finance Corporation was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Organization would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty (Regions Bank) was rated A3 by Moody's Investors Service, BBB+ by Standard and Poor's and BBB by Fitch Ratings at June 30, 2016.

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

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

(5) **Derivative Financial Instruments:** (Continued)

(g) **Swap payments and associated debt**—Using rates as of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

For the Year Ending	Variable-Rate Bond		Interest Rate	
June 30,	Principal	Interest	Swap, Net	Total
2017	260,000	485,429	669,571	1,415,000
2018	910,000	479,419	661,281	2,050,700
2019	950,000	458,383	632,267	2,040,650
2020	995,000	436,424	601,976	2,033,400
2021	1,040,000	413,424	570,251	2,023,675
2022-2026	5,955,000	1,683,860	2,322,615	9,961,475
2027-2031	7,425,000	930,752	1,283,823	9,639,575
2032-2033	3,465,000	121,125	167,076	3,753,201
Total	$ 21,000,000	$ 5,008,816	$ 6,908,860	$ 32,917,676

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

(6) **Unearned Revenues:**

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

The following schedule presents sales commitments under suite agreements and ticket sales that expire on June 30, 2021:

For the Year Ending June 30,	Amount
2017	172,614
2018	83,800
2019	80,000
2020	80,000
2021	40,000
Total	$ 456,414

(7) **Related Party Transactions:**

(a) **Related party revenues**—In accordance with the Memorandum of Understanding dated March 5, 2010, the University manages stadium-related activities, collects revenues on behalf of the Athletics Finance Corporation, and remits revenues timely as required under the existing trust indenture. For the years ended June 30, 2016 and 2015, the Athletics Finance Corporation received revenue for NCAA and conference payments, athletic support, suite revenue, ticket sales, sponsorship revenues, rental income, contributions and other operating revenues. The total of these revenues was $3,524,461 and $3,781,020 in 2016 and 2015, respectively. As of June 30, 2016 and 2015, the Athletics Finance Corporation had amounts due from FIU related to these revenues of approximately $90,000 and $127,000, respectively.

(b) **Lease commitments**—Florida International University and the FIU Athletics Finance Corporation entered into two 25-year ground sublease agreements dated April 1, 2007 rendering the rights to the FIU Athletics Finance Corporation to issue a series of capital improvement bonds of which a portion of the proceeds, along with contributions from the University, was to finance a stadium improvement project located on University premises. Under this agreement the FIU Athletics Finance Corporation shall prepay to the University for rental of the premises in the sum of $31,937,211.

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

For the Year Ending June 30,	Amount
2017	$ 1,304,083
2018	1,304,083
2019	1,304,083
2020	1,304,083
2021	1,304,083
2022 - 2026	6,520,416
2027 - 2031	6,520,416
2032 - 2033	2,499,493
	$ 22,060,740

	2016	2015
Reconciliation of the Statement of Net Position to the Lease Commitment:		
Current prepaid rent and other	$ 1,304,083	$ 1,304,083
Noncurrent prepaid rent	20,756,657	22,060,740
Total prepaid rent	22,060,740	23,364,823
Other assets	42	34
	22,060,782	23,364,857

As of June 30, 2016 and 2015, construction draws amounting to $31,937,211 have been paid by the University to various contractors. The prepaid rent has been amortized by $1,304,083 in both years.

REPORTING SECTION

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

To the Board of Directors of
FIU Athletics Finance Corporation:

We have audited, 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, the financial statements of the FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 17, 2016.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 17, 2016

Agenda Item 3 **FA1-D**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

December 1, 2016

Subject: Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit, 2015-16

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit for the 2015-16 Fiscal Year and authorize the Executive Director of the Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (FIU HCN) must submit an independently conducted financial audit of its accounts and records, which has been approved by its governing board and recommended by the University President to the Florida International University Board of Trustees for review and acceptance.

The FIU HCN Financial Audit for the 2015-16 fiscal year was submitted and approved by the Florida International University Academic Health Center Health Care Network Faculty Group Practice Board of Directors on October 13, 2016, and the University President is recommending its acceptance.

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

Supporting Documentation:	Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit, 2015-16
Facilitator/Presenter:	Kenneth A. Jessell

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

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
TABLE OF CONTENTS
JUNE 30, 2016 AND 2015

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN), a component unit of Florida International University, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the FIU HCN's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The FIU HCN's 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FIU HCN as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 – 9 be presented to supplement the basic financial statements. Such information, although not 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 our report dated September 21, 2016, on our consideration of the FIU HCN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FIU HCN's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
September 21, 2016

THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
MANAGEMENT'S DISCUSSION ANALYSIS
JUNE 30, 2016 AND 2015

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN) for the fiscal years ended June 30, 2016 and 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements and notes thereto, are the responsibility of management.

FINANCIAL HIGHLIGHTS – CURRENT YEAR

The FIU HCN transitioned from a full risk clinical model to a Management Services Organization model (MSO) in FY 2015-2016. In this model, revenues derive from management fees of services provided to Student Health Services, Herbert Wertheim College of Medicine (HWCOM), Office of International Affairs (OIA), Embrace, and from leases to Miami Children's Hospital and Gastro Health. The net patient revenues and respective AR for patient services provided since July 1, 2015 are recorded under the books of the HWCOM as a result of this financial model.

The FIU HCN assets totaled approximately $4.0 million at June 30, 2016. This balance reflects an approximate $2.2 increase from June 30, 2015, resulting primarily from the increase in cash from MSO fees and the OIA educational program. The increase in cash allowed for a decrease in the liabilities for the loan due to Florida International University (the University or FIU) by approximately $0.3 million while the total liabilities increased by approximately $0.1 million. This increase in liabilities comes from the increase in payable accruals and the increase in unearned revenue related to the pre-paid rotations under the OIA program. Liabilities totaled approximately $9.7 million at June 30, 2016.

The FIU HCN's operating revenues totaled approximately $5.6 million for the 2016 fiscal year, an approximate $0.36 million decrease from the 2015 fiscal year. This amount was comprised of management fee revenue (approximately $2.5 million), OIA educational program revenue (approximately $2.6 million), rental income (approximately $0.49 million) as well as prior year net patient service revenue (approximately $0.06 million). Operating expenses totaled approximately $3.3 million for the 2016 fiscal year, representing a decrease of approximately $5.4 million over the 2015 fiscal year due to the following: (a) administrative positions realignment, (b) cost of teaching faculty and their clinical support staff along with associated benefits were absorbed by HWCOM; (c) leases, rentals and operating expenses related declined to the closure of Sunset and Department of Health (DOH) clinical sites; (d) some clinical operating expenses were also absorbed by HWCOM as a result of the change in financial model to MSO.

FINANCIAL HIGHLIGHTS – PRIOR YEAR

The FIU HCN assets totaled approximately $1.8 million at June 30, 2015. This balance reflects an approximate $900 thousand decrease from the 2014 fiscal year, resulting primarily from termination of the lease for clinical facility in Market Square Garage (PG5) requiring that lease improvements be written off. While assets decreased, liabilities also increased by approximately $2.9 million, totaling approximately $9.6 million at June 30, 2015, compared to approximately $6.7 million at June 30, 2014. The increase in liabilities was a result of the increase in the loan agreement with the University, whereby the University loaned the FIU HCN an additional approximate $3.1 million to offset losses from operations. The total amount loaned by the University to FIU HCN is approximately $8.3 million as of June 30, 2015.

The FIU HCN's operating revenues totaled approximately $6 million for the 2015 fiscal year, an approximate $1.5 million increase from the 2014 fiscal year. This amount was comprised of primary care and specialty care physician clinical services (approximately $3.1 million), OIA educational program revenue (approximately $1.4 million), management fees (approximately $1.3 million) as well as other operating revenues generated by the FIU HCN relating to non-clinical practice services (approximately $0.14 million). Operating expenses totaled approximately $8.6 million for the 2015 fiscal year, representing an increase of approximately $1.3 million over the 2014 fiscal year due to the following: (a) salaries of administrative, clinical and support staff of HWCOM and their associated benefits; (b) contracted services for additional rotations of international programs, and operations of on campus, Sunset and DOH clinical sites; (c) other operating expenses for project management services.

OVERVIEW OF FINANCIAL STATEMENTS

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

Statement of Net Position

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

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

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

	2016	2015	2014
Assets			
Current assets	$ 3,659	$ 1,355	$ 1,164
Noncurrent assets	354	440	1,498
Total Assets	$ 4,013	$ 1,795	$ 2,662
Liabilities			
Current liabilities	$ 1,666	$ 1,250	$ 1,198
Noncurrent liabilities	8,032	8,338	5,525
Total Liabilities	$ 9,698	$ 9,588	$ 6,723
Net Position			
Investment in capital assets	$ 354	$ 440	$ 1,498
Unrestricted	(6,039)	(8,233)	(5,559)
Total Net Position	$ (5,685)	$ (7,793)	$ (4,061)

The statement of net position reflects the FIU HCN's realignment of operations and change in financial model in FY 2015-2016. Current assets mainly depict cash and receivables.

In summary of fiscal year 2016, total assets increased by approximately $2.2 million, while total liabilities increased by approximately $0.1 million. As a result, the total net position balance at June 30, 2016, had an improvement of approximately $2.1 million.

In summary of fiscal year 2015, total assets declined by $0.90 million, while total liabilities increased by $2.9 million. As a result, the total net position balance at June 30, 2015, had an unfavorable decrease of $3.7 million.

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

	2016	**2015**	**2014**
Operating revenues	$ 5,591	$ 5,966	$ 4,482
Operating expenses	3,276	8,635	7,308
Operating Gain (Loss)	2,315	(2,669)	(2,826)
Non-operating expenses	(207)	(948)	(100)
Transfers from the University	-	48	1,380
Transfers to the University	-	(163)	-
Change in Net Position	2,108	(3,732)	(1,546)
Net Position, beginning of year	(7,793)	(4,061)	(2,515)
Net Position, end of year	$ (5,685)	$ (7,793)	$ (4,061)

Operating Revenues

The FIU HCN categorizes revenues as either operating or non-operating. Operating revenues are derived from management fees, educational programs, and rental income.

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

Operating Revenues (In Thousands)

	2016	2015	2014
Management Fees	$ 2,464	$ 1,313	$ 960
Educational Program	2,584	1,384	481
Net patient service revenue	57	3,140	3,009
Other revenues	487	129	32
Total Operating Revenues	$ 5,591	$ 5,966	$ 4,482

The management fees derive from the management of the Student Health Clinics, the management of the OIA educational program where FIU HCN provides services to the American University of Antigua (AUA) by administering its Certificate Program for the Clerkship Rotation to 3rd year medical students, and the management of the clinics where the faculty physicians of HWCOM provide services to patients of the local community. For fiscal year 2016 the reinstated clinical services provided by the faculty physicians consisted of Family Medicine, Internal Medicine, Gynecology, Dermatology, Psychiatry and Behavioral Health. These providers operated in two clinical sites; Modesto A. Maidique Campus and Broward. FIU HCN also provided billing and collections services for the DOH facility and the three mobile health clinics. The DOH facility operated through March, 2016.

The educational program revenue under OIA is derived from the fifth semester rotations, the graduate certificate program and the fourth year electives program from the AUA; and from fees from clinical electives in the International Visiting Medical Student (IVMS) programs administered to international students through collaboration with various institutions.

Net patient service revenue is the net collections and reserves related to claims processed in fiscal year 2016 for services provided in the prior fiscal year 2015. Other revenues consist primarily of rental income from the lease of the Ambulatory Care Center (ACC).

For fiscal year 2015 the activities of the FIU HCN primarily consisted of management fees, educational program revenue and net patient service revenue. The management fees represent the fees for the management of the AUA Graduate Certificate Program. The educational program revenue consists of revenue for the AUA fifth semester rotations, AUA fourth year electives, AUA graduate certificate program, and the IVMS program.

Net patient service revenue in fiscal year 2015 consisted of specialty and primary care clinical services to patients of the local community. For fiscal year 2015 FIU HCN clinical services were provided by Family Medicine, Internal Medicine, Pain Management, Obstetrics/Gynecology, Psychiatry, Behavioral Health and Cardiology providers. FIU HCN operated in four clinical sites during fiscal year 2015; Modesto A. Maidique Campus, Broward, Sunset and the DOH facilities. In addition, clinical services were provided via a contract with DOH at their Sexually Transmitted Infections clinic. This contract terminated at the end of the fiscal year 2015. Due to negative financial outcomes from clinical operations, on January 2015 FIU HCN undertook a restructuring that resulted in elimination of the Family Medicine, Pain Management and Cardiology lines of business and divestment of clinical facilities at Sunset and Department of Health. FIU HCN transitioned to a Management Services Organization model in fiscal year 2016 where management services are provided to HWCOM, OIA, Student Health Services and Embrace.

Other revenues for fiscal year 2015 represent rental income from the lease to Miami Children's Hospital on the second floor of the Ambulatory Care Center building (ACC) which opened in April of 2015.

Operating Expenses

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

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

Operating Expenses (In Thousands)

	2016	2015	2014
Contractual personnel services	$ 1,170	$ 5,660	$ 5,307
Contracted professional and consulting services	1,477	1,539	829
Rentals and leases	27	331	331
Other operating	386	465	206
Depreciation	85	235	187
Supplies - medical	22	164	155
Utilities	6	79	73
Repairs and maintenance	35	20	61
Advertising and promotion	13	45	58
Insurance	22	59	58
Supplies - other	34	38	43
Total Operating Expenses	$ 3,277	$ 8,635	$ 7,308

Operating expenses totaled approximately $3.3 million for the 2016 fiscal year. This represents a decrease of approximately $5.4 million from the fiscal year 2015 primarily due to the restructuring and reclassification of administrative positions that took place in the first quarter of the fiscal year and the change in financial model from a full risk clinical model to the MSO model. As part of the MSO model, the cost of teaching faculty staff and clinical support staff of the HWCOM and their associated benefits are not absorbed by the FIU HCN in fiscal year 2016.

Operating expenses totaled approximately $8.6 million for the 2015 fiscal year. This represents an approximate $1.3 million increase over the 2014 fiscal year and was primarily due to: (a) salaries of administrative, clinical and support staff of the HWCOM and their associated benefits; (b) contracted professional and consulting services; higher billing and collection fees due to increased clinical services, additional software and increased user licenses and (c) other operating expenses; for project management consulting. These operating expenses all were incurred related to the expansion of medical services and the faculty practice plan.

Non-Operating Expenses

Non-operating expenses include interest expense on the loans owed to the University for prior years start-up costs and working capital cost and the loss on disposal of equipment. Fiscal year 2015 loss on disposal of capital assets relates to the facility build out resulting from the termination of the lease of the FIU PG5 clinical facility.

The following summarizes the FIU HCN's non-operating expenses for the fiscal years ended June 30:

Non-Operating Revenues (Expenses) (In Thousands)

	2016	2015	2014
Interest Expense	$ (173)	$ (112)	$ (100)
Loss on disposal of capital assets	(34)	(836)	-
Non-Operating Expenses	$ (207)	$ (948)	$ (100)

There was no non-operating income for 2016, 2015, or 2014.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

FIU HCN will continue to operate as a management services organization for FIU. As we enter the FY 2016-2017, FIU HCN revenues will derive from management fees related to the Student Health Clinics, HWCOM, Embrace, the International programs graduate certificate as in prior year with an additional 15% of the programmatic fee of all other international programs and the leases from Miami Children's Hospital and Gastro Health. In fiscal year 2017 the management service revenue from HWCOM will change from a 15% of gross patient service charges to a cost reimbursement model up to 2.1 million dollars in reimbursement. This will include the cost of the clinical support staff for the teaching faculty and associated benefits, the administrative cost to operate the clinical sites and the allocation of the percent effort of FIU HCN administrative support staff. All cash collections related to patient services provided since July 1, 2015 will continue to be revenue and receivables of HWCOM as well as the risk associated with collections on patient services to cover faculty practice effort at the clinics.

There are other potential stakeholders that will use FIU HCN for their management services. The goal for FIU HCN FY 2016-2017 is programmatic growth of clinical services at all clinical sites inclusive of student health clinics and International programs and to focus on continuous quality improvement. Programmatic growth in clinical areas include: corporate wellness; comprehensive weight management; and travel medicine. We will also continue to focus to increase patient service revenue for HWCOM by aligning physician productivity up to national benchmarks and focus on increased billable services for the Student Health Clinics. In addition, as an MSO, FIU HCN is committed to increase revenues through management fees of other potential partnerships.

Revenues from international programs continue to be strong. In addition to existing programs, there is great interest by other foreign academic institutions in partnering for programs with FIU through the FIU HCN.

REQUESTS FOR INFORMATION

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

THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,312,533	$ 792,005
Management fee receivable	209,513	-
Education program receivable	55,200	166,361
Rent receivable	82,054	120,420
Patient accounts receivable, net	-	163,384
Other receivables	-	103,401
Other current assets	-	9,444
Total current assets	3,659,300	1,355,014
Noncurrent assets		
Depreciable capital assets, net	353,401	440,144
Total assets	4,012,701	1,795,158
LIABILITIES		
Current liabilities		
Accounts payable	667,119	248,829
Due to Florida International University	306,030	459,413
Unearned revenue	692,519	541,578
Total current liabilities	1,665,668	1,249,820
Noncurrent liabilities		
Due to Florida International University	8,032,492	8,338,522
Total liabilities	9,698,160	9,588,342
NET POSITION		
Net position		
Net investment in capital assets	353,401	440,144
Unrestricted	(6,038,860)	(8,233,328)
Total net position	$ (5,685,459)	$ (7,793,184)

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

THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues		
Management fee revenue	$ 2,463,580	$ 1,313,235
Educational program	2,583,849	1,383,674
Rental revenue	486,932	129,702
Net patient service revenue	56,663	3,139,638
Total operating revenues	5,591,024	5,966,249
Operating expenses		
Contractual personnel services	1,170,894	5,658,246
Contracted professional consulting services	1,475,510	1,534,697
Rentals and leases	27,339	331,267
Other operating	385,543	464,136
Depreciation	84,843	235,107
Supplies - medical	22,066	164,074
Utilities	5,692	79,276
Repairs and maintenance	35,331	19,623
Advertising and promotion	13,414	44,623
Insurance	22,362	59,015
Supplies - other	33,522	45,112
Total operating expenses	3,276,516	8,635,176
Operating gain (loss)	2,314,508	(2,668,927)
Nonoperating expenses		
Interest expense	(172,679)	(112,366)
Loss on disposal of capital assets	(34,104)	(836,157)
Total nonoperating expenses	(206,783)	(948,523)
Gain (loss) before transfers	2,107,725	(3,617,450)
Transfers		
Transfers from Florida International University	-	48,689
Transfers to Florida International University	-	(163,384)
Total transfers	-	(114,695)
Change in net position	2,107,725	(3,732,145)
Net position, beginning of year	(7,793,184)	(4,061,039)
Net position, end of year	$ (5,685,459)	$ (7,793,184)

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

THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Receipts from management fee revenue	$ 2,254,067	$ 1,302,295
Receipts from educational program revenue	2,845,951	1,399,947
Receipts from rent and other revenue	628,699	129,702
Receipts from patient service	220,047	3,379,549
Payments to suppliers for goods and services	(2,763,939)	(8,780,729)
Net cash and cash equivalents provided by (used in) operations	3,184,824	(2,569,236)
Cash flows from capital and related financing activities		
Purchase of capital assets	(32,204)	(13,075)
Cash flows from noncapital financing activities		
Transfer from Florida International University	-	3,088,007
Transfer to Florida International University	(632,092)	(112,366)
Net cash and cash equivalents provided by (used in) noncapital financing activities	(632,092)	2,975,641
Net change in cash and cash equivalents	2,520,528	393,330
Cash and cash equivalents, beginning of year	792,005	398,675
Cash and cash equivalents, end of year	$ 3,312,533	$ 792,005
Reconciliation of operating gain (loss) to net cash and cash equivalents provided by (used in) operations:		
Operating gain (loss)	$ 2,314,508	$ (2,668,927)
Depreciation	84,843	235,107
Adjustments to reconcile operating gain (loss) to net cash provided by (used in) operating activities:		
Decrease (increase) in patient accounts receivable	163,384	248,881
Decrease (increase) in rent receivables	38,366	-
Decrease (increase) in management fee receivables	(209,513)	-
Decrease (increase) in education program receivable	111,161	-
Decrease (increase) in other receivables	103,401	(15,502)
Decrease (increase) in due from Florida International University	-	(8,970)
Decrease (increase) in other current assets	9,444	46,768
Increase (decrease) in accounts payable	418,290	(427,428)
Increase in unearned revenue	150,941	20,835
Net cash and cash equivalents provided by (used in) operating activities	$ 3,184,824	$ (2,569,236)

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

THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(1) **Summary of Significant Accounting Policies:**

(a) **Reporting entity**—The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN), a Florida not-for-profit corporation, is a component unit of Florida International University (FIU). The FIU HCN exists exclusively to support the mission of FIU to improve and support health education at the FIU in the Herbert Wertheim College of Medicine (HWCOM), the Robert Stempel College of Public Health and Social Work, the College of Nursing and Health Sciences, and departments in the College of Arts and Sciences with clinical activities. The FIU HCN has been granted tax-exempt organization status as defined by Section 501(c)(3) of the Internal Revenue Code. FIU HCN transitioned to a Management Services Organization model in fiscal year 2016 where management services are provided to HWCOM, Office of International Affairs (OIA), Student Health Services and Embrace. Additionally, FIU HCN also receives sublease revenue.

