



FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE

Thursday, September 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. Discussion Items (<i>No Action Required</i>) | |
| 3.1 Office of Internal Audit Status Report | Allen Vann |
| ▪ Benchmarking Internal Audit Activities | |
| 3.2 Financial Performance Review, FY 2015-16 | Kenneth A. Jessell |
| 3.3 University Compliance Report | Karyn Boston |
| 4. Reports (<i>For Information Only</i>) | |
| 4.1 Athletics Update | Pete Garcia |
| 4.2 Business Services Report | Aime Martinez |
| 4.3 Emergency Management Status Report | Ruben D. Almaguer |
| 4.4 Facilities and Construction Update | John Cal |
| 4.5 Foundation Report | Richard Brilliant |
| 4.6 Safety and Environmental Compliance Report | Ruben D. Almaguer |
| 4.7 Treasury Report | Phong Vu |

5. New Business

5.1 Office of Internal Audit Discussion of Audit Processes

Gerald C. Grant, Jr.

6. Concluding Remarks and Adjournment

Gerald C. Grant, Jr.

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

Approval of Minutes

Finance and Audit Committee Meeting

Date: September 1, 2016

Subject: Approval of Minutes of Meeting held June 2, 2016

Proposed Committee Action:

Approval of Minutes of the Finance and Audit Committee meeting held on Thursday, June 2, 2016 at the FIU, Modesto A. Maidique Campus, Patricia & Phillip Frost Art Museum, room 105-107.

Background Information:

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Thursday, June 2, 2016 at the FIU, Modesto A. Maidique Campus, Patricia & Phillip Frost Art Museum, room 105-107.

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**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
MINUTES
JUNE 2, 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 8:36 am on Thursday, June 2, 2016, at the Modesto A. Maidique Campus, Patricia & Phillip Frost Art Museum, room 105-107.

The following attendance was recorded:

Present

Gerald C. Grant, Jr., *Chair*

Justo L. Pozo, *Vice Chair*

Cesar L. Alvarez

Leonard Boord

Natasha Lowell

Marc D. Sarnoff

Kathleen L. Wilson

Trustees Alian Collazo and Michael G. Joseph 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 March 11, 2016. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meeting held on Friday, March 11, 2016.

3. Action Items

FA1. Proposed 2016-17 University and Direct Support Organizations (DSO) Operating Budgets

Senior Vice President and Chief Financial Officer Kenneth A. Jessell presented the University and DSO Operating Budgets, totaling \$1,377.3M, for Committee review and in connection therewith, provided a detailed summary of key aspects of each budget. He added that authority for the University President to amend the budget is necessary to accommodate changes in circumstances.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Board of Trustees (the BOT) approve the FIU 2016-17 University and Direct Support Organizations Operating Budgets and authorize the University President to amend the budgets consistent with Legislative, Board of Governors' and BOT directives and guidelines.

FA2. Proposed 2016-17 Fixed Capital Outlay Budget

Sr. VP and CFO Jessell presented the University's 2016-17 Fixed Capital Outlay Budget for Committee review, noting that the Fixed Capital Outlay Budget governs the University's capital expenditures during the year. He added that FIU's request for 2016-17 Capital Outlay Budget for Public Education Capital Outlay (PECO) Projects totaled \$11,951,578 for the University's Satellite Chiller Plant expansion and critical deferred maintenance. He explained that FIU's request for 2016-17 Fixed Capital Outlay Budget for Capital Improvement Trust Fund (CITF) Projects totaled \$4,802,996 for the Recreation Center Expansion at the Modesto A. Maidique Campus (MMC) and the Health and Wellness Walk at MMC.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Board of Trustees (the BOT) approve Florida International University's 2016-17 Fixed Capital Outlay Budget and authorize the University President to amend the budget as necessary, consistent with Legislative, Florida Board of Governors' and BOT directives and guidelines.

FA3. Request for Approval of Florida International University's 2017-2018 Fixed Capital Outlay Legislative Budget Request, consisting of the 5-year Capital Improvement Plan

Sr. VP and CFO Jessell presented the request for approval of FIU's 2017-18 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan, for Committee review, noting that the Fixed Capital Outlay Budget Request sets forth the University's proposed capital expenditures during the next five years. He presented FIU's 2017-18 request for Capital Outlay Budget for PECO-eligible projects for facilities infrastructure, strategic land acquisition, satellite chiller plant expansion and the School of International and Public Affairs, which he explained totaled \$82,600,000.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Board of Trustees (the BOT) approve FIU's 2017-2018 Fixed Capital Outlay Legislative Budget Request, consisting of the 5-year Capital Improvement Plan and authorize the University President to amend the Legislative Budget Request as necessary, consistent with Florida Board of Governors and BOT directives and guidelines.

FA4. Approval for FIU to Undertake a Competitive Bid Process to Sublease the Wolfsonian-FIU Annex Building and Parking Lot

Sr. VP and CFO Jessell presented the approval for FIU to undertake a competitive bid process to sublease the Wolfsonian-FIU Annex Building and parking lot. He noted that the University is seeking to sublease the Property currently leased by the FIU BOT under FIU BOT's Lease Agreement with TIITF and that the Property was acquired by TIITF in March of 2004 for the benefit of the Wolfsonian-FIU. He added that the building located on the Property was constructed as a warehouse for the Washington Moving and Storage Company in or around 1927 and that it

consists of approximately 35,000 square feet and is currently being used for museum collections storage. He stated that the parking lot located on the Property consists of approximately 15,000 square feet and is primarily used by staff members when working in the building, although, on most days, it is relatively empty.