The FIU HCN was organized in the State of Florida on February 21, 2008 and on August 9, 2012, the FIU HCN changed its name from The Florida International University College of Medicine Health Care Network Faculty Group Practice, Inc. to The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc.

(b) **Basis of presentation—**The financial statements of the FIU HCN have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The FIU HCN reports under the GASB standards because it meets the criteria regarding the popular election of officers or appointment of a controlling majority of the members of the FIU HCN's governing body by one or more state or local governments.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* the FIU HCN met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses when a liability is incurred, regardless of timing of the related cash flow.

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

(d) **Cash and cash equivalents—**The FIU HCN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution, eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits (includes cash and restricted cash) are insured or collateralized.

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Capital assets**—Capital assets are reported at historical cost less accumulated depreciation and amortization. Capital assets consist of fixed and moveable medical equipment and leasehold improvements. Depreciation and amortization are calculated using the straight line method over the following estimated service lives, which consist of 10 years for leasehold improvements, 5-15 years for moveable equipment and 7 years for fixed equipment.

(f) **Flow assumption for restricted assets**—If both restricted and unrestricted assets are available for use for a certain purpose, it is the FIU HCN's policy to use restricted assets first, and then use unrestricted assets as needed.

(g) **Operating revenue and expenses**—The FIU HCN's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing management services to HWCOM, Student Health Clinics, Embrace, the management of the educational program for the OIA which are earned under the terms of the agreement with the American University in Antigua (AUA), and the subleases to Miami Children's Hospital and Gastro Health. Operating expenses include all expenses incurred to provide management services, other than external financing costs.

(h) **Net patient service revenue and patient accounts receivable**—Patient service revenue is recognized as revenue in the period when the services are performed and is reported on the accrual basis at the estimated net realizable amounts from patients. Net patient service revenue includes amounts estimated by management to be reimbursable by third-party payor programs. Net patient service revenue also includes an estimated provision for bad debts based upon management's evaluation of collectability of patient receivables considering the age of the receivables and other criteria, such as payor classifications.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an allowance for contractual adjustments. Individual accounts are charged-off against the estimated allowance for uncollectible accounts when management determines that it is unlikely that the account will be collected. The contractual adjustments represent the difference between established billing rates and estimated reimbursement from patients and third party payors. The FIU HCN does not require collateral or other security for patient accounts receivable.

(i) **Educational program revenue**—Educational program revenues are earned under the terms of the agreement with the AUA and consist of monthly tuition revenues earned at the start of each program cycle. Additionally, an advance payment of program fees for the core certificate program is amortized monthly on a pro-rata basis over the life of the agreement which is sixty four (64) months. In addition, FIU HCN receives program revenue under OIA from the International Visiting Medical Student program administered to international students through collaboration with various institutions.

(j) **Income taxes**—The FIU HCN is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, except for unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2016.

(1) **Summary of Significant Accounting Policies:** (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the FIU HCN has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the FIU HCN were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The FIU HCN is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. FIU HCN's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

(k) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2015 account balances have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net position.

(2) **Net Patient Service Revenue and Patient Accounts Receivable:**

Net patient service revenue is derived principally from professional fees generated by the faculty of the FIU Academic Health Center for treating patients. Net patient service revenue represents direct revenue from patient care. This revenue is derived from professional fees charged to individual patients and funded through third party payors and private patient payments based on established reimbursement rates. The net patient service revenue in fiscal year 2016 relates to charges for dates of service prior to July 1, 2015. Any revenue for subsequent service dates is recorded by HWCOM and HCN is paid a management fee. A reconciliation of the net patient service revenue and amounts of services provided to patients at established rates to direct revenue from patient care, as presented in the statement of revenue, expenses and changes in net position is as follows:

	Year Ending June 30,	
	2016	**2015**
Gross direct charges from patient care	$ 89,408	$ 6,058,372
Less: Contractual adjustments	-	(2,427,290)
Less: Bad debt expense	(32,745)	(491,444)
Total net patient service revenue	$ 56,663	$ 3,139,638

There were no contractual adjustments in fiscal year 2016 due to the change in business model as noted above. Contractual adjustments for 2015 included approximately $131,000 related to adjustments provided to self-insured patient accounts. The majority of these adjustments were for hospital services provided to unfunded patients, which represents individuals who are not enrolled in a health plan and must meet their financial obligations by using personal resources. These adjustments do not include allowances offered under a discount program according to the FIU HCN's self-pay discount policy, which were immaterial.

(2) **Net Patient Service Revenue and Patient Accounts Receivable:** (Continued)

The following is a summary of the payment arrangements with major third party payors, which were in effect for the fiscal year ended June 30, 2015. They were not in effect for the fiscal year ended June 30, 2016 due to the change in business model as noted above.

Medicare: All HWCOM faculty physicians were participating in the Medicare program. In most instances, Medicare paid 80% of the allowed charge with the patient being responsible for 20% co-payment and an annual deductible.

Medicaid: A number of the HWCOM faculty physicians were participating in the Medicaid program. Those physicians that met the enhanced reimbursement requirement for Medicaid were enrolled; all other faculty physicians were reimbursed at the current Medicaid fee schedule rates.

Other: HWCOM, on behalf of FIU, entered into payment agreements with certain commercial insurance carriers, health maintenance organizations (“HMO’s”) and preferred provider organizations (“PPO’s”). The basis for payment, which was deposited into an FIU HCN account under these arrangements, varied. Many of the HMO and PPO arrangements were based on the third party’s fee schedule or capitated arrangements with certain Medicare Advantage HMO’s which were executed. Capitation revenue for the year ended June 30, 2015 was approximately $193,076, which was included in net patient service revenue.

The FIU HCN’s net patient accounts receivable consists primarily of amounts owed by third party payors and private payments. Net patient accounts receivable are summarized as follows:

	Year Ending June 30,	
	2016	**2015**
Patient accounts receivable based on established charges	$ 46,254	$ 2,051,821
Less: Contractual adjustments	-	(1,084,090)
Less: Allowance for doubtful accounts	(46,254)	(804,347)
Patient accounts receivable, net	$ -	$ 163,384

Net patient accounts receivable by major financial classification is as follows:

	Year Ending June 30,	
	2016	**2015**
Commercial and managed care	$ -	$ 96,667
Medicare	-	28,713
Medicaid	-	35,052
Self-pay	-	2,952
Patient accounts receivable, net	$ -	$ 163,384

(3) Educational Program:

Effective October 1, 2013, an Agreement was executed by HWCOM on behalf of the FIU HCN with the AUA that allows for the opportunity for qualified AUA students to participate in a HWCOM Clinical Certificate Program that offers clinical rotations in multiple medical specialties under three different AUA programs. The agreement is for a period of sixty four (64) months and will generate management fee and educational program revenues for the FIU HCN. As per the terms of the Agreement, the FIU HCN received a $500,000 advance in October 2013, which will be earned as revenue on a pro-rata basis over the term of the Agreement. As of June 30, 2016 and 2015, the unearned amount was approximately $242,000 and $337,000, respectively, and was included in unearned revenue as a liability on the statements of net position.

For the years ended June 30, 2016 and 2015, total revenues earned under the terms of this agreement approximated $3,020,000 and $2,690,000, composed of $1,280,000 and $1,280,000 in management fee revenue and $1,740,000 and $1,410,000 for in educational program revenue , respectively.

(4) Depreciable Capital Assets:

A summary of depreciable capital assets is as follows:

	Depreciable Capital Assets			
	Beginning Balance	Additions	Disposals	Ending Balance
June 30, 2016:				
Medical equipment	$ 625,567	$ 32,204	$ 106,100	$ 551,671
Accumulated depreciation	(185,423)	(84,843)	(71,996)	(198,268)
Depreciable capital assets, net	$ 440,144	$ (52,639)	$ (34,104)	$ 353,401
June 30, 2015:				
Medical equipment	$ 612,492	$ 13,075	$ -	$ 625,567
Leasehold improvements	1,422,715	-	1,422,715	-
Depreciable capital assets	2,035,207	13,075	1,422,715	625,567
Accumulated depreciation	(536,874)	(235,107)	(586,558)	(185,423)
Depreciable capital assets, net	$ 1,498,333	$ (222,032)	$ (836,157)	$ 440,144

(5) Related Party Transactions:

(a) **Related Party Transactions**—On August 27, 2010, the FIU HCN entered into a loan agreement totaling $5,321,198 with FIU in order to provide working capital and build out capital to fund the expansion of the faculty practice plan and the establishment of the ambulatory care center and other FIU clinical activities. In June of 2015 FIU HCN renegotiated the loan agreement with FIU and borrowed an additional $3,109,385. The total loaned by FIU to HCN was $8,663,962, interest on the loan accrues at 2.00% simple interest and the loan is scheduled to mature in 2036.

(5) **Related Party Transactions:** (Continued)

Estimated principal and interest payments for the life of the amounts due to FIU, based on the balance due as of June 30, 2016, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2017	$ 306,030	$ 166,770	$ 472,800
2018	316,878	160,650	477,528
2019	327,991	154,312	482,304
2020	339,374	147,752	487,127
2021	351,033	140,965	491,998
2022-2026	1,940,128	594,651	2,534,781
2027-2031	2,276,582	387,498	2,664,080
2032-2036	2,480,506	145,060	2,625,565
Total	$ 8,338,522	$ 1,897,658	$ 10,236,183

In addition, at June 30, 2016, $403,340 was owed to FIU for expenses incurred in the ordinary course of business and is included in accounts payable on the statements of net position. Amounts owed from FIU for revenues incurred in the ordinary course of business and are included in accounts receivable on the statements of net position at June 30, 2016 and 2015 totaled $209,513 and $77,913, respectively.

(b) **Leases**—The University and the FIU HCN were parties to a space leasing agreement for the Faculty Group Practice site at PG 5 Market Station that was canceled in 2015 due to the renegotiated loan discussed above. For the year ended June 30, 2015, rent expense under this agreement amounted to $167,686. Furthermore, certain space within this facility was subleased. For the years ended June 30, 2016 and 2015, the total sub-lease rental income was $12,672.

The University and the FIU HCN were also parties to a space leasing agreement for the Ambulatory Care Center with an initial term of 40 years, expiring in October 2053. For the years ended June 30, 2016 and 2015, rent expense under this agreement amounted to $1. Furthermore, certain space within this facility was subleased with rental income of $468,119 and $117,030 for the years ended June 30, 2016 and 2015, respectively.

(6) **Operating Leases:**

The FIU HCN leases equipment on a month-to-month basis. Total rental expense for the years ended June 30, 2016 and 2015 were $163,580 and $163,580, respectively.

(7) **Commitments and Contingencies:**

(a) **Self-insurance program**—Board of Governor's Regulation 10.001 authorizes self-insurance programs for the purpose of providing comprehensive general liability and professional liability insurance for health care and veterinary sciences to university boards of trustees. On October 1, 2010, the University made an initial non-refundable deposit into a Self-Insurance Program (the SIP) bank account of $1,000,000.

(7) **Commitments and Contingencies:** (Continued)

As part of its mission to support the Academic Health Center and FIU, the FIU HCN will transfer a portion of its future surplus from operations to the Academic Health Center and FIU to fund the future cost of the SIP. This future surplus will be transferred to an appropriate FIU account as directed by the FIU's Division of Finance when such funds are available and budgeted by the Board of Directors of the FIU HCN for this purpose. FIU HCN will, when there is sufficient surplus from operations; fulfill its commitment to provide future SIP funding. Through June 30, 2016, FIU HCN has not made any transfers to this SIP.

(b) **Healthcare industry**—The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare participation requirements, reimbursement for patient services, Medicare fraud and abuse and most recently, under provisions of the Health Insurance Portability and Accountability Act of 1996, patient records privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the FIU HCN is currently in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

COMPLIANCE SECTION

James Moore
Certified Public Accountants and Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2016.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
September 21, 2016

Agenda Item 3 **FA2**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

Subject: Modification of the terms of the Miami-Dade Industrial Development authority revenue bonds (FIU Football Stadium Project), Series 2009A; authorizing the redemption of the authority's revenue bonds (FIU Football Stadium Project), Series 2009B; delegation of signature authority to chairman of the corporation and/or the University Treasurer

---

Proposed Committee Action:

Recommend the approval of the proposed resolution to the Florida International University Board of Trustees.

Background Information:

WHEREAS, on December 16, 2009, the Miami-Dade Industrial Authority (the "Authority") issued its Revenue Bonds (FIU Football Stadium Project), Series 2009A, and Revenue Bonds (FIU Football Stadium Project), Series 2009B (collectively, the "Bonds"), pursuant to the terms of a Trust Indenture between the Authority and Regions Bank, as trustee (the "Indenture"), the proceeds of which were loaned to the FIU Athletics Finance Corporation (the "Corporation"), a direct-support organization of Florida International University (the "University"), pursuant to the terms of a Loan Agreement between the Authority and the Corporation for the purpose of refinancing the costs of certain capital improvements to the University football stadium;

WHEREAS, the Bonds were purchased by and are currently held by Regions Bank (the "Bank");

WHEREAS, the Bank has agreed to certain modifications of the terms of the Series 2009A Bonds, in accordance with the terms outlined in the Bank's Commitment Letters dated May 12 and November 21, 2016 and attached hereto as Exhibit A; and

WHEREAS, the Corporation has authorized and approved the Commitment Letters, and the consummation of the transactions contemplated therein.

THEREFORE, BE IT RESOLVED, that the University Board of Trustees (the "BOT") hereby determines that it is in the best interests of the Corporation to accept the Bank's indicative offer to modify the terms of the Series 2009A Bonds and, in conjunction therewith, cause the Series 2009B Bonds to be repaid in full in accordance with terms of the Term Sheet; and

BE IT FURTHER RESOLVED, that the BOT authorizes the redemption of the Series 2009B Bonds in full, subject to the modification of the terms of the Series 2009A Bonds as described in the Bank's Commitment Letters; and

BE IT FURTHER RESOLVED, that the BOT hereby delegates to the Chairman of the Corporation and/or the University Treasurer the authority to execute any documents and/or take any such actions as shall be necessary to complete the modification of the Series 2009A Bonds and the redemption of the Series 2009B Bonds on behalf of the Corporation, consistent with the terms of the Bank's Commitment Letters, including, but not limited to, execution of any amendment to the Loan Agreement, or acknowledgement of changes to the Trust Indenture, and any other agreements, certifications or other documents relating to the modification;

BE IT FURTHER RESOLVED, that the BOT hereby designates Jonathan Evans as the Assistant Secretary of the Corporation for the limited purpose of attesting to the signature of the University Treasurer or any of the foregoing documents; and

BE IT FURTHER RESOLVED, that the BOT directs the University Chief Financial Officer to report to the Finance and Audit Committee on the progress of the modification and redemption transactions at the Committee's next regularly scheduled meeting.

LEGAL AUTHORITY:
This resolution is adopted pursuant to and in accordance with Section 1010.62(9) of the Florida Statutes and the Board of Governors Debt Management Policy Guidelines **last amended September 22, 2016**, which authorize state universities and their direct-support organizations to enter into "refundings for debt service savings where final maturities are not extended."

Supporting Documentation:	Exhibit A: Commitment Letters with Indicative Terms, May 12 and November 21, 2016 Exhibit B: Miami-Dade County Industrial Development Authority Resolution Exhibit C: FIU Athletics Finance Corporation Board of Directors Resolution Approving Modifications of Terms and Authorizations and Delegation
Facilitator/Presenter:	Kenneth A. Jessell

Exhibit A

REGIONS

Corporate Banking Division
2800 Ponce de Leon Blvd., 9th Floor
Coral Gables, Florida 33134
Off: (305) 774-5152
Cell: (305) 244-4842
Fax: (305) 774-5189

Oscar Herrera
Vice President

May 12, 2016

Mr. Tony Vu
University Treasurer
Florida International University
11200 SW 8th Street, MARC 110
Miami, FL 33199
T (305) 348-2544
pvu@fiu.edu

Reference: Miami-Dade County Industrial Development Authority Revenue Bonds (FIU Football Stadium Project) Modification

Dear Tony:

Reference is made to the loan agreement (**"Agreement"**) made and entered into as of the first day of December, 2009 by and between the MIAMI-DADE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, a public body corporate and politic organized and existing under the laws of the State of Florida (**"Issuer"**), and FIU ATHLETICS FINANCE CORPORATION, a Florida single-purpose not-for-profit corporation (**"Company"**) and a direct support organization of The Florida International University Board of Trustees pursuant to Section 1004.28, Florida Statutes, and an instrumentality of Florida International University (**"University"**).

Reference is also made to the trust indenture, dated as of December 1, 2009 (**"Indenture"**), between Issuer and REGIONS BANK, a state banking corporation organized and existing under the laws of the state of Alabama, as trustee (in such capacity, **"Trustee"**). The terms used herein, unless the context hereof shall require otherwise, shall have the same meanings when used herein as assigned them in the Indenture, unless the context or use thereof indicates another or different meaning or intent.

In furtherance of the public purpose for which the Issuer was created, the Issuer issued its $30,000,000 Miami-Dade County Industrial Development Authority Revenue Bonds (FIU Football Stadium Project), Series 2009A (**"Series 2009A Bonds"**) and its $5,310,000 Miami-Dade County Industrial Development Authority Taxable Revenue Bonds (FIU Football Stadium Project), Series 2009B (**"Series 2009B Bonds"** and together with the Series 2009A Bonds, the

"Bonds") pursuant to the Indenture. REGIONS BANK, a state banking corporation organized and existing under the laws of the state of Alabama (in such capacity, **"Bank"**), is the Owner of all the Bonds.

The Bank, as Owner of all of the Bonds, has agreed to modify the Indenture and Agreement as necessary to accomplish the following:

Series 2009A Bonds ($21mln Portion)

- Reduction of tax exempt interest rate spread from 1.90% to [1.40%]
- Extension of first Mandatory Tender Date from 12/16/2017 to 03/01/2026, with an additional Mandatory Tender Date on 03/01/2030. These Mandatory Tender Dates will be in lieu of those Mandatory Tender Dates currently set forth in the Bonds and the Indenture.
- Principal payments to follow the following schedule:

Year	Principal
2016	-
2017	260,000
2018	910,000
2019	950,000
2020	995,000
2021	1,040,000
2022	1,090,000
2023	1,135,000
2024	1,185,000
2025	1,245,000
2026	1,300,000
2027	1,355,000
2028	1,415,000
2029	1,485,000
2030	1,550,000
2031	1,620,000
2032	1,690,000
2033	1,775,000
Total	**21,000,000**

- All other terms to remain unchanged as per the Indenture and Agreement.

Series 2009A Bonds ($9mln Portion)

- Replacement of tax exempt interest rate of 63.7% of 3-month Libor plus 1.90% to a fixed rate of [2.80%].
- Extension of first Mandatory Tender Date from 12/16/2017 to 03/01/2026, with an additional Mandatory Tender Date on 03/01/2030. These Mandatory Tender Dates will be in lieu of those Mandatory Tender Dates currently set forth in the Bonds and the Indenture.

Oscar Herrera
Government and Institutional Banking
2800 Ponce de Leon Boulevard, 9th Floor, Coral Gables, FL 33134
Phone: (305) 774-5152 Fax: (305) 774-5189

- Principal payments to follow the following schedule (the Bank is also willing to maintain the current amortization should it be desired by the Company):

Year	Principal
2016	-
2017	111,429
2018	125,000
2019	125,000
2020	250,000
2021	501,373
2022	522,802
2023	542,088
2024	563,516
2025	589,230
2026	612,802
2027	636,373
2028	662,088
2029	692,088
2030	719,945
2031	749,945
2032	779,945
2033	816,376
Total	**9,000,000**

- All other terms to remain unchanged as per the Indenture and Agreement.

Series 2009B Bonds

- These bonds will be fully prepaid at closing of the modification with funds from the Collateral Account, which will be terminated.

Other Terms

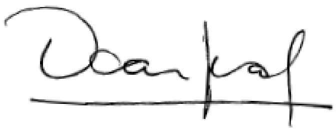
- Funds in the Athletics Fund referred to in Section 11.3(a) and Section 11.3(c) of the Agreement will be released, subject however to the following conditions: (i) the Company and the University are to make their reasonable best efforts to continue developing a business relationship with the Bank; and (ii) unless, coincident with such release of funds, there shall have been extinguished any and all liabilities of the Company arising from the Company having received such funds referred to in Section 11.3(a) of the Agreement, any and all such liabilities shall be subordinate in all respects to the obligations of the Company under the Agreement.
- The Indenture will be modified to require the Company to transfer to the Trustee an amount equal to 5% of the total annual Athletic Fees received by the Company in one single payment on [November 1] each year.