Sr. VP and CFO Jessell further noted that based on a condition assessment report previously conducted of the building, the building is inadequate as a collections storage facility due to significant deferred maintenance and functional obsolescence. He indicated that the building also fails to meet the standards of the American Association of Museums for collections management and storage and that at the time the report was generated, over \$3.5M worth of required and renewal improvements were identified. He stated that given the condition of the building, coupled with the commercial value of the Property and the Wolfsonian-FIU's long term strategic plan, the most desirable outcome, which will best serve the needs and purposes of the University, is to allow private development of the Property through a sublease of the Property.

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

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the Board of Trustees approve the following:

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

- (d) Upon the successful completion of the competitive bid process, the University will seek approval from FIU BOT and the Florida Board of Governors to enter into the sublease with the selected sublessee.

FA5. Internal Audit Plan, 2016-17

Internal Audit Director Allen Vann presented the Internal Audit Plan for fiscal year 2016-17 for Committee review and approval, noting that the plan was developed using a systematic approach that aids in the determination of the audits that need to be performed, while also considering the most appropriate allocation of available resources to maximize productivity. He provided an overview on the process used in performing University-wide risk assessments, noting that the cumulative value is ranked using a scoring formula to determine whether audit work should be considered in a particular area.

Trustees engaged in a discussion regarding the timing and frequency of audit coverage and the high risk categories contained within the Office of Internal Audit's Risk Assessment/Five Year Plan. Committee Chair Grant requested that the Committee review the definition of high risk audit categories and how often those audits should be conducted and then determine if current resources are adequate.

Committee Chair Grant noted that FIU's Internal Audit function is highly regarded by the Florida Board of Governors and is serving as a model for the State University System.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee approve the University Internal Audit Plan for Fiscal Year 2016-17.

FA6. Compliance Work Plan, 2016-17

Chief Compliance and Privacy Officer Karyn Boston presented the Compliance Work Plan for fiscal year 2016-17 for Committee review and approval, providing an overview of the Federal Sentencing Guidelines provision, Compliance Program objective, and key action items.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee approve the Compliance Work Plan for Fiscal Year 2016-17.

4. Discussion Items

4.1 Review of FIU Financial Statement Audit for Fiscal Year Ended June 30, 2015

Sr. VP and CFO Jessell discussed the results from the State of Florida's Auditor General Financial Statements Audit for Fiscal Year ended June 30, 2015. He stated that the financial statements encompass the University and component units: FIU Foundation, Inc.; FIU Research Foundation, Inc.; FIU Athletics Finance Corporation; and FIU Academic Health Center Health Care Network Faculty Group Practice, Inc. He noted that unlike previous years, the financial activities of the FIU Research Foundation, Inc. are not included in the University's financial statements because total assets and operating revenues of the Foundation represent less than one percent of the total aggregate component units' assets and operating revenues.

Sr. VP and CFO Jessell reported that the University's Audited Financial Statements were prepared following Governmental Accounting Standards Board standards of accounting and financial reporting. He added that the audit disclosed that the University's basic financial statements were presented fairly in all material respects in accordance with prescribed financial reporting standards. He stated that the audit results disclosed no instances of noncompliance or other matters that are required to be reported. He further noted that the audit did not identify any deficiencies in internal control over financial reporting that were considered material weaknesses.

4.2 Review of FIU Operational Audit Findings and Recommendations for Fiscal Year Ended June 30, 2015

Sr. VP and CFO Jessell provided a review of the State of Florida's Auditor General Operational Audit for Fiscal Year ended June 30, 2015, noting that the Auditor General conducted this operational audit from February 2015 to February 2016 in accordance with generally accepted government auditing standards. He added that the University's response to the Auditor General addressed the five audit findings and recommendations and also included an implementation schedule for the recommendations.

4.3 Office of Internal Audit Status Report

Mr. Vann presented the Internal Audit Report, providing updates on recently completed audits, work in progress and a recently completed joint fraud investigation with FIU Police and HR. He reported that in May, the University hosted the Florida State University Audit Council for a semi-annual meeting of the Chief Audit Executives of the Florida State University System.

4.4 Financial Performance Review – Third Quarter FY 2015-16

Sr. VP and CFO Jessell presented the Financial Performance Review for the third 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 \$5.5M (or 1 percent), which can be primarily attributed to: higher academic auxiliary revenue; higher housing occupancy; and higher Florida Student Assistance Grant, Pell Grant, and departmental awards. He added that these were offset by lower cash contributions combined with a timing delay in new gift agreements and more enrolled students in the international programs and higher patient volume. He noted that expenses were below estimates by \$45.8M (or 6 percent), primarily due to lower expenditures, delayed spending, and University and College of Medicine vacant positions.

4.5 University Compliance Report

Ms. Boston presented the University Compliance Report, providing implementation updates on the progress towards reaching Program goals. She presented a benchmarking summary comparing FIU's current state against trends as well as industry standards and best practices from reporting mid-size organizations (including for-profit and non-profit) and Florida State University System institutions.

5. Reports

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

6. New Business

6.1 Senior Management 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.

7. Concluding Remarks and Adjournment

With no other business, Committee Chair Gerald C. Grant, Jr. adjourned the meeting of the Florida International University Board of Trustees Finance and Audit Committee on Thursday, June 2, 2016 at 10:55 am.

<i>Trustee Request</i>	<i>Follow-up</i>	<i>Completion Date</i>
<i>Committee Chair Gerald C. Grant, Jr. requested that the Finance and Audit Committee review the definition of high risk audit categories and how often those audits should be conducted and then determine if current resources are adequate.</i>	<i>Internal Audit Director Allen Vann</i>	<i>December 2016</i>

6.10.16 MB



Office of Internal Audit Status Report

BOARD OF TRUSTEES

September 1, 2016

Date: September 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 June 2, 2016, we completed the following projects:

Audit of Payment Services - The Payment Services Department, with over 1,500 suppliers, processed almost \$75 million during the six months ended December 31, 2015. Overall, our audit disclosed that the University's established controls and procedures for payment services were satisfactory. The Office of the Controller agreed to: 1) strengthen certain controls pertaining to the processes over employees' ability to create, modify, and delete suppliers in PantherSoft; and 2) periodically review the audit logs relating to changes made to supplier information. They will also work with Human Resources to proactively monitor for conflict of interests between employees and suppliers.

Review of Nepotism Policies and Procedures - We tested the University staff's adherence to our nepotism policies and the effectiveness of current procedures. While good policies are in place and the University takes precautions to avoid favoritism in hiring, we reported that the processes employed need to be re-evaluated and adjusted to strengthen overall controls. For example, whenever related employees within or outside of the reporting lines have approval authority additional mitigating controls may be warranted. Proactive procedures for identifying potential relationships at various points of an employee's career life beyond onboarding should be established. The Division of Human Resources agreed to implement the four recommendations resulting from our review.

Audit of University Mobile Health Center

The Hebert Wertheim College of Medicine's Health Education Learning Program is supported by four privately funded mobile vans. Two vans are used for primary care services, one van is used for mammography services and the fourth, not currently in use, will provide a combination of dental and other health care related services. Overall, our audit disclosed that financial management over the Mobile Health Center was adequate. However, administrative controls related to purchase order processing, documenting the use

of the vans, patient data, and tracking purchases of medical supplies and prescription pads need further attention. A separate report will be issued on IT security.

Sub-recipient Monitoring (Division of Research) – In accordance with the approved annual audit plan, we continue to review sub-recipient’s annual financial report submissions pursuant to the Federal and the State of Florida’s respective single audit acts. The purpose of these reviews is to ensure that sub-recipients are compliant with the financial reporting requirements under the respective acts, that their reports reflect that they are fiscally responsible and are free of, or have adequately addressed material findings reported by their independent auditors. Since the beginning of this calendar year, we have completed reviews of twenty-six institutions who are sub-recipients under FIU grants.

Work in Progress

The following ongoing audits are in various stages of completion:

<i>Audits</i>	<i>Status</i>
Bank Reconciliation Controls – Finance and Administration	Fieldwork in Progress
Financial Aid – Enrollment Services	Fieldwork in Progress
Construction	Fieldwork in Progress
Housing and Residential Life	Fieldwork in Progress
Chaplin School of Hospitality and Tourism Management	Fieldwork in Progress
Herbert Wertheim College of Medicine – Pharmacy Operations	Planning Stage
Mobile Health Care Clinics – IT Controls	Drafting Report

Other Matters

1. On June 21, 2016, I traveled to the University of Central Florida (UCF) to attend a State University System of Florida Board of Governors (BOG) workshop. Chief Audit Executives, Compliance Officers and various other senior administrators of the State University System met with the Chairman of the BOG Audit and Compliance Committee to provide feedback in drafting the following four BOG regulations:
 - 4.001 *State University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement;*
 - 4.002 *State University System Chief Audit Executives;*
 - 4.003 *State University System Compliance and Ethics Programs; and*
 - 4.004 *Board of Governors Oversight Enforcement Authority.*

The revised documents are expected to be taken to the BOG Audit and Compliance Committee and the full Board during their September meeting for official notice in accordance with the *Florida Board of Governors Regulation Development Procedure*.

2. In anticipation of the adoption of the draft regulations cited above, I am Chairing a committee of the State University Audit Council to finalize the adoption of uniform *Standards for Complaint Handling and Investigations*. These standards express basic principles to guide the State Universities' chief audit executives and their staff in fulfilling their investigative duties and obligations.

Semi-Annual Follow-Up Status Report

We surveyed management on their progress towards completing past recommendations that were currently due for implementation. According to management, 30 of 46 recommendations were completed. Management has reportedly partially implemented the remaining recommendations and provided updates on expected completion dates.

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
Southeast Environmental Research Center	1		1
College of Law	2	1	1
University Building Access Controls	1		1
Division of Human Resources	1	1	
College of Arts, Sciences and Education	2	2	
University Network Security Controls	7	6	1
HCN's Billing, Collections, and Electronic Medical Record Systems	1	1	
Study Abroad and International Exchange Programs	8	2	6
Restricted Gifts - FIU Foundation	1	1	
Nicole Wertheim College of Nursing and Health Sciences	1	1	
Performance Based Funding Metrics Data Integrity	2	2	
Extreme Events Institute	3	3	
The Patricia and Phillip Frost Art Museum	2	2	
Laboratory Safety Process	3	2	1
Camps and Programs Offered to Minors	4	1	3

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
Jewish Museum of Florida - FIU	3	1	2
Parking and Transportation Department	2	2	
Office of Business Services - Vendor Contracts Revenue	2	2	
Totals	46	30	16
Percentages	100%	65%	35%

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Florida International University
Financial Summary Overview ¹
FY 2015-16