The interest rate modifications proposed above are indicative of rates as of this date, but may change to reflect market conditions at the time of closing of the modifications.

The Company and the University shall be responsible for all legal fees and expenses, including those of Bank counsel, associated with effecting the modifications described herein, as well as all administrative charges of all relevant public authorities.

If the foregoing arrangements are agreeable to the Company and the University, please so indicate by executing the acceptance below and returning an executed copy to me.

Best regards,



Oscar Herrera
Vice President

The above terms and conditions are accepted

FLORIDA INTERNATIONAL UNIVERSITY

By________________________________

FIU ATHLETICS FINANCE CORPORATION

By___________________________________

Oscar Herrera
Government and Institutional Banking
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Exhibit A

REGIONS

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Oscar Herrera
Vice President

November 21, 2016

Mr. Tony Vu
University Treasurer
Florida International University
11200 SW 8th Street, MARC 110
Miami, FL 33199
T (305) 348-2544
pvu@fiu.edu

Reference: Miami-Dade County Industrial Development Authority Revenue Bonds (FIU Football Stadium Project) Modification

Dear Tony:

Reference is made to the loan agreement (**"Agreement"**) made and entered into as of the first day of December, 2009 by and between the MIAMI-DADE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, a public body corporate and politic organized and existing under the laws of the State of Florida (**"Issuer"**), and FIU ATHLETICS FINANCE CORPORATION, a Florida single-purpose not-for-profit corporation (**"Company"**) and a direct support organization of The Florida International University Board of Trustees pursuant to Section 1004.28, Florida Statutes, and an instrumentality of Florida International University (**"University"**).

Reference is also made to the trust indenture, dated as of December 1, 2009 (**"Indenture"**), between Issuer and REGIONS BANK, a state banking corporation organized and existing under the laws of the state of Alabama, as trustee (in such capacity, **"Trustee"**). The terms used herein, unless the context hereof shall require otherwise, shall have the same meanings when used herein as assigned them in the Indenture, unless the context or use thereof indicates another or different meaning or intent.

In furtherance of the public purpose for which the Issuer was created, the Issuer issued its $30,000,000 Miami-Dade County Industrial Development Authority Revenue Bonds (FIU Football Stadium Project), Series 2009A (**"Series 2009A Bonds"**) and its $5,310,000 Miami-Dade County Industrial Development Authority Taxable Revenue Bonds (FIU Football Stadium Project), Series 2009B (**"Series 2009B Bonds"** and together with the Series 2009A Bonds, the

"Bonds") pursuant to the Indenture. REGIONS BANK, a state banking corporation organized and existing under the laws of the state of Alabama (in such capacity, **"Bank"**), is the Owner of all the Bonds.

The Bank, as Owner of all of the Bonds, has agreed to modify the Indenture and Agreement as necessary to accomplish the following:

Series 2009A Bonds ($21mln Portion)

- Reduction of tax exempt interest rate spread from 1.90% to a rate not to exceed 1.60%
- Extension of first Mandatory Tender Date from 12/16/2017 to 03/01/2026, with an additional Mandatory Tender Date on 03/01/2030. These Mandatory Tender Dates will be in lieu of those Mandatory Tender Dates currently set forth in the Bonds and the Indenture.
- Series 2009A Bonds amount to be split into three (3) series with principal amounts of $8,400,000, $8,400,000 and $4,200,000 respectively. Principal payments to follow the following schedule:

Date	Principal	Principal	Principal
03/01/2016	-	-	-
03/01/2017	104,000	104,000	52,000
03/01/2018	364,000	364,000	182,000
03/01/2019	380,000	380,000	190,000
03/01/2020	398,000	398,000	199,000
03/01/2021	416,000	416,000	208,000
03/01/2022	436,000	436,000	218,000
03/01/2023	454,000	454,000	227,000
03/01/2024	474,000	474,000	237,000
03/01/2025	498,000	498,000	249,000
03/01/2026	520,000	520,000	260,000
03/01/2027	542,000	542,000	271,000
03/01/2028	566,000	566,000	283,000
03/01/2029	594,000	594,000	297,000
03/01/2030	620,000	620,000	310,000
03/01/2031	648,000	648,000	324,000
03/01/2032	1,386,000	1,386,000	693,000
Total	**8,400,000**	**8,400,000**	**4,200,000**

- All other terms to remain unchanged as per the Indenture and Agreement.

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Series 2009A Bonds ($9mln Portion)

- Replacement of tax exempt interest rate of 63.7% of 3-month Libor plus 1.90% to a fixed rate not to exceed 3.00%.
- Extension of first Mandatory Tender Date from 12/16/2017 to 03/01/2026, with an additional Mandatory Tender Date on 03/01/2030. These Mandatory Tender Dates will be in lieu of those Mandatory Tender Dates currently set forth in the Bonds and the Indenture.
- Principal payments to follow the following schedule (the Bank is also willing to maintain the current amortization should it be desired by the Company):

Date	Principal
03/01/2016	-
03/01/2017	-
03/01/2018	240,000
03/01/2019	375,000
03/01/2020	450,000
03/01/2021	465,000
03/01/2022	490,000
03/01/2023	510,000
03/01/2024	545,000
03/01/2025	580,000
03/01/2026	600,000
03/01/2027	630,000
03/01/2028	665,000
03/01/2029	675,000
03/01/2030	705,000
03/01/2031	760,000
03/01/2032	1,310,000
Total	**9,000,000**

- All other terms to remain unchanged as per the Indenture and Agreement.

Series 2009B Bonds

- These bonds will be fully prepaid at closing of the modification with funds from the Collateral Account, which will be terminated.

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Phone: (305) 774-5152 Fax: (305) 774-5189

Other Terms

- Funds in the Athletics Fund referred to in Section 11.3(a) and Section 11.3(c) of the Agreement will be released, subject however to the following conditions: (i) the Company and the University are to make their reasonable best efforts to continue developing a business relationship with the Bank; and (ii) unless, coincident with such release of funds, there shall have been extinguished any and all liabilities of the Company arising from the Company having received such funds referred to in Section 11.3(a) of the Agreement, any and all such liabilities shall be subordinate in all respects to the obligations of the Company under the Agreement.
- The Indenture will be modified to require the Company to transfer to the Trustee an amount equal to 5% of the total annual Athletic Fees received by the Company in one single payment on [November 1] each year.

The interest rate modifications proposed above are indicative of rates as of this date, but may change to reflect market conditions at the time of closing of the modifications.

The Company and the University shall be responsible for all legal fees and expenses, including those of Bank counsel, associated with effecting the modifications described herein, as well as all administrative charges of all relevant public authorities.

If the foregoing arrangements are agreeable to the Company and the University, please so indicate by executing the acceptance below and returning an executed copy to me.

Best regards,

Oscar Herrera
Vice President

The above terms and conditions are accepted

FLORIDA INTERNATIONAL UNIVERSITY

By________________________________

FIU ATHLETICS FINANCE CORPORATION

By____________________________________

Oscar Herrera
Government and Institutional Banking
2800 Ponce de Leon Boulevard, 9th Floor, Coral Gables, FL 33134
Phone: (305) 774-5152 Fax: (305) 774-5189

Exhibit B

Miami-Dade County
Industrial Development Authority

Meeting Agenda

November 16, 2016

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES FOR THE MEETING OF September 28, 2016

IV. INDUSTRIAL DEVELOPMENT REVENUE BONDS

A. AMENDMENTS

1. *RAM Investments of South Florida, Inc. (SeaVee Boats)*
2. *FIU Stadium*

V. EXECUTIVE DIRECTOR'S REPORT

VI. NEW BUSINESS

VII. ADJOURNMENT

Exhibit B

FIU Stadium

Amendment

Exhibit B

FLORIDA INTERNATIONAL UNIVERSITY

OFFICE OF THE TREASURER

August 19, 2016

James D. Wagner, Jr
Executive Director
Miami-Dade Industrial Development Authority
80 S.W. 8th Street, Suite 2801
Miami, Florida 33130

RE: Miami-Dade Industrial Development Authority Revenue Bonds
(FIU Football Stadium Project), Series 2009

Dear Mr. Wagner:

The above referenced bonds were issued for the benefit of the FIU Athletics Corporation and financed improvements to the football stadium on the FIU campus. The bonds are held by Regions Bank.

Recently, Regions Bank has agreed to certain concessions such as converting approximately $9 million of the $30 million issue to a fixed rate for ten (10) years. They have also agreed to lower their credit spread on the Bonds that will continue to bear interest at a variable rate. The concessions will require amendments to the existing documents.

FIU Athletics Corporation would like to proceed with the document amendments. As was the case in 2009, Bryant Miller Olive will represent the FIU Athletics Corporation. My understanding is that the Adorno law firm (who was the original bond counsel) is no longer in the County's rotation so most likely we would be working with Foley and Lardner. If you can confirm this assignment that would be helpful.

We look forward to working with the MDIDA again and if you have any questions, please feel free to give me a call.

Sincerely,

Tony Vu
University Treasurer
Treasurer, FIU Athletics Finance Corporation

11200 8th Street, MARC 110 • Miami, Florida 33199 • (305) 348-2544 • Fax: (305) 348-2990 • finance.fiu.edu/treasury

Exhibit B

RESOLUTION NO. 2016-_____

A RESOLUTION BY THE MIAMI-DADE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF FOUR AMENDMENTS TO TRUST INDENTURE WITH REGIONS BANK RELATED TO CERTAIN OUTSTANDING MIAMI-DADE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS, THE PROCEEDS OF WHICH WERE LOANED TO FIU ATHLETICS FINANCE CORPORATION; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN OTHER DOCUMENTS REQUIRED IN CONNECTION WITH THE FOREGOING; AND PROVIDING CERTAIN OTHER DETAILS IN CONNECTION THEREWITH.

WHEREAS, the Miami-Dade County Industrial Development Authority (the "Miami-Dade Authority") is empowered pursuant to Parts II and III of Chapter 159, Florida Statutes, and other applicable laws (the "Act"), to issue its bonds for the purpose of financing and refinancing spectator or participatory sports facilities in Miami-Dade County, Florida; and

WHEREAS, in furtherance of the public purpose for which the Miami-Dade Authority was created, the Miami-Dade Authority previously issued its $30,000,000 Miami-Dade County Industrial Development Authority Revenue Bonds (FIU Football Stadium Project), Series 2009A (the "Series 2009A Bonds") and its $5,310,000 Miami-Dade County Industrial Development Authority Taxable Revenue Bonds (FIU Football Stadium Project), Series 2009B (the "Series 2009B Bonds" and together with the Series 2009A Bonds, the "Bonds") pursuant to the Act, a Bond Resolution adopted by the Miami-Dade Authority on December 15, 2009 (the "Bond Resolution") and the Trust Indenture dated as of December 1, 2009 (the "Indenture") by and between the Miami-Dade Authority and Regions Bank, as trustee (the "Trustee"), and loaned the proceeds of the sale of the Bonds to FIU Athletics Finance Corporation, a Florida not-for-profit corporation (the "Company") and a direct support organization of The Florida International University Board of Trustees pursuant to Section 1004.28, Florida Statutes, and an instrumentality of Florida International University (the "University") pursuant to a Loan Agreement (the "Agreement") dated as of December 1, 2009 between the Miami-Dade Authority and the Company in order to (i) refinance the costs of the Project (as defined in the Indenture) by providing funds to retire certain outstanding debt obligations, including in connection with the refinancing funding certain required reserves and (ii) paying the costs of issuance of the Bonds; and

WHEREAS, the Series 2009A Bonds were purchased and are currently held by Regions Bank (the "Owner"); and

WHEREAS, the Company, University and the Owner have reached an agreement related to certain amendments to the Indenture to achieve a lower cost of funds for the benefit of the Company which necessitates the Miami-Dade Authority enter into four amendments to the Indenture each between the Miami-Dade Authority and the Trustee that will authorize the reissuance of the Series 2009A Bonds through the issuance of four separate series of bonds in order to preserve the status of the obligations as a "qualified tax exempt obligation" within the meaning of the Internal Revenue Code of 1986, as amended and implement the amendments contained in each of the respective amendments; and

WHEREAS, the first amendment to the Indenture will authorize the reissuance of a $9,000,000 Series 2009A Bond that will bear interest at a fixed for a period of approximately 10 years; and

WHEREAS, the second, third and fourth amendments to the Indenture will each authorize the reissuance of separate series of the Series 2009A Bonds in a principal amount of $8,400,000, $8,400,000 and 4,200,000, respectively that will bear interest at a variable rate of interest; and

WHEREAS, each of the amendments will be sequentially numbered as the First, Second, Third and Fourth Amendment to Trust Indenture and are collectively referred to herein as the "Amendments,"

WHEREAS, as part of the agreed upon amendments, the Company has agreed to use the funds currently required to be on deposit in a collateral account held by the Owner plus approximately $1,000,000 currently on deposit with the Trustee to pay in full the outstanding balance of the Series 2009B Bonds on or prior to the delivery of the first series of the reissued Series 2009A Bonds; and

BE IT RESOLVED by the Miami-Dade County Industrial Development Authority that:

SECTION 1. This Resolution is adopted pursuant to the Constitution of the State of Florida and the Act.

SECTION 2. "Chairman" as used herein refers to both the Chairman and Vice Chairman unless specifically indicated otherwise. Throughout this document when reference is made to "Chairman," the Chairman or Vice Chairman may act independently and interchangeably in performing the duties and functions resolved herein. All other terms used herein in capitalized form, unless otherwise defined herein, shall have the same meanings as ascribed to them in the Indenture as supplemented and amended by the Amendments.

SECTION 3. The Chairman and the Secretary of the Miami-Dade Authority, any assistant secretary or any member of the Miami-Dade Authority (collectively, the "Secretary") are hereby authorized and empowered to execute and deliver each series of the reissued Series 2009A Bonds, each of the Amendments, and all documents contemplated thereby, in each case, subject to such changes and modifications as either of such officers may approve, such execution to be conclusive evidence of any such approval, and to affix thereto or impress thereon, the seal of the Miami-Dade Authority.

SECTION 4. The Executive Director is hereby delegated the authority to execute and deliver individual pricing agreements by and among the Miami-Dade Authority, the Company and the Owner related to each series of the reissued Series 2009A Bonds authorized to be issued under the respective Amendment, subject to such changes and modifications as the Executive Director may approve, such execution to be conclusive evidence of any such approval. Execution and delivery of the pricing agreement with respect to the Series 2009A-1 Bonds is subject to the determination of the initial fixed rate at a rate not to exceed 3.00 per annum as set forth in the pricing agreement. Execution and delivery of each of the pricing agreements with respect to each of the Variable Rate Series 2009A Bonds is subject to the determination by the Company and the Owner of the initial credit spread at a rate not to exceed 160 basis points as set forth in each pricing agreement.

SECTION 5. The Miami-Dade Authority and the officers, employees and agents of the Miami-Dade Authority acting on behalf of the Miami-Dade Authority are hereby authorized and directed to execute such documents, instruments and contracts, whether or not expressly contemplated hereby, and to do all acts and things required by the provisions of this Resolution and by the provisions of the Series 2009A Bonds, the Amendments, the Indenture and the pricing agreements, as may be necessary for the full, punctual and complete performance of all the terms, covenants, provisions and agreements herein and therein contained, or as otherwise may be necessary or desirable to effectuate the purpose and intent of this Resolution, or as may be requested by Regions Bank or the Company. The Chairman or Vice Chairman and the Secretary are hereby designated as the primary officers of the Miami-Dade Authority charged with the responsibility of reissuing the Series 2009A Bonds, and the Chairman or Vice Chairman is hereby authorized to delegate to any other person any of the duties or authorizations of the Chairman or Vice Chairman or the Secretary hereunder.

SECTION 6. In case any one or more of the provisions of this Resolution shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Resolution, and this Resolution shall be construed and enforced as if such illegal or invalid provision had not been contained herein. This Resolution is adopted and each of the Amendments shall be executed, and the Bonds shall be reissued, with the intent that the laws of the State of Florida shall govern their construction, except as shall otherwise be expressly provided by the terms thereof.

SECTION 7. All parts of the Bond Resolution and the other agreements contemplated thereby not in conflict with the express terms hereof are hereby reaffirmed. All resolutions or parts thereof in conflict herewith are hereby repealed.

SECTION 8. This Resolution shall become effective immediately upon its adoption.

Exhibit B

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Exhibit B

THIS RESOLUTION IS APPROVED AND ADOPTED by the Miami-Dade County Industrial Development Authority this 16th day of November, 2016.

MIAMI-DADE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

By: ______________________________

Roberto Pelaez, Chairman

(SEAL)

ATTEST:

____

James D. Wagner Jr., Secretary Ex-Officio

Approved as to Form and Legal Sufficiency

By: ______________________________

Juliette R. Antoine, Esq.
Assistant County Attorney
for Miami-Dade County

Exhibit B

EXHIBIT A

FIU ATHLETICS FINANCE CORPORATION

REFUNDING REQUEST

THE COMPANY

FIU Athletics Finance Corporation ("Finance Corp.") is a not-for-profit corporation of the State of Florida which, pursuant to Section 1004.28, Florida Statutes, is a direct support organization of Florida International University (the "University"). In 2006, the University created the Finance Corp. to assist with the financing of projects related to the expansion of the FIU Football Stadium (the "Stadium") and related infrastructure. The Stadium is located on the University's Modesto A. Maidique Campus (formerly known as the University Park Campus) at 11200 SW 8th Street, Miami, Miami-Dade County, Florida and utilized primarily by the FIU football program. The football program competes in National Collegiate Athletic Association's Bowl Championship Subdivision and is a member of the Sun Belt Conference.

The University, a public body corporate of the State of Florida and part of the Florida State University System, was established by the State Legislature on June 22, 1965 and opened to students in 1972. The University operates two campuses and an Engineering center in Miami-Dade County, and an educational center in Broward County, Florida. The Modesto A. Maidique Campus is located in west Miami-Dade County, approximately ten miles west of downtown Miami. The Biscayne Bay Campus is adjacent to Biscayne Bay in northeast Miami-Dade County. In 1981, the University added lower-division classes for freshmen and sophomores, expanding its enrollment capacity. In 1984, the University received authority to begin offering degree programs at the doctoral level.

Since 1984, the University experienced a remarkable growth trajectory and has established numerous schools and colleges that offer close to 200 baccalaureate, master's and doctoral degree programs to over 39,000 students, including but not limited to a College of Business, College of Law, College of Public Health and Social Work, College of Engineering, School of Architecture, School of Hospitality and Tourism Management, School of Journalism and Mass Communication, and most recently a College of Medicine, which admitted its freshman class in August, 2009. In addition, the University has created various academic and research centers, including the International Hurricane Research Center, and its sponsored research activity currently exceeds $100 million annually. The University also owns and operates two museums, the Frost Art Museum at the Modesto A. Maidique Campus and The Wolfsonian Museum in Miami Beach.

Similarly, the University's Intercollegiate Athletics Program has also grown in stature, by obtaining the fastest transition to Division 1-A of any Football program in the nation, transitioning the Men's Basketball program from Division 1-AAA level to Division 1-A, and achieving excellence in other programs, including Women's Volleyball and Women's Tennis. In 2008, the University completed its significant expansion of the FIU Football Stadium, as detailed more fully below, and recently completed construction of a 50,000 sq. ft. Stadium Field House.

THE PROJECT

The Project is to refinance the Finance Corp.'s outstanding 2007 Bonds, the proceeds of which were used for the acquisition, construction and equipping of the FIU Stadium, including, an approximate 17,000 seat stadium including up to 1,440 club seats, 19 premium suites, a 6,500 square foot Stadium Club, a wrap-around concourse and video scoreboard.

In 2007, the Finance Corp. issued Capital Improvement Revenue Bonds pursuant to a trust indenture with a corporate trustee, secured by revenues generated by the Stadium, fundraising activities related to the Stadium and a portion of the athletic fees collected by the University. The Finance Corp also entered into an Operating Agreement with the University pursuant to which the University, through its Athletic Department, agreed to be responsible for the day-to-day management of the Stadium. Par amount for the bonds totaled $35,000,000 and were issued as $28,000,000 Series 2007A Tax-Exempt and $7,000,000 Series 2007B Taxable Bonds (collectively, the "Bonds"). In addition, the corporation is requesting an additional $1,000,000 in bond financing to pay for costs of issuance of the new bonds and fund any necessary reserves for a total bond financing not to exceed $36,000,000.

FINANCIAL SUFFICIENCY

Currently, the payment of principal and interest on the Bonds is secured by a five-year letter of credit from a commercial bank. As such, the variable interest rates on the Bonds are directly correlated to the financial credit rating of the bank. The Finance Corp. is experiencing significant interest expense increases due to recent downgrades to the bank's credit rating. The Finance Corp. is in negotiation with two commercial banks to refund the $36,000,000 in outstanding Bonds. The refunding will permit the Finance Corp. to benefit from certain provisions contained in the American Recovery and Reinvestment Act of 2009 (Stimulus Bill) which enables 501(c)(3) organizations, such as the Finance Corp., to designate tax-exempt refunding bonds as "Qualified Tax Exempt Obligations," thereby allowing banks to purchase the bonds and hold them in the bank's loan portfolio, reducing the interest costs to the 501(c)(3) organization.

Audited financial statements for FIU Athletics Finance Corporation for the fiscal years ended June 30, 2007 and 2008 have been provided as well as unaudited financial statements for FIU Athletics Finance Corporation for fiscal year ended June 30, 2009.

Information relative to the proposed financial structure includes:

Financial Structure:	The Stadium will continue to be operated by the University pursuant to the April 1, 2007 Operating Agreement between the University and the Finance Corp.
Security:	a) Revenues generated by the Stadium b) Fundraising activities related to the Stadium including corporate sponsorship packages and possible naming rights opportunities c) Away game guarantees d) A portion of the athletic fees collected by the University.
Marketing:	Negotiated private placement held by the bank.

LEGAL

The Stadium is considered a spectator or participatory sports facility generally available to the public within the meaning of Section 159.27(11) of the Florida Statutes. Current federal tax regulations require new public approval and public hearing in connection with the refunding of previously issued tax-exempt bonds. With respect to the taxable bonds, no public hearing is required by federal tax law.

ECONOMIC IMPACT

Presently, the University has approximately 40,000 students, 1,100 full-time faculty and close to 135,000 alumni. It is the largest university in South Florida and among the nation's 25 largest colleges and universities. The student body reflects the rich ethnic and cultural diversity of Southeast Florida.

The University's 135,000 alumni constitute the largest university alumni group of any university in Miami-Dade County. Most of the degrees awarded by universities in Miami-Dade County are conferred by the University. Unlike most university graduates, FIU alumni remain in the area; 67 percent choosing to stay in South Florida and 75 percent in Florida.

The University has more than 4,000 full-time employees, making it Miami-Dade County's 7th largest public sector employer. The University has an economic impact of approximately $1.7 billion on the South Florida economy.

Opened on September 8, 2008, the FIU Stadium is the only Bowl Championship Subdivision on-campus football stadium south of Orlando, Florida. Additional phases include the recently completed 50,000 square foot R. Kirk Landon Football Fieldhouse, and a proposed 100,000 square foot student support complex at the Stadium that is currently in the planning stages.

In addition to serving as the venue for FIU football home games that are attended by students, faculty, alumni and members of the general public, the FIU Stadium also serves as a venue for community events operated by Miami-Dade County, public and private high schools, and others. The proposed refinancing would permit the University to realize significant cost savings for the benefit of its Intercollegiate Athletics Program, the FIU community, and the South Florida community as a whole.

Exhibit C

FIU Athletics Finance Corporation
Board of Directors
Annual Board Meeting

Thursday, October 22, 2015 3:30 P.M.
Florida International University
FIU Arena – 201B

AGENDA

I.	**Call to Order**	**Chairman Dotson**
II.	**Approval of the Minutes for the October 22, 2015 Meeting**	**Chairman Dotson**
III.	**Items for Committee Action**	
	A. Election of Al Lorenzo to Board Vacancy	**Chairman Dotson**
	B. Approval of the 2015-16 Draft Audited Financial Statements	**James Moore & Co., P.L.**
	C. Approval of the Amendment to the Football Stadium Loan Documents	**Tony Vu**
IV.	**Information Items**	
	A. Athletics Financial Update	**Bobby Staub/Jonathon Evans**
V.	**Other Business (if any)**	
VI.	**Adjournment**	

The Next Board Meeting
Scheduled for **TBD**

Exhibit C

FIU

FIU ATHLETICS FINANCE CORPORATION
BOARD OF DIRECTORS

BOARD MEETING

MONDAY, OCTOBER 17, 2016

SUBJECT: **MODIFICATION OF THE TERMS OF THE MIAMI-DADE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY REVENUE BONDS (FIU FOOTBALL STADIUM PROJECT), SERIES 2009A; AUTHORIZING THE REDEMPTION OF THE AUTHORITY'S REVENUE BONDS (FIU FOOTBALL STADIUM PROJECT), SERIES 2009B; DELEGATION OF SIGNATURE AUTHORITY TO CHAIRMAN OF THE CORPORATION AND/OR THE UNIVERSITY'S CHIEF FINANCIAL OFFICER**

PROPOSED BOARD ACTION:

Adopt the following Resolution:

WHEREAS, on December 16, 2009, the Miami-Dade County Industrial Development Authority (the "Authority") issued its Revenue Bonds (FIU Football Stadium Project), Series 2009A and Revenue Bonds (FIU Football Stadium Project), Series 2009B (collectively, the "Bonds") pursuant to the terms of a Trust Indenture between the Authority and Regions Bank, as trustee (the "Indenture") the proceeds of which were loaned to the FIU Athletics Finance Corporation ("Corporation") pursuant to the terms of a Loan Agreement between the Authority and the Corporation for the purpose of refinancing the costs of certain capital improvements to the Florida International University football stadium; and

WHEREAS, the Bonds were purchased by and are currently held by Regions Bank (the "Bank"); and

WHEREAS, the Bank has agreed to certain modifications to the terms of the Series 2009A Bonds in accordance with the terms as outlined in the Bank's letter dated May 12, 2016 (the "Term Sheet") and attached hereto as Exhibit A; and

THEREFORE, BE IT RESOLVED that the Board hereby determines that it is in the best interest Corporation to accept the Bank's offer to modify the terms of the Series 2009A Bonds and, in conjunction therewith, cause the Series 2009B Bonds to be repaid in full in accordance with the terms of the Term Sheet.

BE IT RESOLVED FURTHER, the Board hereby authorizes the redemption of the Series 2009B Bonds in full subject to the modification of the terms of the Series 2009A Bonds as described in the Term Sheet.

BE IT RESOLVED FURTHER, that the Board hereby delegates to the Chairman of the Corporation and/or the University Treasurer the authority to execute any documents and/or take any such actions as shall be necessary to complete the modification of the Series 2009A Bonds and the redemption of the Series 2009B Bonds on behalf of the Corporation consistent with the terms of the Term Sheet, including but not limited to execution of any amendments to the Loan Agreement, or acknowledgement of changes to the Trust Indenture, and any other agreements, certificates or other documents relating to the modification; and

BE IT FURTHER RESOLVED that the Board hereby designates Jonathan Evans as the Assistant Secretary of the Corporation for the limited purpose of attesting to the signature of the University Treasurer on any of the foregoing documents.

FACILITATOR/PRESENTER:

- PHONG VU
  CORPORATION TREASURER

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Agenda Item 3 **FA3**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

Subject: Proposed Finance and Facilities Committee Charter

Proposed Committee Action:

Recommend the approval of the proposed Finance and Facilities Committee Charter to the Florida International University Board of Trustees (BOT).

Background Information:

Pursuant to the recommendation of the Board of Governors regarding best practices for governing Boards of universities and colleges, and the creation of a separate BOT Finance and Facilities Committee and a separate BOT Audit and Compliance Committee, which the BOT Governance Committee is scheduled to take up on December 1, 2016, adoption of the proposed charter will enable the proposed Finance and Facilities Committee to assist this Board in fulfilling its administrative and fiscal responsibilities.

Board of Governors' Regulation 1.001(3)(b) states that each board of trustees may establish committees of the board to address matters, including, but not limited to, academic and student affairs, strategic planning, finance, audit, property acquisition and construction, personnel, and budgets.

Supporting Documentation:	Draft of proposed Finance and Facilities Committee Charter
Facilitator/Presenter:	Carlos B. Castillo

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE CHARTER

1. Overall Purpose/Objectives

The Finance and Facilities Committee ("Committee") is a committee of the Florida International University Board of Trustees ("Board"), whose members are appointed by the Chairperson of the Board. The general purpose of the Committee is to provide review, policy guidance and strategic oversight of the university's financial matters, financial reporting statements, campus master planning activities and other real estate type activities for both the University and its direct support organizations ("DSO").

For university financial matters, the Committee will review actions to be presented to the Board and provide a recommendation. This includes, but is not limited to, the annual University budget and all tuition, room rents, and other student fees that are required by state statute to be approved by the Board. The committee will schedule and periodically review financial reports from the university's DSO.

For campus master planning and other real estate matters, the Committee will coordinate the campus master planning process and provide recommendations to the Board for action. The Committee will annually review the capital improvement plan submissions to the Board of Governors and State legislature, and periodically review programs that ensure the maintenance and safety of University facilities. The Committee will review any real estate related projects or facilities involving the University or any of its DSOs, or any other university entities that may arise in the future by whatever designation, and make recommendations to the full Board. The Committee will participate in, review and approve the planning process for any DSO-initiated program that will materially affect the University either financially or in reputation, or involve any real estate related matters on or off campus.

2. Authority

The Board authorizes the Committee to:

2.1 Perform activities within the capacity of its charter.

2.2 Participate, through the Chair, in the process of the appointment and dismissal of the Senior Vice President and Chief Financial Officer.

2.3 Engage independent counsel and other advisers as it deems necessary to carry out its duties, with approval of the Board or the President.

2.4 Have unrestricted access to management, faculty and employees of the

University and its DSOs, as well as to all books, records, and facilities thereof.

3. Organization Membership

3.1 The Chair of the Board of Trustees will appoint the chair and members of the Committee.

3.2 The Committee consists of at least five (5) members, all of whom are voting Trustees of the University.

3.3 A majority of Committee members, if not all, shall possess general accounting, business and financial knowledge, including the ability to read and understand fundamental financial statements.

3.3.1 If possible the Committee will include at least one member who is a "accounting or financial expert"; a person who has an understanding of generally accepted accounting principles and financial statements; the ability to assess the application of these principles in connection with accounting for estimates, accruals and reserves; and an understanding of committee functions; experience preparing financial statements, or experience actively supervising persons engaged in such activities. The person must have acquired these attributes through one or more of the following: education or experience actually doing these functions or similar ones; actively supervising someone who is performing these functions or similar ones; experience overseeing or assessing the performance of companies or public accountants who are preparing or evaluating financial statements; or other relevant experience.

3.4 Members will serve on the Committee until their resignation or replacement by the Chair of the Board.

4. Meetings

4.1 A simple majority of the members of the Committee will constitute a quorum for the transaction of business.

4.2 Meetings shall be held not less than four (4) times per year and shall correspond with the University's financial reporting cycle.

4.3 The Committee shall maintain written minutes of its meetings, and for the Committee Chair to approve each meeting's agenda.

4.4 The Senior Vice President and Chief Financial Officer, who has operational responsibility for facilities planning, will be the liaison to the Committee from the FIU Administration. Said Senior Vice President and Chief Financial Officer will regularly meet and correspond with the Chair of the Committee and in consultation with the Chair, prepare the agenda for meetings of the Committee. Said Senior Vice

President and Chief Financial Officer will further advise and keep informed, as needed, both the President and the Chair of the Board on a regular basis regarding matters brought before and actions taken by the Committee.

4.5 The Committee shall provide regular updates of Committee activities to the Board for matters within the Committee's area of responsibility.

4.6 The Committee may request special presentations or reports that may enhance members' understanding of their responsibilities.

4.7 It is the intent of the Committee for matters within its purview to come before the Committee as early as possible so that the Committee can issue its recommendations and exercise its oversight at the beginning of any particular project or matter.

5. Roles and Responsibilities

FINANCE

With regard to each item listed below, the committee will:

5.1 Review the annual operating budgets of the University and recommend appropriate action to the Board.

5.2 Review the financial statements of the University's DSOs, making recommendations for action to the Board as needed; (frequency of review is at the discretion of the committee, but will be not less than once each year).

5.3 Review the annual capital budget request of the University and recommend appropriate action to the Board.

5.4 Review annual (or interim) changes to the University's tuition and fees and any related policy changes, and recommend appropriate action to the Board.

5.5 Review and approve material, non-mandated changes to accounting policies and practices.

5.6 Advise Senior Management, based upon the Committee's review, whether the Committee believes that the annual audited financial statements (including the footnotes) contain any material misstatements or omissions.

5.7 Review with Senior Management at the completion of the annual financial statement audit:

5.7.1 the University's annual financial statements and related footnotes, including their degree of clarity;

5.7.2 the Auditor General's opinion regarding the financial statements;

5.7.3 any significant changes required to the state auditor's audit plan;

5.7.4 any difficulties or disputes with management encountered during the audit, including an overall assessment of management cooperation;

5.7.5 the University's accounting principles, including the consistency, appropriateness and quality (not just acceptability) thereof, with particular emphasis on sensitive accounting estimates and accruals;

5.7.6 the University's overall level of compliance with governmental regulations;

5.7.7 reports concerning internal controls, including significant findings and recommendations and management's response;

5.7.8 other matters that should be communicated to the Committee under generally accepted generally accepted auditing standards; and

5.7.9 any other financial filings required by law or regulation.

5.8 Consult annually with the CFO regarding the integrity of the University's financial reporting processes and related internal controls.

FACILITIES

5.9 Become familiar with the current campus master plan and the philosophies behind its development.

5.10 Understand the statutorily required process and frequency of updates to the plan.

5.11 Recommend amendments to the plan to the Board.

5.12 Recommend appropriate action regarding the acquisition and disposition of real property.

5.13 Review material proposed additions to and renovations of existing facilities, to include facilities of the University and DSOs.

5.14 Review and recommend to the Board the annual list of capital improvements for funding by the Legislature.

5.15 Periodically review and recommend to the Board matters and facilities relating specifically to student housing, both on and off campus and further review a long-term strategic planning program for said student housing.

Direct Support Organizations

5.16 Participate in the planning process for any DSO involvement in capital projects that affect the University either financially or in reputation or involve any real estate.

5.17 Review, provide oversight with respect to, and provide recommendations to the Board for any actions that may be required stemming from a DSO initiated capital project.

Maintenance of Facilities

5.18 Review the effectiveness of the various University and DSO organizations in maintaining the buildings and grounds that are responsibilities of the Board.

5.19 Review the effectiveness of University law enforcement in protecting the physical assets of the University and providing a safe environment for the various University constituencies.

5.20 Review the effectiveness of the campus organizations responsible for environmental health and safety both in the buildings and on the grounds.

5.21 Provide recommended action items to the Board on all of the items above to the Board when necessary.

Reporting Responsibilities

5.22 Regularly update the Board about Committee activities and make appropriate recommendations.

5.23 Ensure the Board is aware of matters within the purview or responsibility of the Committee that may significantly impact the financial condition or legal liability of the University.

Charter Review

5.24 Review the Committee charter at least every two (2) years and discuss any required changes with the Board.

5.25 Ensure that the charter is approved or reapproved by the Board, after each update.

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Agenda Item 3 **FA4**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

Subject: Proposed Audit and Compliance Committee Charter

Proposed Committee Action:

Recommend the approval of the proposed Audit and Compliance Committee Charter to the Florida International University Board of Trustees (BOT).

Background Information:

Pursuant to the recommendation of the Board of Governors regarding best practices for governing Boards of universities and colleges, and the creation of a separate BOT Finance and Facilities Committee and a separate BOT Audit and Compliance Committee, which the BOT Governance Committee is scheduled to take up on December 1, 2016, adoption of the proposed charter will enable the proposed Audit and Compliance Committee to assist this Board in fulfilling its oversight responsibilities.

Board of Governors' Regulation 1.001(3)(b) states that each board of trustees may establish committees of the board to address matters including, but not limited to, academic and student affairs, strategic planning, finance, audit, property acquisition and construction, personnel, and budgets.

Supporting Documentation: Draft of proposed Audit and Compliance Committee Charter

Facilitator/Presenter: Carlos B. Castillo

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE CHARTER

1. Overall Purpose/Objectives

The Audit and Compliance Committee ("Committee") is appointed by the Florida International University Board of Trustees ("Board") to assist it in discharging its oversight responsibilities, including but not limited to, reviewing procedures in place to assess and minimize significant risks, overseeing the quality and integrity of financial reporting practices (including the underlying system of internal controls, policies and procedures, regulatory compliance programs, and ethical code of conduct), and overseeing the overall audit process.

The Committee will oversee the financial operations and reporting process for both the University and its direct support organizations ("DSO"). The committee will review: 1) the University's internal financial controls and processes; 2) the internal audit function; 3) the independent audit process, including the appointment and assessment of the external auditors for the University; and 4) the DSO and University processes for monitoring compliance with applicable laws and regulations, meeting regulatory requirements and promoting ethical conduct.

2. Authority

The Board authorizes the Committee to:

2.1 Perform activities within the capacity of its charter.

2.2 Evaluate the Office of Internal Audit's role and scope of activities.

2.3 Participate, through the Chair, in the process of the appointment and dismissal of the Chief Audit Executive.

2.4 Engage independent counsel and other advisers as it deems necessary to carry out its duties.

2.5 Have unrestricted access to management, faculty and employees of the University and its DSOs, as well as to all books, records, and facilities thereof.

2.6 Develop and review procedures for the receipt, retention and treatment of complaints received from employees regarding financial or operational matters.

2.7 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.

2.8 Review and discuss with management and the Office of Internal Audit (1) significant findings and recommendations, including management's response and timeframe for corrective action; (2) the degree of implementation of past audit recommendations; and (3) any difficulties encountered in the course of the audit activities such as restrictions on the scope of work or access to information.

2.9 Assess the staffing of the Office of Internal Audit, including the annual budget.

2.10 Review and approve modifications to the Office of Internal Audit.

2.11 Review the organizational reporting lines related to the Office of Internal Audit, particularly related to confirming and assuring the continued independence of the Office of Internal Audit and its staff.

2.12 Review the work of the external auditors for the University and DSOs.

2.13 Evaluate the effectiveness of the University's compliance program by (1) reviewing the results of the program effectiveness evaluation; (2) assessing the staffing of the Office of Compliance & Integrity, including the annual budget; (3) reviewing major modifications to the University's compliance program; and (4) reviewing compliance-related training topics for the Board.

2.14 Participate, through the Chair, in the process of the appointment and dismissal of the Assistant Vice President, Chief Compliance and Privacy Officer.

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

2.16 Review and approve modifications to the Office of Compliance & Integrity.

2.17 Review the organizational reporting lines related to the Office of Compliance & Integrity, particularly related to confirming and assuring the continued independence of the Office of Compliance & Integrity and its staff.

3. Organization

Membership

3.1 The Chair of the Board of Trustees will appoint the chair and members of the Committee.

3.2 The Committee consists of at least five (5) members, all of whom are voting Trustees of the University.

3.3 A majority of Committee members, if not all, shall possess general accounting, business and financial knowledge, including the ability to read and understand fundamental financial statements.

3.3.1 If possible the Committee will include at least one member who is a "accounting or financial expert"; a person who has an understanding of generally accepted accounting principles and financial statements; the ability to assess the application of these principles in connection with accounting for estimates, accruals and reserves; an understanding of committee functions; experience preparing, auditing, analyzing or evaluating financial statements, or experience actively supervising persons engaged in such activities; and an understanding of internal controls and procedures for financial reporting. The person must have acquired these attributes through one or more of the following: education or experience actually doing these functions or similar ones; actively supervising someone who is performing these functions or similar ones; experience overseeing or assessing the performance of companies or public accountants who are preparing, auditing or evaluating financial statements; or other relevant experience.

3.4 Members shall be independent and objective in the discharge of their responsibilities. They are to be free of any financial, family, or other material personal relationship, including relationships with members of University management, University auditors and other professional consultants

3.5 Members will serve on the Committee until their resignation or replacement by the Chair of the Board.

Meetings

3.6 A simple majority of the members of the Committee will constitute a quorum for the transaction of business.

3.7 Meetings shall be held not less than four (4) times per year and shall correspond with the University's financial reporting cycle.

3.8 The Committee shall maintain written minutes of its meetings, and for the Committee Chair to approve each meeting's agenda.

3.9 The Committee shall meet with the General Counsel, Chief Audit Executive, and Assistant Vice President, Chief Compliance and Privacy Officer on a regular basis.

3.10 The Committee may request special reports from University or DSO management on topics that may enhance their understanding of their activities and operations.

4. Roles and Responsibilities

The Committee shall:

4.1 Provide the Board with regular updates of Committee activities and make recommendations to the Board for matters within the Committee's area of responsibility.

4.2 Meet separately with the Office of Internal Audit and Senior Management, separately, in order to discuss any matters the Committee or these individuals believe should be discussed privately. This should be performed at least two (2) times annually, at the conclusion of a regularly scheduled Committee meeting.

4.3 Affirm that the Chief Audit Executive and Assistant Vice President, Chief Compliance and Privacy Officerare ultimately responsible to the Committee and the Board and they should communicate directly with the Committee Chair when deemed prudent and necessary. Said Chief Audit Executive and Assistant Vice President, Chief Compliance and Privacy Officer, in consultation with the General Counsel, will regularly meet and correspond with the Chair of the Committee, advise and keep informed, as needed, both the President and the Chair of the Board on a regular basis regarding matters brought before and actions taken by the Committee, and in further consultation with the Chair, prepare the agenda for meetings of the Committee.