	Year To Date June 2016			
	Budget	Current Year Actual	Variance	
			\$	%
(\$ in millions)				
Revenue / Receipts				
University				
Educational and General (net) ²	492.0	489.7	(2.3)	0%
University	442.2	440.2	(2.0)	0%
College of Medicine	49.8	49.5	(0.3)	-1%
FIU Self-Insurance Program	0.3	1.3	1.0	333%
Auxiliary Enterprises	206.9	220.0	13.1	6%
Intercollegiate Athletics	26.2	27.2	1.0	4%
Activities and Service	18.6	18.8	0.2	1%
Technology Fee	9.5	9.5	-	0%
Board Approved Fees	0.4	0.4	-	0%
Contracts and Grants	115.9	118.7	2.8	2%
Student Financial Aid	159.5	160.3	0.8	1%
Concessions	0.8	1.0	0.2	25%
Direct Support Organizations				
FIU Athletic Finance Corp	3.5	3.5	-	0%
FIU Foundation Inc.	29.2	26.2	(3.0)	-10%
FIU Health Care Network	4.0	5.6	1.6	40%
FIU Research Foundation	0.0	0.0	(0.0)	-8%
Interfund Adjustments ³	(5.7)	(5.7)	-	0%
Total Operating Revenues	1,061.1	1,076.5	15.4	1%
University Treasury (net)	7.5	(0.9)	(8.4)	-112%
FIU Foundation Inc	12.2	(5.8)	(18.0)	-148%
Total Investment Revenues	19.7	(6.7)	(26.4)	-134%
Total Revenues / Receipts	1,080.8	1,069.8	(11.0)	-1%
Expenses				
University				
Educational and General (net)	492.0	446.0	46.0	9%
University	442.2	403.7	38.5	9%
College of Medicine	49.8	42.3	7.5	15%
FIU Self-Insurance Program	0.3	0.5	(0.2)	-67%
Auxiliary Enterprises	184.3	189.0	(4.7)	-3%
Intercollegiate Athletics	23.7	23.2	0.5	2%
Activities and Service	19.5	17.5	2.0	10%
Technology Fee	11.3	9.4	1.9	17%
Board Approved Fees	0.4	0.4	-	0%
Contracts and Grants	118.7	122.2	(3.5)	-3%
Student Financial Aid	159.2	160.6	(1.4)	-1%
Concessions	0.8	0.6	0.2	25%
Direct Support Organizations				
FIU Athletic Finance Corp	2.2	2.4	(0.2)	-9%
FIU Foundation Inc.	27.9	29.3	(1.4)	-5%
FIU Health Care Network	3.1	3.4	(0.3)	-10%
FIU Research Foundation	0.0	0.0	0.0	44%
Interfund Adjustments ³	(5.7)	(5.7)	-	0%
Total Expenses	1,037.7	998.8	38.9	4%
Principal Payment of Debt ⁴	9.3	9.4	(0.1)	-1%
Change in Net Assets (incl. Investments)	33.8	61.6	27.8	82%
Change in Net Assets (excl. Investments)	14.1	68.3	54.2	386%

Florida International University
Financial Summary Overview¹
FY 2015-16

Financial Highlights:

Operations

Educational and General Variance: Revenues \$-2.3M, Expenses \$46M

I. University (ex-College of Medicine) Variance: Revenues \$-2M, Expenses \$38.5M

Revenues

State Appropriations:

- Performance funds reduction of \$2.3M due to BOG calculation error, and additional distribution of \$0.4M from the state to cover risk management insurance premiums which were higher than budgeted (2.0)

Tuition:

- **Lower (0.6%) undergraduate base student credit hour enrollment (excluding FIU Online 2.0 and Dual Enrollment) offset by favorable mix and less student credit hours dropped than anticipated from preceding summer (0.8)**
- Lower undergraduate tuition differential due to lower student credit hour enrollment (0.2)
- Higher enrollment in FIU Online 2.0 programs (12%) offset by unfavorable mix of non-resident students 0.1
- Favorable variance in dual enrollment due to unbudgeted tuition revenue paid by the school board for on-campus students and savings from lower credit hour enrollment 0.7
- **Graduate and Professional: Unfavorable mix compounded with lower student credit hour enrollment (1.0%) primarily in Grad II, and Graduate Nursing programs (1.9)**
- Higher than anticipated waivers due to unbudgeted Shorelight program and higher enrollment in business conversion programs offset by lower out-of-state waivers for undocumented students (0.1)
- Other: Lower bad debt and higher incidental fees 2.2

Total Revenues

\$ (2.0)

Expenses:

- Higher than budgeted Summer Faculty salaries (4.6)
- Vacancies in Faculty, Administrative, and Staff positions \$11.8M, savings due to parental and sabbatical leave paid out of fringe benefit pool \$4.2M, change in funding source and other savings \$7.9M, offset by filled unbudgeted positions (\$9.0M). 14.9
- Budgeted Salary Float (4.6)
- Centralized Expenditures: Placeholder for benefits pass-throughs and salary increases 19.2

Sub-Total Position Salaries and Benefits 24.9

- **Other In-Unit Expenses:** Legislative line items \$2.7M, strategic investments \$2.3M, and minor repairs and maintenance projects \$2.5M that were budgeted in full but which will not be completed in this fiscal year. 7.5
- **Other Centralized Expenditures:** Unallocated utility increases, unallocated FY 2015-16 Performance Funds that were budgeted but reduced due to BOG calculation error, and FY 2014-15 unit offsets to advanced expenditures 6.1

Total Expenses

\$ 38.4

II. College of Medicine Variance: Revenues \$-0.3M, Expenses \$7.5M

Revenues are below target due to students on leave of absence.

Expenses are below target mainly due to vacant positions, unallocated central placeholders, and timing of spending on legislative line item

FIU Self-Insurance Program Variance: Revenues \$1M, Expenses \$-0.2M

Revenues are higher than forecast due to unbudgeted resources required to bring the capital reserve to a minimum threshold per the FIU Herbert Wertheim College of Medicine Self-Insurance Program Council.

Expenses are higher than budget due to unbudgeted claims paid by FIU and incurred but not reported losses.

Florida International University
Financial Summary Overview ¹
FY 2015-16

Auxiliary Enterprises Variance: Revenues \$13.1M, Expenses \$-4.7M

Favorable revenue variances are driven mainly by higher than anticipated sales in the Panther Tech store, and unbudgeted academic and FIU Online overhead, medical conferences, new study abroad programs, and network printing revenues. Additionally, higher revenues were generated in Housing due to higher occupancy, media services, Publications, Student Health and Parking Fees due to higher headcount enrollment, School of Hospitality and Tourism Management, and higher demand for continuing education programs in College of Business, School of Communications, and SIPA. These are offset by generally lower enrollment in market rate programs, and lower Facilities CSR fee due to delays in construction projects.