4.4 Have the authority to conduct investigations into any matters within the Committee's scope of responsibilities as set forth herein. The Committee shall have unrestricted access to the University's independent auditors and anyone employed by the University, and to all relevant information in order to conduct such investigations. The Committee may retain, at the University's expense, independent counsel, accountants and other professional consultants to assist with such investigations. The results of any such investigations must be reported to the Board by the Committee Chair.

With regard to each topic listed below, the Committee shall:

Internal Controls

4.5 Consider and review the effectiveness of the University's process for identifying significant financial, operational, reputational, strategic and regulatory risks or exposures and management's plans and efforts to monitor and control such risks.

4.6 Evaluate the overall effectiveness of the internal control framework and consider whether recommendations made by the internal and external auditors have been implemented by management, including but not limited to the status and adequacy of information systems and security, for purposes of meeting expectations of the U.S. Sentencing Guidelines, personnel systems internal controls, and other relevant matters.

4.7 Understand the internal control systems implemented by management of the University and each DSO for the approval of transactions and the recording and processing of financial data.

Risk Management

4.8 Evaluate the overall effectiveness of the risk management process.

4.9 Evaluate the University's oversight and monitoring of its affiliated organizations, and the University's insurance coverage and the process used to manage any uninsured risks.

Financial Reporting and Disclosures

4.10 Review the adequacy of accounting, management, and financial processes of the University and its DSOs.

4.11 Review the financial reporting process implemented by management of the University and its DSOs.

4.12 Review as applicable for the University and its DSOs: 1) interim financial statements, 2) annual financial statements, 3) the annual report, and 4) the audit report on federal awards that is required under Office of Management and Budget (OMB) Circular A-133.

4.13 Review University and DSO management processes for ensuring the transparency of the financial statements and the completeness and clarity of the disclosures.

4.14 Meet with University management and the external auditors to review the financial statements, the key accounting policies, the reasonableness of significant judgments, and the results of the audit.

Compliance with Laws, Regulations, Policies and Standards

4.15 Review the independence, qualifications, activities, resources, and structure of the compliance function and ensure no unjustified restrictions or limitations are made.

4.16 Review and discuss any significant results of compliance audits; any significant matters of litigation or contingencies that may materially affect the University's financial statements; and any legal, tax or regulatory matters that may have a material impact on University operations, financial statements, policies and programs.

4.17 Ensure that significant findings and recommendations made by the university compliance officer are received, discussed, and appropriately acted on.

4.18 Review the effectiveness of the system for monitoring compliance with laws and regulations and management's investigation and follow-up (including disciplinary action) of any wrongful acts or non-compliance.

4.19 Ascertain whether the University has an effective process for determining risks and exposure from asserted and unasserted litigation and other claims of noncompliance with laws and regulations.

4.20 Receive information and training regarding specific elements of the University's compliance program.

4.21 Obtain reports concerning financial fraud resulting in losses in excess of $10,000 or involving a member of senior management.

4.22 Obtain regular updates from the University Compliance Officer regarding compliance matters that may have a material impact on the organization's financial statements or compliance policies.

4.23 Review the University's monitoring of compliance with University policies, including (but not limited to) policies regarding the conduct of research, including the results of the University's monitoring and enforcement of compliance with University standards of ethical conduct and conflict of interest policies.

4.24 Review the findings of any examinations or investigations by regulatory bodies.

Working with Auditors

Independent External Audit

4.25 Review the professional qualifications of all external auditors, and when determined by the committee, require such auditor to be hired by and report directly to the Committee.

4.26 Review on an annual basis the performance of all external auditors and make recommendations to the appropriate Board for their appointment, reappointment or termination.

4.27 Ensure that significant findings and recommendations made by the independent auditors for both the University and any DSO, and management's proposed response thereto, are received, discussed and appropriately acted upon.

Internal Audit

4.28 Review the independence, qualifications, activities, resources and structure of the internal audit function and ensure no unjustified restrictions or limitations are made.

4.29 Review the effectiveness of the internal audit function and ensure that it has appropriate standing within the University.

4.30 Ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and appropriately acted on.

4.31 Review the proposed internal audit plan for the coming year [or the multi-year plan] and ensure that it addresses key areas of risk and that there is appropriate coordination with the external auditor.

Complaints and Ethics

4.32 Ensure procedures for the receipt, retention and treatment of complaints concerning financial, internal accounting controls or auditing matters.

4.33 Review the University and DSO conflicts of interest policies to ensure that: 1) the term "conflict of interest" is clearly defined, 2) guidelines are comprehensive, 3) annual signoff is required, and 4) potential conflicts are adequately resolved and documented.

Reporting Responsibilities

4.34 Regularly update the Board about Committee activities and make appropriate recommendations.

4.35 Ensure the Board is aware of matters that may significantly impact the financial condition or affairs of the University or its DSOs.

4.36 Receive prior to each meeting a summary of findings from completed internal audits and the status of implementing related recommendations.

Evaluating Performance

4.37 Evaluate the Committee's own performance, both of individual members and collectively, on a regular basis.

4.38 Assess the achievement of duties specified in the charter and report findings to the board.

4.39 Review the Committee charter, at least every two (2) years, and discuss any required changes with the board.

4.40 Ensure that the charter is approved or reapproved by the Board, after each update.

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Office of Internal Audit Status Report

BOARD OF TRUSTEES

December 1, 2016

FLORIDA INTERNATIONAL UNIVERSITY

OFFICE OF INTERNAL AUDIT

Date: December 1, 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 September 1, 2016, we completed the following projects:

Bank Account Reconciliations Review – Following the abrupt resignation of a Senior Accountant in 2015, the Controller's Office began an exhaustive process of reviewing all prior Concentration Bank Account reconciliations. We were frequently consulted during the course of their review, which went as far back as 2005 in some cases. The Controller's review disclosed (and our own independent review confirmed) that for a number of years the employee prepared bank reconciliations, which deceptively gave the appearance that the book to bank balances were reconciled.

It is important to note that neither the Controller's review nor ours disclosed any indication of a misappropriation of funds but rather that the employee did not have the necessary skill sets to perform the bank reconciliation and through a pattern of deceit concealed her shortcomings. Nevertheless, on June 30, 2015, the Controller adjusted the University's general ledger by $574,631. A charge was taken to the *Other Costs and Losses* account and the *Concentration Cash* account was reduced to reflect the unidentified difference(s) and properly reflect the University's actual cash position.

Based on our review, we concluded that current reconciliations are being performed properly; that they are accurate; and that there are improved internal controls and procedures to prevent recurrence. Our audit resulted in three recommendations which management agreed to implement.

Information Security Controls Audit of the Mobile Health Center – This report is a compendium report to an operational audit of the Hebert Wertheim College of Medicine's Health Education Learning Program's Mobile Health Center (MHC), which we previously presented to you at our last Finance and Audit Committee meeting.

Overall, our IT audit disclosed that the MHC's information risk is fair, i.e. information system controls are in place but can be improved. The MHC has opportunities to strengthen controls relating to patching laptops, removing inactive firewall connections, monitoring patient data access logs, disabling generic user accounts, and testing comprehensive business continuity. Our audit resulted in 12 recommendations which management agreed to implement.

Housing and Residential Life Follow-up Audit – We last reported on Housing in November 2010. With current revenues of nearly $30 million, Housing operates seven residential complexes all located on the Modesto A. Maidique Campus encompassing 3,257 bed spaces.

This follow-up audit disclosed that Housing fully implemented 10 of our prior 14 audit recommendations. Three of the recommendations were partially implemented and one had not been implemented. Areas of recurring concern include fire alarm reports, attractive property, and insurance requirements for conference rentals. Management agreed to implement the five resulting recommendations from the follow-up audit.

Work in Progress

The following ongoing audits are in various stages of completion:

Audits	*Status*
School of Hospitality and Tourism Management	Drafting Report
Financial Aid – Enrollment Services	Drafting Report
Herbert Wertheim College of Medicine – Pharmacy Operations	Fieldwork in Progress
Construction	Fieldwork in Progress
Athletic Department – Financial and Operational Controls	Fieldwork in Progress
University's IT Network Security Controls Follow-up	Fieldwork in Progress
Office of Planning and Institutional Research - BOG Data Integrity	Fieldwork in Progress

We also conducted and/or assisted in investigating several allegations of impropriety that were largely immaterial in nature but nevertheless merited attention.

Professional Development

Audit staff continue to take advantage of professional development opportunities. For example, six staff members attended the 2016 Annual Conference of the Association of College and University Auditors held in Miami.

Florida International University
Financial Summary Overview [1]
FY 2016-17

($ in millions)	Year To Date September 2016 Budget	Current Year Actual	Variance $	%
Revenue / Receipts				
University				
Educational and General (net) [2]	$ 156.6	$ 161.2	$ 4.5	3%
University	142.5	146.2	3.6	3%
College of Medicine	14.1	15.0	0.9	6%
FIU Self-Insurance Program	-	-	-	0%
Auxiliary Enterprises	72.1	73.5	1.4	2%
Intercollegiate Athletics	9.7	10.4	0.7	7%
Activities and Service	7.9	8.3	0.4	5%
Technology Fee	4.0	4.2	0.2	5%
Board Approved Fees	0.2	0.2	-	0%
Contracts and Grants	28.9	30.5	1.6	6%
Student Financial Aid	70.6	71.9	1.3	2%
Concessions	0.1	0.1	-	0%
Direct Support Organizations				
FIU Athletic Finance Corp	3.2	2.7	(0.5)	-16%
FIU Foundation Inc.	5.9	6.4	0.5	8%
FIU Health Care Network	1.6	1.9	0.3	19%
FIU Research Foundation	-	-	-	0%
Interfund Adjustments [3]	(1.4)	(1.8)	(0.4)	29%
Total Operating Revenues	**$ 359.4**	**$ 369.4**	**$ 10.0**	**3%**
University Treasury (net)	2.7	3.8	1.1	41%
FIU Foundation Inc.	0.3	8.4	8.1	2700%
Total Investment Revenues	**$ 3.0**	**$ 12.2**	**$ 9.2**	**307%**
Total Revenues / Receipts	**$ 362.4**	**$ 381.6**	**$ 19.2**	**5%**
Expenses				
University				
Educational and General (net)	$ 104.3	$ 97.7	$ 6.6	6%
University	92.8	86.6	6.2	7%
College of Medicine	11.5	11.1	0.4	3%
FIU Self-Insurance Program	-	-	-	0%
Auxiliary Enterprises	46.9	43.6	3.3	7%
Intercollegiate Athletics	7.2	6.7	0.5	7%
Activities and Service	4.7	3.6	1.1	23%
Technology Fee	2.6	2.3	0.3	12%
Board Approved Fees	0.2	-	0.2	100%
Contracts and Grants	27.9	32.4	(4.5)	-16%
Student Financial Aid	77.4	76.2	1.2	2%
Concessions	0.1	0.1	-	0%
Direct Support Organizations				
FIU Athletic Finance Corp	0.6	0.7	(0.1)	-17%
FIU Foundation Inc.	7.5	3.7	3.8	51%
FIU Health Care Network	1.1	1.1	-	0%
FIU Research Foundation	-	0.0	(0.0)	0%
Interfund Adjustments [3]	(1.4)	(1.8)	0.4	-29%
Total Expenses	**279.1**	**266.3**	**12.8**	**5%**
Principal Payment of Debt [4]	-	-	-	0%
Change in Net Assets (incl. Investments)	**$ 83.3**	**$ 115.3**	**$ 32.0**	**38%**
Change in Net Assets (excl. Investments)	**$ 80.3**	**$ 103.1**	**$ 22.8**	**28%**

Florida International University
Financial Summary Overview [1]
FY 2016-17

Financial Highlights:
Operations - By Fund and Direct Support Organization

Educational and General Variance: Revenues $4.5M, Expenses $6.6M

I. University (ex-College of Medicine) Variance: Revenues $3.6M, Expenses $6.2M

Revenues	
State Appropriations:	
▪ Additional distribution from the state to cover risk management insurance premiums higher than budgeted	1.2
Tuition:	
▪ Undergraduate base: resident student credit hour enrollment down by 234 FTE or 2.4%, offset by an increase of 82 FTE or 10.9% in non-resident enrollment	0.8
▪ Tuition differential: unfavorable variance tied to lower, resident student credit hour enrollment	(0.2)
▪ Graduate and Professional: higher student credit hour enrollment of 101 FTE or 6.4%, primarily in Masters Programs	0.3
▪ FIU Online 2.0: student credit hour enrollment lower by 10 FTE or 1.6%	(0.1)
▪ Dual Enrollment: earlier then anticipated booking of tuition combined with delay in booking tuition waivers	2.0
▪ Shorelight Enrollment: lower enrollment offset by savings in institutional financial aid	0.1
▪ Higher than anticipated waivers due to earlier than budgeted disbursement of undergraduate merit waivers	(1.6)
▪ Other: Lower bad debt and institutional financial aid, combined with higher incidental fees	1.2
Total Revenues	**$ 3.6**
Operating Expenses:	
▪ Higher than budgeted Summer Faculty salaries	(3.0)
▪ Vacancies in Faculty, Administrative, and Staff positions $1.8M, savings due to parental and sabbatical leave paid out of fringe benefit pool $0.3M, change in funding source and other savings $0.5M, offset by filled unbudgeted positions ($1.5M).	1.1
▪ Budgeted Salary Float - budgeted year-to-date savings from vacant administrative positions that are returned to the university	(0.1)
▪ Centralized Expenditures: Placeholder for benefits pass-throughs and salary increases	0.1
Sub-Total Position Salaries and Benefits	**(1.9)**
▪ **Other In-Unit Expenses**: Minor repairs and maintenance projects that were budgeted in full but will be completed during the fiscal year $2.2M, timing of general maintenance and utility expenses $2.0M and other operational expenses $1.7M, and delays in spending on Legislative line items $0.6M and strategic investments $1.6M	8.1
Total Expenses	**$ 6.2**

II. College of Medicine Variance: Revenues $0.9M, Expenses $0.4M

Revenues are above target due to timing. The budget build assumed all cohorts would be moving from a 2-semsester billing cycle to a 3-semseter cycle, however only 1 cohort is on the new 3-semseter billing cycle.

Expenses are below target mainly due to vacant positions $0.9M offset by timing of other operating expenses ($0.5M).

FIU Self-Insurance Program Variance: Revenues $0M, Expenses $0M

Revenues and expenses are on target.

Auxiliary Enterprises Variance: Revenues $1.4M, Expenses $3.3M

Favorable revenue variances are driven largely by higher than anticipated sales in the Panther Tech store, higher housing occupancy and conference revenues, timing of inflows from the School of Hospitality and Tourism Management undergraduate online program in Tianjin China, and higher revenues from self-supporting academic programs. These are offset by timing of FIU Online programs, lower rebates and Shared Service Fee revenues, and delays in employee parking permit payroll deductions.

Expenditures are below budget mainly due to postponed Housing projects, lower expenses in the academic auxiliaries, and vacant positions across all auxiliaries. These are offset by higher operating costs associated with higher sales in the Panther Tech computer store, and higher publications expenses.

Florida International University
Financial Summary Overview [1]
FY 2016-17

Intercollegiate Athletics Variance: Revenues $0.7M, Expenses $0.5M

Revenues are higher than target primarily due to earlier than projected revenues received from Financial Aid for scholarships, and timing of fees from dual enrolled students which were booked earlier than anticipated without the associated fee waivers.

Expenditures are lower than budget mainly due to timing of scholarship payments.

Student Activity and Service Variance: Revenues $0.4M, Expenses $1.1M

Revenues are higher than target mainly due to timing of fees from dual enrolled students which were booked earlier than anticipated without the associated fee waivers. Higher than anticipated orientation program revenues and other unbudgeted student activity revenues also contributed to the favorable variance.

Expenses are below target due to generally lower expenses across all student activities.

Technology Fee: Revenues $0.2M, Expenses $0.3M

Revenues are higher than target mainly due to timing of fees from dual enrolled students which were booked earlier than anticipated without the associated fee waivers.

Expenses are below target mainly due to vacancies, project deadline extensions, and delays in purchasing and receiving on projects.

Board Approved Fees: Revenues $0M, Expenses $0.2M

Revenues are slightly above budget due to more eligible test candidates than expected.

Favorable variance in expenses due to timing of payments to the bar prep vendor.

Contracts and Grants Variance: Revenues $1.6M, Expenses $-4.5M

Sponsored Research: The favorable variance in revenues of $6.4M is mainly due to higher than budgeted revenues in federal, state, and private grants, and unbudgeted private revenues. Expenditures are above budget $5.7M commensurate with higher revenues than budgeted, combined with higher than expected commitments against F&A returns spent by the colleges, units, centers and researchers.

External Contracts: Unfavorable variance of $4.7M in revenues is driven by timing of DSO reimbursements, mainly Capital Campaign, College of Medicine Humanities, Health, and Society project, and the Health Care Network, along with lower incidental contractual revenue for the College of Medicine and other units. Expenses are below budget by $1.1M primarily driven by lower expenses in the College of Medicine Faculty Practice, and less DSO reimbursable expenses associated with the Capital Campaign and other units.

Student Financial Aid Variance: Revenues $1.3M, Expenses $1.2M

Student scholarship revenue is higher than budget mainly due to additional departmental scholarships, more Pell awards, and a higher than anticipated allocation of Florida Student Assistance Grant (FSAG) awards. These are offset by less Bright Futures recipients.

Student scholarship expense is lower than budget due to timing of institutional aid and lower Pell disbursements. These are offset by additional departmental scholarships.

Total actual expenses of $76.2M are higher than actual revenues by $4.3M primarily due to timing of when the aid is disbursed versus received. Pell awards, institutional financial aid to eligible, merit-based students, and departmental scholarships are typically disbursed before drawing down on federal funds, supplementary Treasury support funds, and departmental resources respectively. These are offset by additional revenues for the Florida Student Assistance Grant (FSAG) due to a higher than anticipated allocation from the state.

Concessions Variance: Revenues $0M, Expenses $0M

Revenues are lower than budget by $4K. Lower laundry commissions revenues are slightly offset by higher vending machine sales commissions.

Expenditures are slightly higher than budget primarily due to earlier than anticipated expenses for various events.

Florida International University
Financial Summary Overview [1]
FY 2016-17

FIU Athletic Finance Corp Variance: Revenues $-0.5M, Expenses $-0.1M

Operating Revenues are below budget due to an unanticipated decrease in conference television revenue.

Expenses are higher than target due to higher debt service interest, partially offset by savings in other operating expenses.

FIU Foundation Inc. Variance: Revenues $0.5M, Expenses $3.8M

The positive variance in operating revenues is mainly driven by an excess of pledged revenue over new signed gift agreements.

Foundation operating expenses are below target mainly due to timing of scholarships and program disbursements across all areas.

FIU Health Care Network Variance: Revenues $0.3M, Expenses $0M

Operating revenues are higher than budget due to more enrolled students in the American University of Antigua international program, higher management fee income, and greater patient revenues.

Expenses are in line with budget.

FIU Research Foundation Variance: Revenues $0M, Expenses $0M

Operating revenues are on target.

Expenses are above budget due to earlier than projected accounting and banking expenses.

Net Investment Returns: $9.2M

University Treasury investments fiscal year-to-date returns are 2.1%. The favorable variance gross investment revenues of $0.8M is driven mainly by the Strategic Capital and Reserve Pool. The $3.8M of net investment revenues are comprised of $0.8M of investment income and $3.3M of unrealized gains offset by $0.3M of investment fees and Treasury operating expenses.

Foundation investments fiscal year-to-date gains are 3.4% or $8.4M, generating a positive variance of $8.0M mainly in Equities. Investment returns for the full fiscal year were budgeted at 4.0%, or $9.7M.

Principal Payments of Debt: $0M

Principal payments of debt service are on target.

Notes:

1 *The financials presented above reflect 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 gains / losses 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 year balances carried forward.*

3 *Interfund transfers have been included resulting in higher revenues and expenses by fund allowing for an individual fund performance analysis. The interfund adjustments 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.*

FLORIDA INTERNATIONAL UNIVERSITY

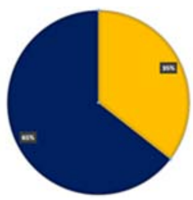
THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016
UNIVERSITY COMPLIANCE QUARTERLY REPORT

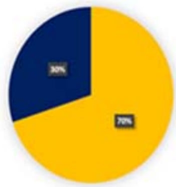
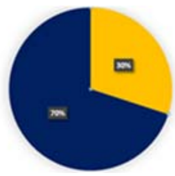
2016-2017 Compliance Work Plan Status Update

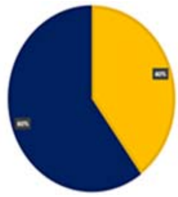
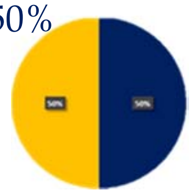
The Office of University Compliance and Integrity is pleased to present the quarterly status update for the 2016 – 2017 Compliance Work Plan. The information reflects progress on the key action items and other compliance activities for the reporting period beginning July 1, 2016, through October 15, 2016.