Expenditures are above budget mainly due to higher operating costs associated with the Panther Tech computer store, unbudgeted expenses relating to new sources of academic revenue, and higher expenses in the Colleges. These are offset by interest payments in Parking and Housing due to debt refinancing, delays in Housing projects, and vacant positions across all auxiliaries.

Intercollegiate Athletics Variance: Revenues \$1M, Expenses \$0.5M

Revenues are above target. Greater Conference USA participation funds and favorable bad debt are slightly offset by lower Athletic Fee revenues due to lower student credit hour enrollment.

Expenditures are lower than budget mainly due to scholarship and OPS savings offset by higher than budgeted repair and maintenance and unbudgeted purchase of a structure at the stadium for the radio crew.

Student Activity and Service Variance: Revenues \$0.2M, Expenses \$2M

Revenues are slightly higher than target. Higher than anticipated orientation program revenues and other unbudgeted student activity revenues are offset by lower activity and service fee revenues mainly from lower fundable student credit hour enrollment, and lower homecoming revenue.

Expenses are below target mainly due to the indoor track at the Recreation Center at Modesto M. Maidique campus budgeted as an expense but recorded as a cash transfer to Facilities. Additionally, expenses related to other student activity operations are lower than projected due to postponed projects and generally lower expenses in clubs, organizations, and campus life.

Technology Fee: Revenues \$0M, Expenses \$1.9M

Revenues are slightly higher than budget primarily due to lower than expected bad debt offset by lower student credit hour enrollment.

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 \$0M

Revenues are slightly above budget due to more eligible test candidates than expected.

Unfavorable variance in expenses due to unbudgeted increase in the bar prep course cost and timing in payments to the test prep provider. The College of Law has renegotiated the contract with the bar prep vendors so that revenues will fully absorb the costs in the future.

Contracts and Grants Variance: Revenues \$2.8M, Expenses \$-3.5M

Sponsored Research: The favorable variance in revenues of \$0.5M is mainly due to higher than budgeted revenues in federal grants and unbudgeted private revenues related to the Aquarius Reef Base and research conferences, offset by lower private grants. Expenditures are above budget \$2.1M due to higher than expected commitments against F&A returns spent by the colleges, units, centers and researchers, and higher spending on projects commensurate with higher revenues.

External Contracts: Favorable variance of \$2.2M in revenues is driven by higher than budgeted DSO reimbursements, mainly Capital Campaign, Student Access and Success, and CCARTA, offset by lower incidental contractual revenue, mainly the Center for Internet Augmented Research (CIARA). Expenses are above budget by \$1.4M mainly due to additional DSO reimbursable expenses and unbudgeted incidental contractual expenses offset by savings generated by CIARA.

Florida International University
Financial Summary Overview¹
FY 2015-16

Student Financial Aid Variance: Revenues \$0.8M, Expenses \$-1.4M

Student scholarship revenue is higher than budget mainly due to a higher than anticipated allocation of the Florida Student Assistance Grant (FSAG) awards for FY 2015-16 and departmental scholarships. These are offset by lower institutional aid revenues due to less institutional support required for merit students.

Student scholarship expense is higher than budget due to higher FSAG disbursements commensurate with a higher allocation from the state and additional departmental scholarships. These are offset by less institutional aid disbursements as merit-based students took less student credit hours and qualified for more federal and state awards.

Actual expenses are higher than revenues primarily due to a planned spend down of departmental scholarship fund balances.

Concessions Variance: Revenues \$0.2M, Expenses \$0.2M

Revenues are higher than budget due to vending commissions from higher beverage sales and an increased commission rate on snack sales.

Expenditures are below budget mainly due to unallocated revenues and contingency for relocation, repairs, and improvements to vending machines that was not needed.

FIU Athletic Finance Corp Variance: Revenues \$0M, Expenses \$-0.2M

Operating Revenues are slightly below budget due to less than anticipated Sky Suite revenue and season tickets sales offset by higher rental

Expenses are higher than target due to unanticipated stadium video board and HVAC repairs.

FIU Foundation Inc. Variance: Revenues \$-3M, Expenses \$-1.4M

The negative variance in operating revenues is mainly driven by lower cash contributions and an excess of pledged revenue over new signed gift agreements.

Foundation operating expenses are above target mainly due to greater support for scholarships and programs driven by all colleges and, to a lesser extent, in university-wide programs and scholarships.

FIU Health Care Network Variance: Revenues \$1.6M, Expenses \$-0.3M

Operating revenues are higher than budget mainly due to more enrolled students in the American University of Antigua international program, the expansion of clinical sites, and additional management fee income.

Expenses are above budget due to unbudgeted relocation expenses, additional medical supplies, additional contractual services and banking fees associated with higher enrollment in international programs, and unbudgeted purchase of software licenses for a billing system.

FIU Research Foundation Variance: Revenues \$0M, Expenses \$0M

Operating revenues are on target.

Expenses are below budget due to less tech transfer and research development activities.

Investment Revenues: \$-26.4M

University Treasury investment fiscal year-to-date returns are 0.6%. The unfavorable variance of gross investment revenues \$10.6M is driven mainly by the Strategic Capital and Reserve Pool which had no gains. The (\$0.9M) of net investment revenues are comprised of \$3.4M of investment earnings and \$0.5M of unrealized gains offset by \$4.8M of operating expenses.

Foundation investment has fiscal year-to-date losses of 2.7% or \$5.8M, generating a negative variance of \$18.0M mainly in Equities. Investment returns for the full fiscal year were budgeted at 5.0%, or \$12.2M.

Principal Payment of Debt: \$-0.1M

Principal payment of debt charges are slightly above target due to an unbudgeted payment for the Aquarius Reef Base.