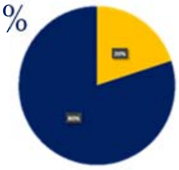
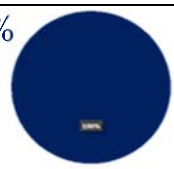
Oversight and Accountability

Organizations are expected to have the appropriate high-level personnel overseeing the compliance and ethics function, with a specific executive given overall responsibility. Adequate resources are expected to be dedicated to implementing the program. The organization's governing authority is expected to exercise reasonable oversight of the implementation and effectiveness of the program.

Compliance Program Objective	Key Action Items	Status	Percent completed
Manage the implementation of the institutional compliance framework through the compliance liaison program.	Provide monthly compliance reports to the Vice Presidents and Deans.	Vice Presidents and Deans have received four monthly compliance reports.	35% 

Policies and Procedures			
Organizations are expected to have a set of compliance standards and procedures that communicates a commitment to compliance with applicable regulations and laws.			
Compliance Program Objective	**Key Action Items**	**Status**	**Percent completed**
Enhance the effectiveness of the policy program.	Finalize the Principles and Standards (University Code of Conduct).	The document is in the final stages of review.	70% 
	Execute 50 policy plans and campaigns.	Nine policy campaigns have been completed.	30% 
	Benchmark the policy management program against peer universities and mid-size organizations.	The benchmarking questions are being finalized.	20% 

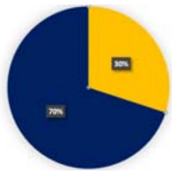
<table>
<tr><th colspan="4">Education, Communication, and Awareness</th></tr>
<tr><td colspan="4">Organizations are expected to include periodic education, communication, and awareness of its compliance and ethics program in its everyday organizational structure.</td></tr>
<tr><th>Compliance Program Objective</th><th>Key Action Items</th><th>Status</th><th>Percent completed</th></tr>
<tr><td rowspan="2">Oversee the compliance training and communication initiatives plan.</td><td>Remove outdated policies from the policy library.</td><td>Removed 48 out of the estimated 120 outdated policies.</td><td>40%
</td></tr>
<tr><td>Develop the compliance-training curriculum for compliance refresher messaging.</td><td>Developed six out of 12 refresher videos and seven out of 14 info graphs.</td><td>50%
</td></tr>
<tr><th>Other Initiatives</th><th colspan="3"></th></tr>
<tr><td>Compliance communication campaigns launched</td><td colspan="3">• Hazardous Chemical Working Group Export Controls
• Cuban Assets Control Regulations
• Higher Education Opportunity Act -Voter Registration Provision in Higher Education Amendments of 1998</td></tr>
</table>

<table>
<tr><th colspan="4">Risk Assessment, Monitoring, and Auditing</th></tr>
<tr><td colspan="4">Organizations are expected to have in place a system and schedule for routine monitoring and auditing of organizational transactions, business risks, controls, and behaviors. Audits should include a review of the response and resolution applied during the period, both proactive and reactive.</td></tr>
<tr><th>Compliance Program Objective</th><th>Key Action Items</th><th>Status</th><th>Percent completed</th></tr>
<tr><td rowspan="3">Support compliance risk identification and mitigation efforts to support FIU’s strategic objectives.</td><td rowspan="3">Develop the enterprise risk identification, assessment, and prioritization process.</td><td>Identifying vendors and the resources required.</td><td>20% </td></tr>
<tr><td>Execute a targeted compliance risk assessment for two high-risk areas based on the enterprise prioritization list.</td><td>0% </td></tr>
<tr><td>High-risk areas will be based on the risk identification assessment.</td><td>0% </td></tr>
</table>

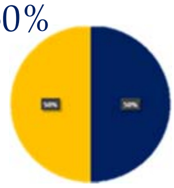
Other Initiatives	
Verified timely submission of Federal and State required reports	• Higher Education Opportunity Act of 2008 Program Participation Agreement • Statement of Financial Interests disclosed • 2016 Schedule of Expenditures of Federal Awards (SEFA) Submitted • State University System (SUS) Year-End Financial Reporting Instructions – Universities and Component Units submitted to the Florida Board of Governors (BOG) • Fall Johnson Enrollment Verification submitted to the BOG • Constitution Day programs offered according to federal requirements for financial aid • Florida Equity Report submitted • Institutes and Centers Annual Report and Updates submitted to the BOG • Financial Operations Report and Application to Participate (FISAP) report submitted • Report of J-1 Visitors report submitted • Student Drug-Free Campus/Workplace Drug and Alcohol Abuse Prevention Annual Notification distributed • Employee Drug-Free Campus/Workplace Drug and Alcohol Abuse Prevention Annual Notification distributed • New Hire Report verification provided to the State of Florida

Enforcement, Discipline, and Incentives

Organizations are expected to have policies and procedures in place to effectively enforce the organization's compliance and ethics program and incentives to employees to performance in accordance with the compliance and ethics program, including the obligation to report potential problems.

Compliance Program Objective	Key Action Items	Status	Percent completed
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.	Finalizing the escalation chart.	30% 
	Work with the Office of the General Counsel to train FIU investigators on the investigation guidelines.	Finalizing the investigation guidelines.	10% 
	Embed the review of compliance analytics data into the compliance program improvement process.	Finalizing the revised compliance data metrics.	70% 

Other Initiatives	
Issue Escalation	Continuing to define the compliance issues to be escalated to the Board of Trustees.

<table>
<tr><th colspan="4">Ongoing Program Improvement</th></tr>
<tr><td colspan="4">Appropriate compliance and ethics program improvements should be designed to reduce any identified risks or compliance violations.</td></tr>
<tr><th>Compliance Program Objective</th><th>Key Action Items</th><th>Status</th><th>Percent completed</th></tr>
<tr><td>Maintain awareness of cultural challenges and support mitigation efforts to support FIU's speak up culture.</td><td>Execute a culture survey and incorporate the findings into the institutional compliance strategy.</td><td>The University-wide culture survey results will be available the first quarter of calendar year 2017.</td><td>50%
</td></tr>
<tr><th>Other Initiatives</th><th colspan="3"></th></tr>
<tr><td>Corporate Compliance and Ethics Week: November 6 – 12, 2016</td><td colspan="3">The Office of University Compliance and Integrity hosted three events to increase awareness and provide compliance guidance in the areas of human slavery and trafficking and espionage targeting students traveling abroad.</td></tr>
</table>

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 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 September 30, 2016 (in thousands)

	Budget	Actual	Variance
Revenues	$307	$180	($127)

- Unfavorable budget to actuals is a result of the timing of revenue collection of gift portions of suites.

Athletics Finance Corporation

FIU Athletics Finance Corporation
Unaudited Preliminary Recap
Through the Period Ended September 30, 2016 (in thousands)

	Budget	Actual	Variance
Revenues	$3,165	$2,675	($490)
Expenses	S343	$331	$12

- Year-to-date Net Income excluding debt service was $2,675,000, unfavorable to budgeted $478 thousand.
    - Primary drivers include:
        - Recalculation of revenue due to AFC from conference revenues due to loss of television revenue.
- The debt coverage covenant requirement is forecasted to be met for the period ending June 30, 2017.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

BUSINESS SERVICES REPORT AS OF OCTOBER 18, 2016

NEW SERVICES

Vicky Café: Will be the newest hotspot on campus. It will be located on the first floor of the Patricia & Phillip Frost Art Museum. The Vicky Bakery franchise is South Florida's largest Cuban bakery chain. Vicky Bakery has been operating for more than 40 years and is recognized for its authentic Cuban pastries better known as "Pastelitos". Vicky Café is an expanded dining version of Vicky Bakery and will offer 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. The venue will be open early mornings and host after hour events. The expected completion date is November 2016.

EXN: A nutrition specialist carrying the widest selection of nutritional products and vitamins offered at wholesale prices is located at PG6 Tech Station. 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 FIU fleet across the Modesto A. Maidique Campus (MM) and Biscayne Bay Campus (BBC). FVS began operations April 4, 2016. During the summer of 2016, FVS introduced an Oil Change Service to the entire FIU community. Students, faculty, and staff are able to drop off their cars at Fleet Services for an oil change either while they wait or transportation is offered to them for later pick up.

GT Eco Car Wash: A new vendor started servicing the FIU community in July 2016. In addition to washing cars at the PG1, PG 3, and PG 5 locations, GT is working on launching a mobile service through its App to service cars at any parking space across campus.

KEY HIGHLIGHTS

Tapingo/shopFIU: In conjunction with Aramark, FIU launched a new food ordering service. The app is embedded within shopFIU and allows you to place an order at any of the dining venues at MMC or BBC. The order is processed, payment is made via credit card or FIU One Card, and you are notified via text that your order is ready for pick-up. No more waiting in lines. The results for the first four weeks of the Fall 2016 semester year reflects a net increase of 6,020 customers for food services. Of that, 8,900 were Tapingo sales.

Vending: For the period ended August 31, 2016, vending sales are at $222K, an increase of 16% as compared to the same period last year primarily due to an increase in credit card sales, operational improvements, and the replacement of older machines. As of May 2016, 100% of beverage and 99.8% of snack machines have credit card readers including One Card. All beverage and snack machines have telemetry which has resulted in an optimization of inventory stocking, routing, and service calls. The average response time for service issues between report and resolution is less than four hours for both beverage and snacks. In total, there are 125 beverage and 119 snack/food machines across both campuses.

Pepsi / Right Choice Vending: Reflective of the evolving needs of today's consumer and the increased desire for more goods and better-for-you choices that are on the go, PepsiCo has partnered with Right Choice and recently launched their new, state-of-the-art food and beverage vending initiative called "Hello Goodness" at FIU in Fall 2016. The new Hello Goodness machines features a thoughtfully chosen selection of PepsiCo products such as Naked Juice, Smartfood Delight popcorn, Lay's Oven Baked potato chips, Quaker Real Medleys bars, Pure Leaf iced tea, Propel Electrolyte Water, Tropicana Pure Premium and Sabra Ready-to-Eat Hummus cups.

The Hello Goodness vending machine also goes beyond traditional vending machines in the market by offering features such as:

- A digital point-of-sale touch screen with product nutritional information;
- Suggests food and beverage pairing ideas for different eating occasions throughout the day;
- Smart technology, providing PepsiCo real-time consumer preference insights to further inform future offerings;
- Dual climate-control shelving, allowing both perishable and non-perishable items to be easily vended together at the correct temperature and;
- Allows for cashless and digital vending

Barnes & Noble Athletics Apparel and GM Website: Our new apparel and general merchandise website Shop True Spirit designed by B&N and the Office of Business Services was officially launched in Fall 2016. The website is now the official online store for FIU Athletics and offers the following:

- Free shipping on all orders within the U.S.;
- Offering of apparel SKU's from top brands such as Adidas, Under Armour, Nike and Champion;
- Offering of gift items such as tailgating accessories, personal accessories, office accessories, drinkware and auto accessories and;
- Weekly promotions including buy one get one at 50% off and discounts of up to 25%

B&N Price Match: B&N continues to offer its Price Match program which has garnered great results. In Fall 2016, 726 units were discounted with total savings of $20,747. A pilot of the online Price Match program was also conducted which is planned to roll out fully in Spring 2017.

QUICK FACTS

Services under Management

- 54 food and retail venues, beverage and snack vending, FIU *One* Card Program, fleet services, 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**

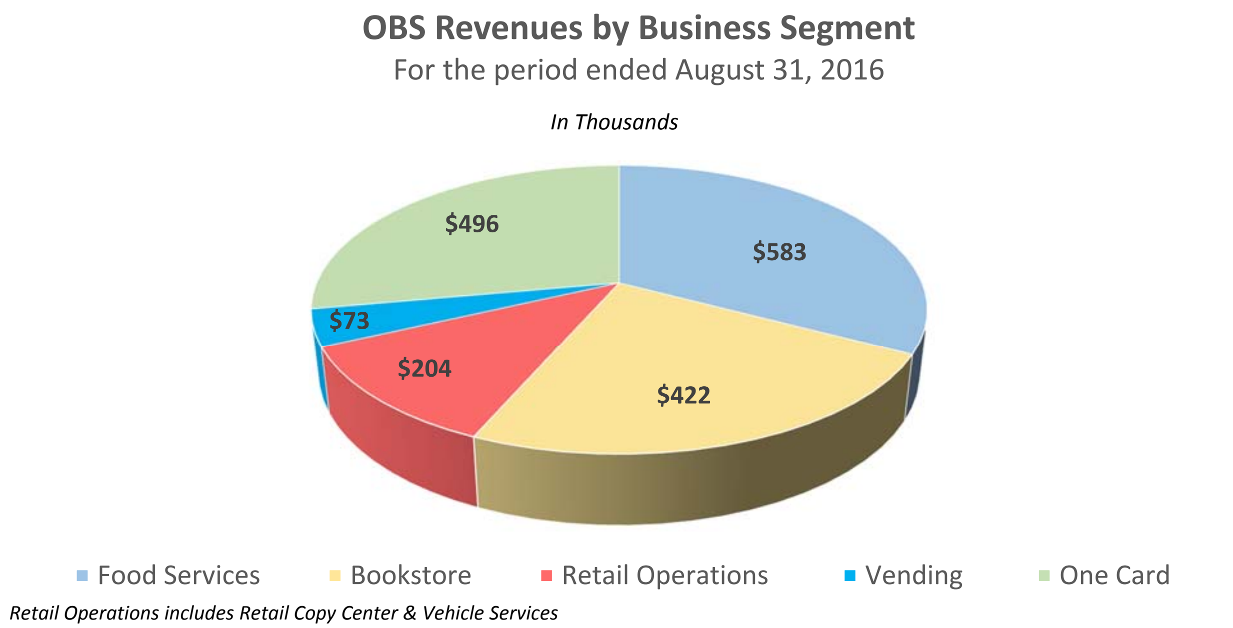
Investments

- For fiscal year 2016-17, Business Services is committed to invest over $5M to improve and expand existing facilities, expand service offerings, and increase indoor and outdoor seating to help foster affinity and retention at FIU. Business Services is also committed to contribute over $1.7M to fund University initiatives, provide scholarships, underwrite student services and support FIU facilities.

Revenues

- For the period ended August 31, 2016, Business Services managed sales of nearly $7.9M from operations. Commissions totaled nearly $1.8M.

OPERATING REVENUES



THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

EMERGENCY MANAGEMENT STATUS REPORT AS OF OCTOBER 13, 2016

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

FIU Alert Emergency Notification System Test

The fall semester test of FIU Alert was successfully conducted on September 7, 2016. The report is attached.

Training and Exercise

On September 6, 2016, the Department of Emergency Management staff facilitated the University's annual hurricane exercise for executive and emergency operations center staff.

On October 3, 2016, the University began initial preparations for Hurricane Matthew.

Emergency Notification System
September 7, 2016
University-Wide Emergency Notification Test
Department of Emergency Management

Test Summary

On September 7, 2016 at approximately 1:00 p.m., the FIU Police Department initiated a University-wide test of FIU Alert, the university's emergency notification system. All communication methods were tested and the results are listed below. The FIU Alert message that was sent 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.

FIU Alert Performance Evaluation Data

FIU Alert Results

System Performance	Attempted	Delivered
Voice calls to cell phones	70,410	45,175
Text messages to cell phones	70,822	64,653
VOIP phones, outdoor speakers & callboxes	7,526	7,319
Email		Successful
Facebook		Successful
Twitter		Successful
Electronic message boards		Partially Successful
FIU main webpage		Successful

Issues & Solutions

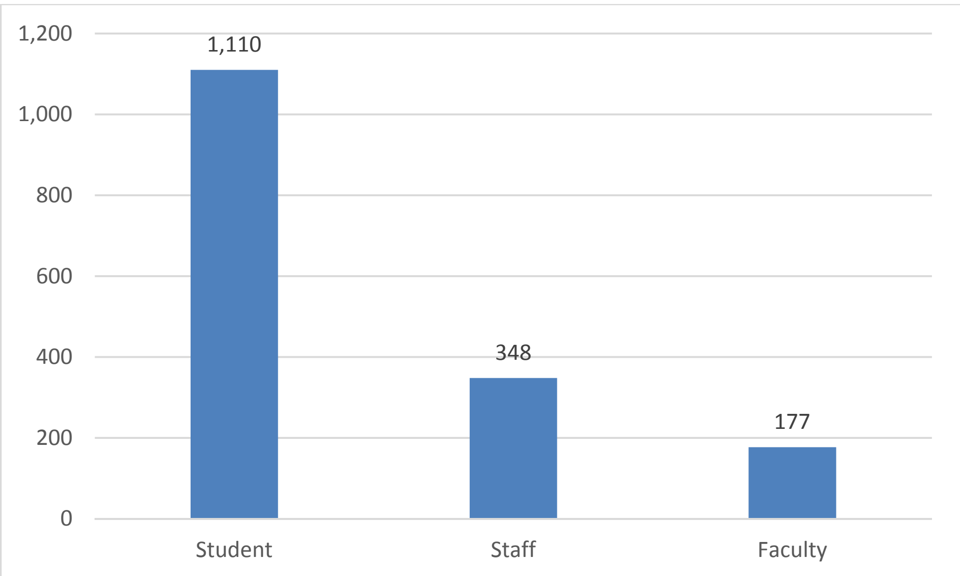
- Residential housing's implementation of EMBs has been delayed because of staffing issues.
    - Newly hired staff will work with the Graham Center to complete the project.
- Wolfe University Center's implementation of the EMBs is almost complete. This includes the large outdoor EMB by the entrance to the Biscayne Bay Campus.
- Although a certain amount of attempted notifications will always fail when contacting cell phones via text message and voice calls, voice call failure rate is much higher than text messages.
    - Voice call failures are much higher than text messages because individuals who do not answer the call will result in that call being marked a failure. Recipients of the call may willingly decide to not pick up or may be unable to pick up at the time the call is made.

Summary

- Most systems used for initiating FIU Alerts functioned correctly and provided timely notification.

Survey Results

1 - What best describes your affiliation to Florida International University?



Total respondents to this question: 1,635.

2 - How did you receive the test message? (Mark all that apply)

Answer	Percent of 1,638	Count
University email	86.26%	1,413
Cell phone text message	76.13%	1,247
Automatic telephone call	55.56%	910
University telephone system	42.43%	695
Outdoor speaker	19.54%	320
Emergency call box	6.65%	109
Indoor/outdoor electronic message boards	3.48%	57
Facebook or Twitter	2.81%	46
Friend / co-worker	2.14%	35
FIU Website	1.53%	25
I did not receive it	0.67%	11

Total respondents to this question: 1,638

3 - On September 7th, 2016 at 1:00 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	Percent	Count
On campus indoors	48.99%	802
Off campus	40.93%	670
On campus outdoors	9.84%	161
Did not receive the alert	0.24%	4

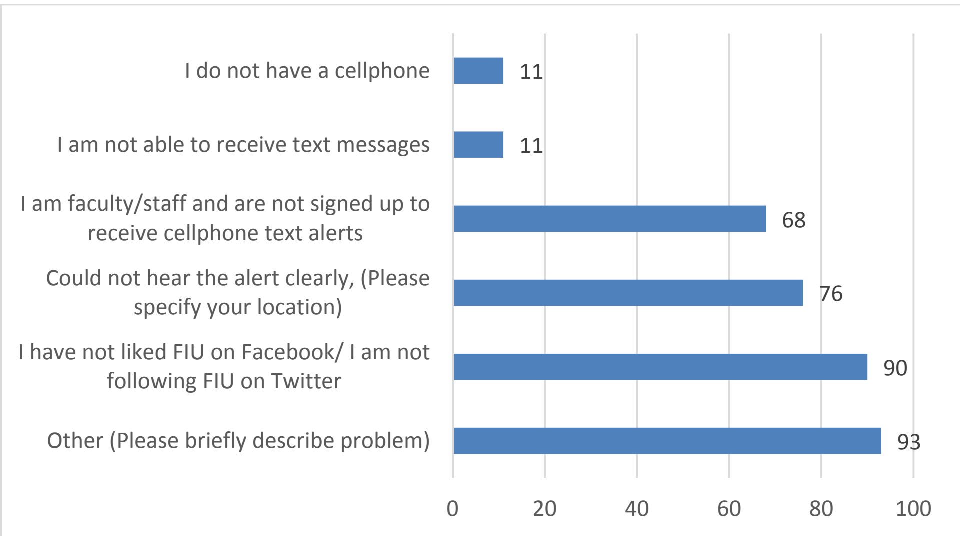
Total respondents to this question: 1,637

4 - If you did receive the cellphone text message, how long after 1:00 p.m. did you receive the message?

Answer	**Percent**	Count
Within 5 minutes	47.21%	745
Between 5 to 10 minutes	25.79%	407
Did not receive alert	14.07%	222
10 minutes to 15 minutes	6.84%	108
15 minutes to 30 minutes	4.44%	70
More than 30 minutes	1.65%	26

Total respondents to this question: 1,578

5 - If you had difficulties receiving the alert, which best describes why? (Mark all that apply)



Total respondents to this question: 338

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THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

December 1, 2016

FACILITIES AND CONSTRUCTION UPDATE AS OF OCTOBER 31, 2016

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

Projects Completed

- **Student Academic Success Center (SASC) (BT-882)** - $32.7M Public Education Capital Outlay (PECO), Tech Fee, and Education and General (E&G) 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 included 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 & beverage area in the auditorium lobby and an exterior plaza location for the University Torch have also been added. Users moved in the week of July 25th and a Temporary Certificate of Occupancy (TCO) for the program bar and auditorium lobby was issued July 29th for an August 1st opening. TCO for the auditorium was issued on September 23rd with the exception of the auditorium balcony, which opened October 28 after the railing was installed and tested. Most of the auditorium lobby soft seating arrived October 19 with the remainder scheduled to arrive November 7. Office wall sound transmission mitigation work finished October 28 along with the remaining user-requested additional work. Punchlist work on the building's 4-story program bar and auditorium lobby is complete, and will complete inside the auditorium by the end of November. *(Since this project has been completed, this entry will be removed from future Board of Trustees reports).*

- **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. A Temporary Certificate of Occupancy (TCO) for the building was issued on August 17th and for the swimming pool on August 26th. Punchlist work for the interior and exterior are ongoing. The Servitas marketing and leasing campaign has achieved a revenue-generating occupancy rate of 82% as of September 30th. (Tenant occupancy is 86%).

Projects under Construction

- **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 for programming, infrastructure, and the first half of the animal holding area and support facilities. Pirtle Construction was awarded Phase I construction with an approved Guaranteed Maximum Price (GMP) of $1,652,802. The Phase I shortfall of $560,302 was funded from Phase II to award the GMP and begin work. Phase I achieved substantial completion on September 27, 2016. Tank plumbing assembly by the Museum's contractor is in progress. Phase II will be a classroom and lab building (approximately 3,000 gsf), a bird rehab structure and some animal holding areas. The $1.3M equipment budget for the project was reduced to increase the Phase II construction budget to $1.1M. The Phase II program is under review to fit this revised construction budget. MC Harry & Associates (A/E) and Stobbs Brothers Construction (CM) have 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. A contract amendment was executed to mobilize, initiate site work, and begin modifications to the existing Recreation Center on March 25th while GMP negotiations were finalized. The amendment to establish the GMP and incorporate the complete scope of work was executed on August 25th. Foundations and under-slab utilities have been installed. Slabs and casting beds for the tilt-up concrete panels are in progress. Erection of tilt-wall concrete panels scheduled to start November 4. Target delivery date: July 2017.

Projects in Design

- **University City Prosperity Project (UCPP) (BT-904) -** $13.0M 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. FDOT is reviewing 100% construction documents for the roadway, foundation, and bridge superstructure while mechanical and electrical design is on-going. Construction is scheduled to start with site mobilization in mid-November. The NTP to the Construction Engineering & Inspection (CEI) consultant, Bolton Perez & Associates, was issued on October 11, 2016. 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. The Metropolitan Planning Organization (MPO) Transportation Council met October 11, 2016 and recommended approval of FIU's TAP request. Formal MPO approval was given on October 25, 2016. FDOT final approval is still pending. The Tamiami Canal bulkhead wall design necessary to support the bridge infrastructure is under review by The South Florida Water Management District and the Army Corps of Engineers. 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 and the project is currently in design development. The warrant package submitted in June was revised and resubmitted on September 29th addressing all comments from the City of Miami Zoning and Planning Department. The revised submittal was accepted and is pending final approval, anticipated in mid-November. A community outreach meeting was held October 18 and the architect and project team are addressing the comments received. The CM has begun preconstruction services and construction start is anticipated in January 2017. Target delivery date: December 2017.

- **Football Field and Practice Field Turf Replacement -** $1.1M; private gift funding. A/E – Miller Legg; CM – Sports Turf One. The project will replace the worn-out artificial turf of Ocean Bank Field with new natural turf, and will improve the drainage and replace the natural turf on the north practice field. A continuing service civil consultant, Miller Legg, has been selected for the design. Sports Turf One, a highly-specialized athletic field contractor and a continuing service contractor for UCF, has been selected as the CM through a piggy-back contracting vehicle. 100% Construction Documents were reviewed and a final copy addressing comments was received October 27. Construction start is scheduled for November 25. Notice-to-Proceed is dependent on finalization of the gift agreement and transfer of funds. Construction completion is scheduled for January 10, 2017 with the turf fully established and ready for use April 11, 2017.

- **Multi-Purpose Practice Fields (BT-916)** - $8.9M; multiple funding sources. A/E – Stantec; CM – Moss Construction. 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. A/E and CM selection are complete and both are contracted. Conceptual Design Phase is underway with anticipated construction start in December 2016. Construction delivery is scheduled for August 2017.

- **Satellite Chiller Plant Expansion (BT-834)** - $7.7M Public Education Capital Outlay (PECO). A/E – SGM; CM – Poole & Kent. The $7.6M initial phase of construction to complete the building and install two chillers and two cooling towers providing critically needed chilled water capacity to serve the campus was completed in February 2013. The $7.7M of additional funding for Phase II will add two generators, three additional chillers, three additional cooling towers, and the supporting equipment to complete the project. Project scoping and budget analysis continues to determine how much the funding will provide. The additional services authorization to SGM has been executed and the Phase II design is in progress. 50% construction documents were received on October 31 and are under review. Project schedule to be determined.

<u>Projects in Planning Stage</u>

- None during this reporting period.

FIU FOUNDATION, INC.

FINANCIAL STATEMENTS RECAP & INVESTMENT SUMMARIES

September 30, 2016

FIU FOUNDATION, INC.
Recap of Statement of Activities
For the Period Ended September 30, 2016

(In Thousands of Dollars)

	2016-17 3-Month Budget	2016-17 3-Month Actuals	Budget to Actual 3-Month Variance		2016-17 Annual Budget	2015-16 3-Month Actuals	Current Year to Previous Year Variance
REVENUES:							
Cash Contributions	$ 4,586	$ 3,861	$ (725)	[1]	$ 25,946	$ 3,448	$ 414
MARC Building	$ 425	$ 447	$ 22		$ 1,699	$ 445	$ 2
Foundation Subsidiaries	$ 936	$ 279	$ (657)	[2]	$ 1,159	$ 279	$ -
Investment Returns	$ 343	$ 8,377	$ 8,034		$ 9,744	$ (12,681)	$ 21,058
TOTAL REVENUES	**$ 6,290**	**$ 12,964**	**$ 6,674**		**$ 38,548**	**$ (8,509)**	**$ 21,474**
EXPENSES:							
University Programs:							
Scholarships & Programs	$ 4,553	$ 2,058	$ 2,495	[3]	$ 17,164	$ 2,561	$ 503
Building Funds	$ 115	$ 52	$ 63		$ 1,660	$ 29	$ (23)
Unrestricted Annual Expenses	$ 674	$ 338	$ 336	*	$ 2,171	$ 221	$ (117)
TOTAL UNIVERSITY PROGRAMS EXPENSES	$ 5,342	$ 2,448	$ 2,894		$ 20,995	$ 2,811	$ 363
Operational:							
MARC Building	$ 137	$ 126	$ 11		$ 498	$ 130	$ 4
Foundation Subsidiaries	$ 753	$ 124	$ 629	[2]	$ 970	$ 77	$ (47)
Administrative & Fund-Raising	$ 1,269	$ 996	$ 273	*	$ 5,180	$ 1,141	$ 145
TOTAL OPERATIONAL EXPENSES	$ 2,159	$ 1,246	$ 913		$ 6,648	$ 1,348	$ 102
TOTAL EXPENSES	**$ 7,501**	**$ 3,694**	**$ 3,807**		**$ 27,643**	**$ 4,159**	**$ 465**
EXCESS REVENUES OVER EXPENSES	**$ (1,211)**	**$ 9,270**	**$ 10,481**		**$ 10,905**	**$ (12,668)**	**$ 21,938**

**These financial statements 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 September 30, 2016

Asset Class/Manager	Market Value ($000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Fiscal Year to Date	Calendar Year to Date	Trailing 1-Year	Trailing 2-Years	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
GMO Global Equity Asset Allocation	5,261	2.3%			0.9	5.5	8.0	11.1	-0.4	---	---	---	1.7
Indus Markor Master Fund	2,882	1.2%			0.7	3.3	-4.8	-4.4	6.7	---	---	---	2.9
Kiltearn Global Equity Fund	9,918	4.3%			1.7	9.3	13.2	15.6	1.3	---	---	---	-0.3
Maverick Long Fund, Ltd	8,834	3.8%			0.9	3.5	3.7	8.2	7.7	---	---	---	7.6
Vanguard Total World Stock Index	7,007	3.0%			0.8	5.2	7.4	12.6	2.9	---	---	---	3.0
Global Public Equity	**33,903**	**14.6%**	**11.5%**	**5.0%-25.0%**	**1.1**	**5.8**	**6.4**	**9.5**	**3.7**	**---**	**---**	**---**	**4.2**
D.E. Shaw Core Alpha Extension	9,857	4.3%			0.3	5.0	9.9	16.5	8.6	---	---	---	8.6
First Eagle U.S. Equity Fund	9,491	4.1%			1.1	4.1	9.2	16.8	8.2	---	---	---	8.5
Sirios Focus Fund	8,661	3.7%			0.6	4.4	1.6	5.2	3.8	---	---	---	3.7
HHR Titan Offshore	5,061	2.2%			-0.1	6.6	-1.8	4.4	0.6	---	---	---	0.6
U.S. Public Equity	**33,070**	**14.3%**	**13.5%**	**6.0%-35.0%**	**0.5**	**4.8**	**5.5**	**11.5**	**5.8**	**8.8**	**13.8**	**6.2**	**4.5**
Vanguard FTSE Dev. Markets	347	0.1%			1.6	6.3	4.3	8.1	-0.2	---	---	---	0.2
AKO European Master Fund	8,332	3.6%			1.4	5.7	5.3	12.2	10.3	---	---	---	8.3
Cevian Capital II	4,451	1.9%			2.0	12.1	10.6	17.0	3.8	---	---	---	4.0
Buena Vista Asian Opp. Fund	5,503	2.4%			3.7	9.0	10.0	16.6	1.5	---	---	---	4.2
Kabouter International Opps. Fund II	4,886	2.1%			4.0	10.6	10.3	15.6	9.6	---	---	---	10.0
Non-U.S. Developed Public Equity	**23,520**	**10.2%**	**8.5%**	**4.0%-25.0%**	**2.6**	**8.6**	**8.4**	**14.7**	**6.6**	**7.4**	**10.2**	**2.5**	**2.5**
DFA Emerging Markets Value	6,365	2.7%			1.4	9.7	21.0	19.8	-4.1	---	---	---	-1.6
Somerset Emerging Markets	3,451	1.5%			0.6	5.4	15.5	15.4	-2.3	---	---	---	-0.5
Polunin Developing Countries Fund	4,142	1.8%			1.5	10.0	19.7	21.9	0.4	---	---	---	-2.2
Emerging Markets Public Equity	**13,958**	**6.0%**	**4.0%**	**0.0%-15.0%**	**1.2**	**8.7**	**19.2**	**19.3**	**-2.3**	**-0.1**	**---**	**---**	**0.8**
Total Global Private Equity	**25,242**	**10.9%**	**20.0%**	**0.0%-34.0%**	**---**	**---**	**3.4**	**4.8**	**9.9**	**15.1**	**14.7**	**8.3**	**7.6**
Total Long Public and Private Equity	**129,693**	**56.0%**	**57.5%**	**45.0%-70.0%**	**1.0**	**5.2**	**7.3**	**11.0**	**5.3**	**8.1**	**12.9**	**5.3**	**4.2**
Valinor Capital Partners	2,763	1.2%			1.7	9.3	-2.0	-5.6	-3.1	---	---	---	1.8
Blue Harbour Strategic Value	3,397	1.5%			0.5	6.2	2.9	4.3	1.1	---	---	---	1.5
Roystone Master Fund	2,816	1.2%			0.3	3.0	-10.8	-12.0	-5.3	---	---	---	-2.7
Fir Tree International Value	3,314	1.4%			-0.7	2.2	-2.0	-5.1	-6.0	---	---	---	-5.0
Pelham Long/Short Fund Ltd	3,689	1.6%			-0.5	11.3	0.8	6.3	---	---	---	---	3.6
Highfields Capital	4,244	1.8%			0.2	3.7	6.1	16.1	---	---	---	---	4.8
Hedge Funds (Growth Objective)	**20,223**	**8.7%**	**---**	**0.0%-15.0%**	**0.2**	**5.8**	**-0.5**	**0.7**	**0.3**	**---**	**---**	**---**	**1.8**
Brahman Capital Partners	2,675	1.2%			0.1	1.8	-11.1	-21.7	-4.4	---	---	---	-7.3
Naya Offshore Fund	3,148	1.4%			1.4	3.5	-2.1	-0.5	2.5	---	---	---	1.8
Janchor Partners	3,136	1.4%			1.2	-1.9	---	---	---	---	---	---	4.5
Indus Asia Pacific Sidepocket	98	0.0%			0.0	0.3	-11.3	-17.2	---	---	---	---	-29.3
Indus Asia Pacific Fund - Holdback	222	0.1%			---	0.0	---	---	---	---	---	---	0.0
Kensico Offshore II	4,000	1.7%			---	---	---	---	---	---	---	---	---
Hedge Funds (Blended Objective)	**13,278**	**5.7%**	**---**	**0.0%-15.0%**	**0.9**	**1.0**	**-3.5**	**-5.1**	**1.6**	**1.8**	**4.7**	**2.8**	**4.3**
Davidson Kempner	3,696	1.6%			1.2	2.8	5.6	6.0	2.8	---	---	---	4.3
Kynikos Opportunity Fund	2,630	1.1%			-1.2	-8.6	-13.4	-18.3	-4.9	---	---	---	-5.1
Luxor Capital Partners	939	0.4%			1.2	4.1	-3.8	-15.3	-16.8	---	---	---	-15.4
Luxor Capital Partners - SPV	131	0.1%			0.0	-3.2	---	---	---	---	---	---	-3.2
Scopia PX Funds	3,030	1.3%			0.1	2.0	-6.9	-4.3	-1.8	---	---	---	-0.1
ISAM Systematic Trend	1,241	0.5%			-0.7	---	---	---	---	---	---	---	-0.7
GMO Systematic Global Macro Fund	5,725	2.5%			1.6	5.8	11.7	11.5	---	---	---	---	11.5
Hedge Funds (Diversifying Objective)	**17,392**	**7.5%**	**---**	**0.0%-15.0%**	**0.6**	**1.6**	**0.3**	**-2.3**	**-2.7**	**---**	**---**	**---**	**-1.0**
Total Hedge Funds	**50,893**	**22.0%**	**17.5%**	**10.0%-30.0%**	**0.5**	**3.3**	**-0.8**	**-1.6**	**-0.7**	**1.5**	**4.6**	**2.7**	**4.2**
Clifton Global Defensive Equity	3,694	1.6%			0.9	3.4	5.5	9.0	---	---	---	---	8.4
Renaissance RIEF	3,126	1.4%			-1.9	-0.7	---	---	---	---	---	---	4.2
Other Diversifying Investments	**6,820**	**2.9%**	**---**	**0.0%-30.0%**	**-0.4**	**1.5**	**5.3**	**8.1**	**3.8**	**5.4**	**---**	**---**	**6.8**
Total Diversified Growth	**57,713**	**24.9%**	**17.5%**	**10.0%-40.0%**	**0.4**	**3.1**	**-0.3**	**-0.9**	**-0.5**	**1.7**	**4.5**	**2.7**	**4.2**
Van Eck Global Hard Assets	2,473	1.1%			4.3	7.7	38.8	29.4	-14.1	---	---	---	-8.8
SPDR Gold ETF	4,928	2.1%			0.7	-0.7	23.8	17.6	4.0	---	---	---	3.4
Harvest MLP Income Fund	4,361	1.9%			2.0	4.2	16.3	12.1	-12.2	---	---	---	-1.8
Public Inflation Sensitive	**11,762**	**5.1%**	**2.0%**	**0.0%-12.5%**	**1.9**	**3.0**	**26.8**	**20.0**	**-7.2**	**-1.8**	**2.4**	**---**	**-1.7**
Private Inflation Sensitive	**7,571**	**3.3%**	**8.0%**	**0.0%-20.0%**	**-1.2**	**-1.1**	**11.9**	**19.7**	**0.0**	**---**	**---**	**---**	**9.2**
Total Inflation Sensitive	**19,332**	**8.3%**	**10.0%**	**5.0-20.0%**	**0.7**	**1.3**	**21.2**	**19.5**	**-5.3**	**0.2**	**3.6**	**---**	**-1.1**
Vanguard Intermediate-Term Treasury Bond	16,235	7.0%			0.3	-0.4	4.8	---	---	---	---	---	4.6
Fidelity Interm Treasury Bond Index Fund	6,574	2.8%			0.3	-0.4	---	---	---	---	---	---	1.4
Cash Pending	679	0.3%			---	---	---	---	---	---	---	---	---
SunTrust Cash	1,313	0.6%			0.0	0.1	0.2	0.3	0.1	---	---	---	0.2
Total Deflation Sensitive	**24,801**	**10.7%**	**15.0%**	**9.0%-30.0%**	**0.3**	**-0.3**	**4.2**	**4.1**	**2.1**	**2.9**	**3.4**	**5.5**	**5.7**
Total Managed Assets Net of CA Fees	**231,539**	**100.0%**	**100.0%**	**---**	**0.7**	**3.6**	**6.1**	**7.7**	**2.5**	**5.3**	**8.9**	**4.7**	**4.2**
Foundation Enterprise Holdings I	574	---			---	---	---	---	---	---	---	---	1.4
Student Managed Investment Fund	264	---			-1.8	3.7	2.2	3.4	-5.7	2.1	5.7	---	3.7
SunTrust Balanced Annuity Account	271	---			-3.1	-1.1	-0.3	2.0	-4.0	-4.5	1.3	2.5	3.4
Islamorada Investment	415	---			---	---	5.4	5.4	8.0	---	---	---	6.7
StoneCastle FICA Program	2,716	---			0.0	0.1	0.3	0.3	0.3	---	---	---	0.3
IR&M Short Fund	4,105	---			0.1	0.1	1.8	1.5	1.4	---	---	---	1.3
Archstone Offshore	2,178	---			0.2	3.8	-0.5	0.7	-1.5	1.4	4.9	---	3.2
State of Florida Treasury Fund	1,252	---			---	---	---	---	---	---	---	---	---
Other Alternatives	**11,774**	**---**			**0.0**	**0.8**	**0.8**	**1.0**	**0.5**	**1.0**	**3.0**	**3.0**	**3.8**
Total Assets Net of CA Fees	**243,314**	---			**0.7**	**3.4**	**5.8**	**7.4**	**2.4**	**5.2**	**8.8**	**4.6**	**4.2**

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 June 30, 2016, updated with cashflows through the most recent period.

Florida International University Foundation
Preliminary Performance Summary
As of September 30, 2016

Asset Class/Composite	Market Value ($000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Calendar Year to Date	Fiscal Year to Date	Trailing 1-Year	Trailing 2-Years	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
Global Public Equity	33,903	14.6%	12.5%	5.0%-25.0%	1.1	6.4	5.8	9.5	3.7	---	---	---	4.2
U.S. Public Equity	33,070	14.3%	15.0%	7.5%-35.0%	0.5	5.5	4.8	11.5	5.8	8.8	13.8	6.2	4.5
Non-U.S. Developed Public Equity	23,520	10.2%	10.0%	5.0%-25.0%	2.6	8.4	8.6	14.7	6.6	7.4	10.2	2.5	2.5
Emerging Markets Public Equity	13,958	6.0%	5.0%	0.0%-15.0%	1.2	19.2	8.7	19.3	-2.3	-0.1	---	---	0.8
Global Private Long Equity	25,242	10.9%	15.0%	0.0%-25.0%	---	3.4	---	4.8	9.9	15.1	14.7	8.3	7.6
Total Long Public Equity and Private Investments	**129,693**	**56.0%**	**57.5%**	**45.0%-70.0%**	**1.0**	**7.3**	**5.2**	**11.0**	**5.3**	**8.1**	**12.9**	**5.3**	**4.2**
Total Hedge Funds	50,893	22.0%	17.5%	10.0%-30.0%	0.5	-0.8	3.3	-1.6	-0.7	1.5	4.6	2.7	4.2
Other Diversifying Investments	6,820	2.9%	---	0.0%-30.0%	-0.4	5.3	1.5	8.1	3.8	5.4	---	---	6.8
Total Diversified Growth	**57,713**	**24.9%**	**17.5%**	**10.0%-40.0%**	**0.4**	**-0.3**	**3.1**	**-0.9**	**-0.5**	**1.7**	**4.5**	**2.7**	**4.2**
Total Inflation Sensitive	**19,332**	**8.3%**	**10.0%**	**5.0%-20.0%**	**0.7**	**21.2**	**1.3**	**19.5**	**-5.3**	**0.2**	**3.6**	**---**	**-1.1**
Total Deflation Sensitive	**24,801**	**10.7%**	**15.0%**	**9.0%-30.0%**	**0.3**	**4.2**	**-0.3**	**4.1**	**2.1**	**2.9**	**3.4**	**5.5**	**5.7**
Total Managed Assets Net of CA Fees	**231,539**	**100.0%**	**100.0%**	**---**	**0.7**	**6.1**	**3.6**	**7.7**	**2.5**	**5.3**	**8.9**	**4.7**	**4.2**
Total Assets Net of CA Fees	**243,314**	**---**	**---**	**---**	**0.7**	**5.8**	**3.4**	**7.4**	**2.4**	**5.2**	**8.8**	**4.6**	**4.2**

Variance Notes:

[1] The unfavorable variance of $725,000 in cash contributions is due to lower than planned pledge collections. We have an aggressive goal that reflects our focus on collecting outstanding pledges and we have made progress as reflected in the favorable variance of $414,000 when comparing our actual cash contributions versus our prior year cash contributions.