Florida International University
Financial Summary Overview ¹
FY 2015-16

Notes:

- ¹ *The financials presented above reflects the state budgeting methodology which differs from full accrual Financial Statements. The following have the most significant impact:*
- *Depreciation of Assets: For budgeting purposes equipment purchases are fully expensed in their acquisition year, therefore depreciation is not included in the budget.*
 - *Unrealized gains and losses: The investment results are recognized as revenues in the budget however GASB accounting principles require that it be recorded as a non-operating revenue / expense.*
- ² *E&G revenues include State Funding and Tuition and are net of waivers, uncollectible amounts and 30% Financial Aid need-based amounts per BOG regulation. Any differences between E&G Revenues and Expenses will be funded from prior years carry forward.*
- ³ *Interfund transfers have been included resulting in higher revenue and expenses by fund allowing for an individual fund performance analysis. The interfund adjustments above eliminate this double counting. However, interfund transactions such as tuition funded by scholarships and auxiliary services provided to other units have not been eliminated. Since revenues and expenses are equal, the interfund adjustments are the same for both.*
- ⁴ *Principal payment of debt reflected above per BOG requirement that debt service payments be shown on a cash basis.*
- ⁵ *FIU Foundation Inc. results are preliminary and are pending Foundation Board of Directors approval.*

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THE FLORIDA INTERNATIONAL UNIVERSITY

BOARD OF TRUSTEES

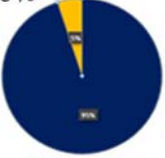
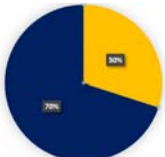
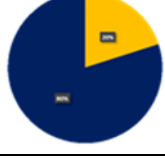
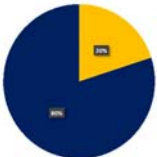
Finance and Audit Committee

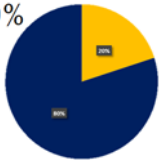
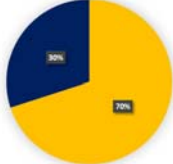
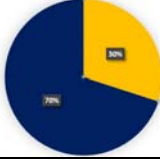
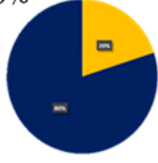
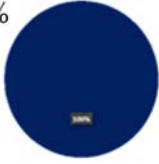
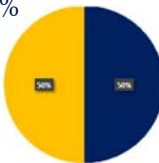
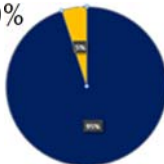
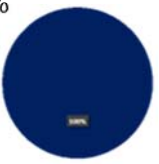
September 1, 2016

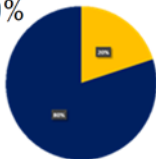
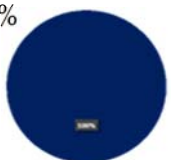

UNIVERSITY COMPLIANCE QUARTERLY REPORT

2016-2017 Compliance Work Plan Status Update

The Office of University Compliance and Integrity is pleased to present our quarterly status update for our Office's work activities since our last update to the FIU Board of Trustees on June 3, 2016.

Federal Sentencing Guidelines Provision	Compliance Program Objective	Key Action Items	Percent Completed	Completion Date
Policies and Procedures Organizations should have standards reasonably capable of preventing and detecting misconduct.	Enhance the effectiveness of the policy program.	Finalize the University Code of Conduct.	10% 	n/a
		Execute 50 policy plans and campaigns.	30% 	n/a
		Benchmark the policy management program against peer universities and mid-size organizations.	20% 	n/a
Program Structure and Oversight Organizations should have high-level oversight and adequate resources and authority given to those responsible for program.	Manage the implementation of the institutional compliance framework through the compliance liaison program.	Provide monthly compliance reports to the Vice Presidents and Deans.	20% 	n/a

Training and Communication Organizations should include periodic education, communication and awareness of its compliance and ethics program in its everyday organizational structure.	Oversee the compliance training and communication initiatives plan.	Complete the removal of redundant and outdated university policies from the policy library.	20% 	n/a
		Develop the compliance training curriculum for compliance refreshers and mini-messaging.		n/a
Measurement and Monitoring Organizations should have in place a system and schedule for routine monitoring and auditing of organizational transactions, business risks, controls and behaviors.	Maintain a compliance monitoring schedule that includes self-monitoring tools and formal monitoring to address high risk areas.	Develop and execute at least 10 compliance monitoring plans.	70% 	n/a
		Deliver compliance self- assessments tools and timelines for execution by the compliance liaisons.	30% 	n/a
Allegation Reporting and Investigations Organizations should take appropriate investigative actions in response to suspected ethics and compliance violations.	Provide intake support for the anonymous reporting line, provide follow up for timely resolution and conduct investigations when appropriate.	Finalize and deploy the university issue escalation criteria.	20% 	n/a
		Work with the Office of the General Counsel to train FIU investigators on the investigation guidelines.	0% 	n/a
		Embed the review of compliance analytics data into the compliance program improvement process.	50% 	n/a
Discipline and Incentives Organizations should have policies and procedures to effectively enforce compliance and incentivize employees to perform in accordance with the compliance program.	Coordinate efforts to support consistent discipline and incentive practices.	Provide guidelines to address the enforcement of policy and training requirements.	10% 	n/a
		Develop and roll out a plan to integrate ethics and compliance incentive opportunities.	0% 	n/a

Compliance Risk Management Appropriate compliance and ethics program improvements should be designed to reduce identified risks or compliance violations.	Support compliance risk identification and mitigation efforts to support the strategic objectives FIU.	Develop the enterprise risk identification, assessment and prioritization process.	20% 	
		Execute a targeted compliance risk assessment for two high risk areas based on the enterprise prioritization list.	0% 	n/a
Organization Culture Organizations should encourage a speak-up culture to support reporting instances of misconduct.	Maintain awareness of cultural challenges and support mitigation efforts to support FIU's speak up culture.	Execute a culture survey and incorporate the findings into the institutional compliance strategy.	10% 	n/a