[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 unfavorable variance in revenues and favorable variance in expenses is related to the expected sale of Foundation Enterprise Holdings III in the first quarter.

[3] The favorable variance of $2,500,000 in scholarships and program expenses is mainly due to timing of the processing of several scholarships and salary reimbursements for the College of Medicine, School of Hospitality & Tourism Management, and College of Arts and Science. These expenses are expected to be incurred throughout the fiscal year.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

December 1, 2016

SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT AS OF OCTOBER 19, 2016

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

Issue #1: Miami-Dade County Pollution Prevention Inspection – Wolfsonian-FIU

Agency: Miami-Dade Department of Regulatory and Economic Resources (DERM)

Status: On September 22, 2016, the DERM conducted an annual diesel storage tank inspection at the Wolfsonian-FIU. The inspection focused on management and maintenance of the registered 1,000 gallon diesel storage tank, procedures, maintenance records and condition of the tank. The Inspector also requested additional compliance documentation and insurance policy as well.

Findings: No violations were issued.

Issue #2 : AAALAC Accreditation Site Visit – Modesto A. Maidique Campus (MMC) and Biscayne Bay Campus (BBC)

Agency: Office of Laboratory Animal Welfare (OLAW)

Status: The University's Institutional Animal Care and Use Committee (IACUC) applied for the Assessment and Accreditation of Laboratory Animal Care (AAALAC) accreditation. AAALAC is a non-profit organization that promotes the humane treatment of animals in science through voluntary accreditation and assessment programs. Achieving accreditation status requires a strong collaboration between the University's Department of Environmental Health and Safety (EH&S), IACUC (Office of Research and Economic Development - ORED), and animal users. FIU received its AAALAC accreditation in November 2013, and the accreditation is valid for three years. On October 3 and 4, 2016, two AAALAC committee members conducted the official site visit for the reaccreditation?.

Findings: There were two suggestions for improvement identified during the site visit. ORED and EH&S are working together to address these areas, and an update response was sent to the site visitors on October 21, 2016. As of October 18, 2016, one of the items has been addressed. The recommendation for full accreditation will now be forwarded to the AAALAC committee for final review and approval. ORED anticipates receiving the official notification of accreditation in December 2016/January 2017.

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THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES
Finance and Audit Committee
December 1, 2016

TREASURY REPORT *(For quarter ending September 30, 2016)*

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

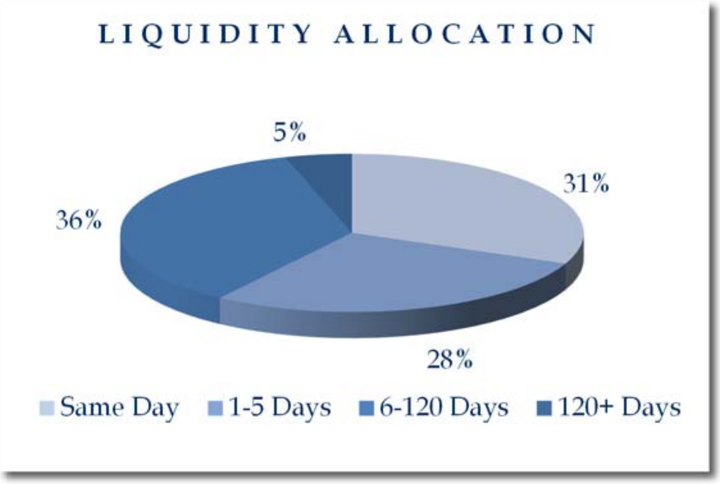
OVERVIEW

The University's total liquidity position of $364.7 million was 2.2 times the University's debt position of $162.5 million at the end of FY 2017 Q1. Including direct support organization ("DSO") debt, the liquidity to total debt ratio was 1.8 times. These results are better compared to the end of FY 2016 Q1, the liquidity to university debt and the liquidity to total debt ratios were 2x and 1.7x, respectively.

LIQUIDITY

Real Days Payable

At the quarter end, $217.5 million, or 59.6 percent, of the liquidity position was accessible within 5 business days (See *Liquidity Allocation* chart for detail). At the end of FY 2017 Q1, the university had 47 real days payable[1] ("RDP") versus 49 RDP at the end of FY 2016 Q1. The decrease in RDP was due to higher outflows (see details in Sources and Uses sections).



Sources

The University started the fiscal year with $89.4 million in cash balances[2]. Total FY 2017 Q1 inflows (state and operational) were $352.8 million as compared to $342.6 million for FY 2016 Q1. On average, $5.3 million flowed into the university each business day in FY 2017 Q1 versus $5.2 million per day in FY 2016 Q1.

Uses

FY 2017 Q1, the university used $303.1 million as compared to $281.2 million in the same period last fiscal year. The FY 2017 Q1 velocity cash outflow was $4.6 million per day and increased from $4.3 million in FY 2016 Q1. The University ended the quarter with $139.0 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 2017 Q1 ending balance) could have unrealized losses of up to $13.8 million and one percent probability of up to $25.1 million of unrealized losses within a twelve-month period.

At the end of FY 2017 Q1, the Monte Carlo analysis generated by a bottom decile performance for fixed income investments, translated into median 1.6 percent, or $6.0 million, in unrealized losses. Liquidity, as measured by 5-day accessibility, would drop to 55.6 percent, or $202.9 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 2.8 percent, or $10.4 million, in unrealized losses. Liquidity, as measured by 5-days accessibility, would drop to $214.2 million or 58.7 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 4.0 percent loss, or $14.7 million, and a projected drop in liquidity to $193.7 million or 53.1 percent of the total current available balances. Furthermore, RDP drops to 42 days.

Forecast and Budget

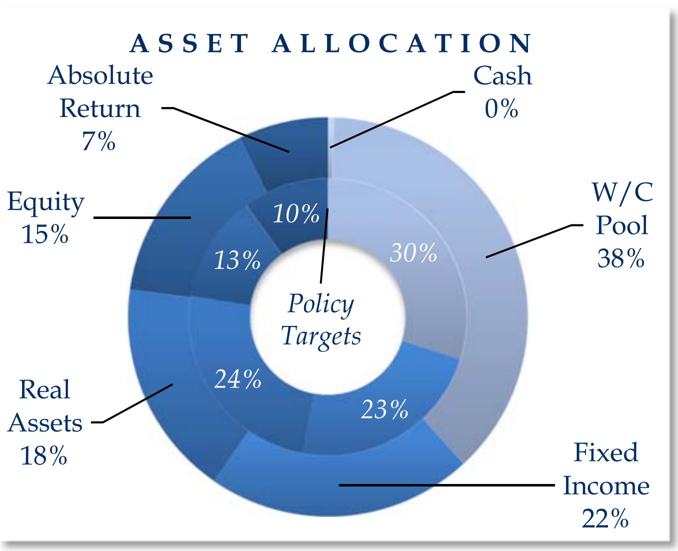
Actual balances at the end of FY 2017 Q1 were 5.4 percent higher than the rolling forecast, 10.3 percent higher than the budget and 5.8 percent higher to the prior year. For the next quarter, the university should experience a decrease in the cash and investment balances lasting through the second quarter of FY 2017.

INVESTMENTS

Composition

Asset allocations at the end of FY 2017 Q1 remained within policy guidelines (See *Asset Allocation* chart for detail of asset allocation at quarter end).

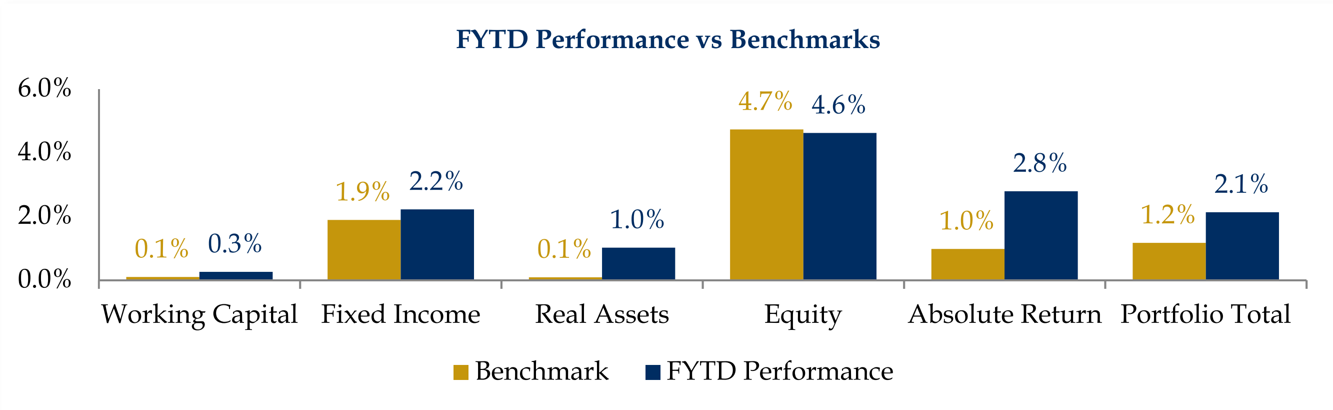
At the end of FY 2017 Q1, the market value of the University's operating funds portfolio and cash was $364.7 million. This balance reflects an increase of $20.0
million or 17.8 percent, from the previous quarter and was in line with the quarter-to-quarter seasonality of cash flows. The total portfolio market value was $20.0 million higher than the market value at the end of FY 2016 Q1.



Performance

FIU's operating portfolio continues to outperform the State Treasury investment pool ("SPIA"), returning 4.0 percent since inception versus the SPIA's 2.7 percent for the same time. At the end of FY 2017 Q1, the portfolio returned 2.1 percent. This compares favorably to a negative 5.1 percent return at the end of FY 2016 Q1. The Strategic Capital and Reserve Pools returned 2.5 percent while the Working Capital Pool gained 0.3 percent. Returns from the SPIA totaled 0.5 percent at the end of FY 2017 Q1 (See FYTD Performance vs. Benchmarks chart for additional performance detail by asset class).

The Working Capital Pool exceeded the benchmark by 0.2 percent. Most other assets classes exceeded their respective benchmarks. Absolute Return returned 2.8 percent (vs. 1.0 percent benchmark), Real Assets returned 1.0 percent (vs 0.1 percent benchmark), Fixed Income returned 2.2 percent (vs 1.9 percent benchmark) and Equities were relatively flat to their benchmarks, with returns of 4.6 percent (vs



4.7 percent benchmark).

DEBT

Total Outstanding

The University and DSOs ended FY 2017 Q1 with $198.4 million in outstanding debt versus $208.3 million at the end of FY 2016 Q1. The weighted average interest rate for the University and DSO issuances was 4.3 percent. At the end of FY 2017 Q1, 95.1 percent, or $188.7 million, of the University and DSOs' outstanding debt was fixed rate and 4.9 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 September 30, 2016, $2.2 million of interest savings have been realized from these refunding activities. The University is expected to save an additional $0.6 million in interest expense in Fiscal Year 2017 and $3.1 million over the next 5 years.

AFC (Stadium)

The University, is in the process of negotiating modifications to the terms of the 2009 AFC – Stadium bond issuance due to a "put" maturity and an expected interest rate rise. The AFC Board of Directors has approved the negotiations. The University expects to meet with the Miami-Dade Industrial Authority, as the issuer of the debt, in November, for further discussions.

(USD Millions)	Outstanding 2016	2015	Avg. Rate	Rating*	Tax Status	Maturity
Housing						
2011A Refunding	$16.3 M	$17.8 M	3.6%		Exempt	7/2025
2012A Parkview Hall	50.5 M	51.6 M	4.1%		Exempt	7/2021
2015A Refunding**	26.3 M	29.1 M	3.6%		Exempt	7/2034
Total Housing	**$93.0M**	**$98.5M**	**3.9%**	**Aa3 | A | A+**		
Parking						
2009B PG5 Market Station	$27.5 M	$28.2 M	4.6%		BABs	7/2039
2013A Tech Station	42.0 M	44.3 M	4.8%		Exempt	7/2043
Total Parking	**$69.5M**	**$72.5M**	**4.7%**	**Aa3 | AA- | A+**		
Total University	**$162.5M**	**$170.9M**	**4.2%**			
DSOs* **						
2009 AFC - Stadium	$30.7 M	$31.4 M	4.7%		Exempt/Taxable	3/2033
2010 Foundation - MARC	5.2 M	6.0 M	2.2%		Exempt	5/2022
Total DSOs	**$35.9M**	**$37.4M**	**4.3%**	**Unrated**		
Total University/DSOs	**$198.4M**	**$208.3M**	**4.3%**			

* *(Moody's | S&P | Fitch)*

** *2015 Outstanding - Refunded 2004A Bonds*

*** *Direct Support Organizations*

FLORIDA INTERNATIONAL UNIVERSITY

Finance and Administration
Office of the Treasurer
Treasury Summary

Period Ending September 30, 2016

(000's)

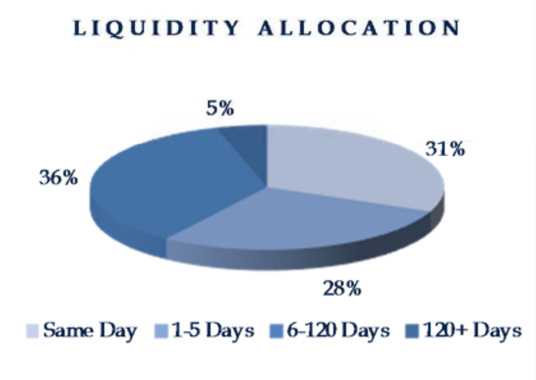
OVERVIEW

Liquidity/University Debt		2.24
Liquidity/Total Debt		1.84
Liquidity Position		
Cash + W/C Pool	$	139,034
Strategic + Reserve Pools		225,663
Total	**$**	**364,697**
Debt Position		
University Debt	$	162,475
DSO Debt		35,942
Total	**$**	**198,417**

LIQUIDITY

Availability		
Same Day	$	114,339
1-5 Days		103,129
6-120 Days		130,193
120+ Days		17,036
Total	**$**	**364,697**

Real Days Payable (<5 Days)	
MTD Outflows	36
QTD Outflows	47
YTD Outflow	47

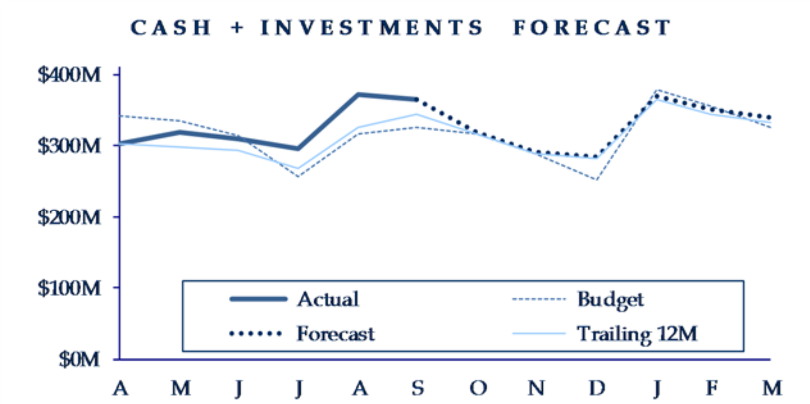


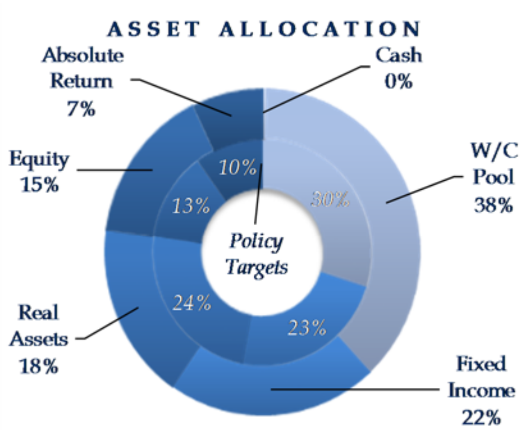
LIQUIDITY SOURCES AND USES

Sources		**MTD**		**QTD**		**YTD**
Opening W/C Pool Balance	$	146,267	$	88,773	$	88,773
Opening Cash Balance		599		631		631
From State		21,703		80,508		80,508
From Operations		102,612		272,261		272,261
Uses						
To Payroll		(63,129)		(142,339)		(142,339)
To Operations		(28,282)		(77,179)		(77,179)
To Students		(40,736)		(83,621)		(83,621)
Cash + W/C Pool	**$**	**139,034**	**$**	**139,034**	**$**	**139,034**

INVESTMENTS

Cash + W/C Pool		**Balance**	**FYTD**	**Last 1Y**
Cash	$	1,781	0.0%	0.0%
W/C Pool	$	137,253	0.3%	1.0%
Strategic + Reserve Pools				
Fixed Income		78,584	2.2%	7.5%
Real Assets		64,006	1.0%	7.9%
Equity		56,533	4.6%	11.3%
Absolute Return		26,540	2.8%	2.1%
Total	**$**	**364,697**	**2.5%**	**7.9%**



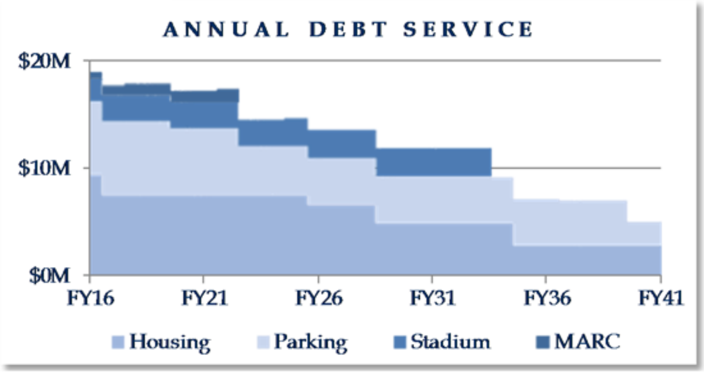


DEBT

University		**O/s Balance**	**Avg. Rate**
Housing (Aa3 | A | A+)*	$	93,020	3.9%
Parking (Aa3 | AA- | A+)*		69,455	4.7%
Direct Support Organizations			
AFC (Unrated, Stadium)		30,719	4.7%
Foundation (Unrated, MARC)		5,224	2.2%
Total Outstanding Debt	**$**	**198,417**	4.3%

* *(Moody's | S&P | Fitch)*

Fixed Rate Debt	188,699	95.1%
Variable Rate Debt	9,719	4.9%



	FY 2017 Q1 Actuals		FY 2016 Actuals	
ASSETS (Uses of Funds)				
Current Assets				
Cash/Cash Equivalents/Investments	$	60,059,120	$	59,593,062
Adjustments to Fair Market Value		15,716,502		12,448,429
Total Current Assets	**$**	**75,775,621**	**$**	**72,041,491**
Noncurrent Assets				
Due from Component Units/University				
Parking Deferred Payment Plan	$	211,326	$	211,326
Athletics Operations Loan		4,805,526		4,805,526
Stadium Expansion Loan		-		
Total Non-Current Assets	**$**	**5,016,852**	**$**	**5,016,852**
TOTAL ASSETS	**$**	**80,792,473**	**$**	**77,058,343**
LIABILITIES AND CAPITAL (Sources of Funds)				
Accounts Payable	$	-	$	3,888
Accrued Salaries & Wages		-		17,580
Due to/(from) Component Units		-		-
Total Liabilities	**$**	**-**	**$**	**21,468**
Total Capital (Net Assets)	**$**	**80,792,473**	**$**	**77,036,875**
TOTAL LIABILITES AND CAPITAL	**$**	**80,792,473**	**$**	**77,058,343**