Policy campaigns		<ul style="list-style-type: none"> • 2 policy campaigns completed • 32 employees received policies to review • The average policy attestation rate for the reporting period is 72%
Training /communication campaigns		<ul style="list-style-type: none"> • 1 training campaign completed • 21 employees received trainings • The average training attestation rate for the reporting period is 85%
Program Structure and Oversight		
Compliance Liaison program changes		Not applicable
Training and Communication		
Communication and training efforts		<ul style="list-style-type: none"> • Hazardous chemical presentation to 40 employees • Summaries distributed of updated Cuban Assets Control Regulations to 13 employees • Presentation of Convercent System to 42 employees
Measurement and Monitoring		
Division/Unit assessments		<ul style="list-style-type: none"> • None
Monitoring support provided		<ul style="list-style-type: none"> • Payment services • Nepotism
Federal reports submitted		<ul style="list-style-type: none"> • Integrated post-secondary education data system graduation rate survey • Usage of NCAA monies to the NCAA • Limited access monitoring • Performance of annual internal audits of university finances and operations submission to the BOG

	<ul style="list-style-type: none"> • Exchange Visitors Program to the U.S Department of State • SACSCOC Financial Profile submitted
Allegation Reporting and Investigations	
Ethical Panther line complaints	<ul style="list-style-type: none"> • 1 Privacy breach • 2 Ethics violations
Non-Ethical Panther line complaints	<ul style="list-style-type: none"> • 61
Number of investigations where a determination was made that a legal, regulatory or policy violation occurred	<ul style="list-style-type: none"> • 48
Discipline and Incentives	
No information to report	
Compliance Risk Management	
Review of controls in progress	<ul style="list-style-type: none"> • Delegation authority • Background check requirements
Risk assessments conducted	<ul style="list-style-type: none"> • 74 / Number of risk assessments conducted throughout the university
Organizational Culture	
No information to report	

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
September 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 June 30, 2016 (in thousands)			
	Budget	Actual	Variance
Revenues	\$731	\$1,733	\$1,002

- Favorable Revenues variance driven one-time receipt of Bank of America affinity revenue and gifts to the Women's Facility Campaign

Athletics Finance Corporation

FIU Athletics Finance Corporation Unaudited Preliminary Recap Through the Period Ended June 30, 2016 (in thousands)			
	Budget	Actual	Variance
Revenues	\$3,451	\$3,505	\$54
Expenses	\$2,912	\$3,053	(\$141)

- Year-to-date Net Income excluding debt service was \$452 thousand, unfavorable to budgeted \$87 thousand
 - Primary drivers include:
 - Revenue variance due to increased rental income
 - Expense variance due to higher than projected repair and maintenance and professional services expenses
- The debt coverage covenant requirement was met for the period ending June 30, 2016

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THE FLORIDA INTERNATIONAL UNIVERSITY

BOARD OF TRUSTEES

Finance and Audit Committee

September 1, 2016

BUSINESS SERVICES REPORT AS OF JULY 8, 2016

Updates

New Services:



- **Vicky Bakery:** Agreement signed to begin construction on Vicky Bakery in the lobby of the Frost Art Museum. Vicky Bakery is South Florida's destination for authentic Cuban pastries better known as "Pastelitos". Vicky Bakery offers a diverse menu that ranges from baked goods to sandwiches, coffee, cakes, and party specials all at very affordable prices. Both indoor and outdoor seating will be available with an authentic "pass through" window located in the front of the museum. Expected completion date is August 2016.



- **EXN:** A nutrition specialist carrying the widest selection of nutrition products and vitamins at wholesale prices will be opening on campus (PG6) this summer. Follow them at www.exnatfiu.com.



- **Fleet Services:** Completed agreement with **First Vehicle Services (FVS)** to assume full responsibility including repairs and preventive maintenance of the 468 FIU fleet vehicles across the Modesto A. Maidique Campus and Biscayne Bay Campus. FVS began operations April 4, 2016. During the summer of 2016, FVS will introduce an Oil Change Service to the entire FIU community. Students, Faculty, and Staff will be able to drop off their cars at Fleet Services for an oil change either while they wait or for later pick up. Oil change and lube service is scheduled to start in August 2016.



- **GT Eco Car Wash:** A new vendor will be servicing the FIU community starting July 18, 2016. In addition, to washing cars at the PG1, PG3 and PG5 locations, GT will provide a mobile service through its App to service cars at any location (parking space) on campus.

Key Highlights



• **Vending:** For the year ended June 30, 2016, vending sales ended at \$1.5M, an increase of 14% as compared to the same period last year primarily due to an increase in credit card sales.

- As of June 2016, 100% of Beverage and 99.8% of Snack machines have credit card readers including *One Card*.
- 100% of Beverage and Snack machines have Telemetry. This has resulted in an optimization of inventory stocking, routing, and service calls.
- Average response time for service issues between report and resolution is less than four hours for both Beverage and Snacks
- Total Beverage Machines: 125
- Total Snack/Food: 119



• **Barnes & Noble:**

- As a way to counteract competition from online vendors such as Amazon, Business Services and B&N implemented a program in the Fall of 2015, "Price Match", whereby a lower price obtained elsewhere is matched by the University bookstore. This includes "on the spot matches" whereby a smartphone display is enough to obtain the discount as well as after the fact purchases. The total match amount for Fall 2015 was \$4,811.10. The match amount for Spring was \$21,763.58 demonstrating a surge in awareness for the campaign and a positive development to counter competition.
- For the year ended June 30, 2016, sales at Barnes & Noble ended at \$13M, a decrease of 3% as compared to the same period last year. While significant efforts and initiatives were implemented to counter competition and cannibalization, the expanding digital market and increased online competition from Amazon continued to impact text sales at the bookstore. The year-over-year sales decline for the year ended June 30, 2015 as compared to June 30, 2014 was 7% which demonstrates that efforts at countering competition and cannibalization are proving effective.

Quick Facts

Services under Management

- 46 food and retail venues, beverage and snack vending, FIU *One Card* Program, printing and copying, multi-use facilities, property management and advertising. All information on food and retail including hours of operation can be found at www.shop.fiu.edu

Investments

- For fiscal year 2015-16, Business Services invested \$2.5M to build out new facilities, expand services and increase indoor and outdoor seating to help foster affinity and retention at FIU. Business Services also contributed over \$1.7M to fund University initiatives, provide scholarships, underwrite student services and support FIU facilities.
 - This year we are undertaking our ITN which will require us to do an in depth analysis of all market situations and consider all serious and viable candidates to manage our food operations going forward.

Revenues

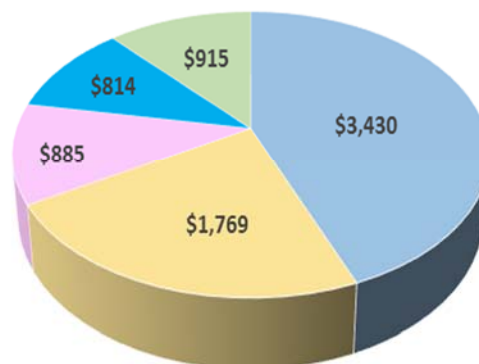
- For the year ended June 30, 2016, Business Services managed sales of nearly \$44M from operations. Total revenues for the year ended June 30, 2016 totaled \$7.8M.

OPERATING REVENUES

OBS Revenues by Business Segment

For the year ended June 30, 2016

In Thousands (\$)



■ Food Services

■ Bookstore

■ Retail Operations

■ Vending

■ One Card

Retail Operations includes Retail Copy Center & Vehicle Services

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

EMERGENCY MANAGEMENT STATUS REPORT AS OF JULY 26, 2016

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

FIU Alert Emergency Notification System Test

The annual test of FIU Alert for the Fall semester will be scheduled in September.

Training and Exercise

On May 18, 2016, Department of Emergency Management staff facilitated the first “no notice” exercise for the University. This exercise tested the ability of executive staff, with no advance notice, to receive and respond to a text, telephone call and email asking them to report to the emergency operations center (EOC). Upon arrival at the EOC, staff immediately began working through an emergency scenario that had impacted the Engineering Center.

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

FACILITIES AND CONSTRUCTION UPDATE AS OF AUGUST 3, 2016

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

Projects Completed

- None during the period of this report.

Projects under Construction

- **Student Academic Success Center (SASC) (BT-882)** - \$32.9M Public Education Capital Outlay (PECO), Technology 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 has been added: wood acoustical paneling in the 750 seat auditorium; atrium stair redesign for increased strengthening and stiffening; terrazzo flooring throughout all public areas of the 1st floor; double doors at the auditorium main entrance from the atrium; entrance doors to the balcony; and minor changes to the public restroom. Utility infrastructure for a future food and beverage area in the auditorium lobby and an exterior plaza location for the University Torch have also been added. The punch list work on the building's 4-story program bar and auditorium lobby is currently underway. Additional power and data installations requested by the users are also underway. Furniture installation and DoIT/data line installation are 90% complete. Current Owner Direct Purchase (ODP) savings total \$282,244 surpassing the 1% target objective of \$207,600. User move-in took place during the week of July 25. The Temporary Certificate of Occupancy (TCO) for the program bar and auditorium lobby was issued. The TCO for the auditorium is scheduled for August 31st when seating arrives. Target delivery date: May 2016; the program bar was delivered in late July and the auditorium will be delivered in late August with no adverse impact to academic needs.
- **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. The Servitas marketing and leasing campaign has signed over 260 contracts and the Servitas construction team has inspected and accepted 54 units as of July 22nd. Delays in the installation of critical life-safety systems, including the smoke evacuation and fire alarm systems have pushed the anticipated completion date into August. Revised target delivery date: August 12, 2016. (Originally August 1, 2016).

- **Frost Museum of Science Batchelor Environmental Center at FIU (BT-913)** - \$5.0M privately funded project budget. A/E - Leo A Daly (Phase I); CM - Pirtle Construction (Phase I). The project includes a new research wildlife center to be developed in partnership with the Frost/Miami Science Museum. To date, \$2.4M has been received for Phase I for programming, infrastructure, and the first half of the animal holding area and support facilities. Pirtle Construction has been 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. Tank assembly, sealing, and waterproofing by the Museum's contractor is complete. Generator installation, canopy structure, and fabric installation are also complete. The wooden platform serving the 40 ft. tank with associated equipment, modular building installation, and the site utility work remain in progress and are scheduled for completion in late August. Target delivery date for Phase I: August 26, 2016. 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 has been engaged for the scope of work associated with Phase II.
- **Recreation Center Expansion (BT-903)** - \$26.0M Capital Improvement Trust Fund (CITF), Housing Auxiliary Fund, and Student Government Association (SGA) project budget. A/E - HKS; CM - Moss Construction. (67,487 gsf) Funding spans five (5) years of CITF allocations. The project will expand the existing facility into Parking Lot #8 and will include an indoor basketball/volleyball gym, a weight training room, additional locker rooms, exterior basketball courts, sand volleyball courts, and a mezzanine level to include a jogging track. The GMP for 100% of Construction Documents (CDs) was submitted on March 9th and is currently under negotiation with evaluation of Value Engineering (VE) proposals completed. Concurrent with GMP negotiations, a contract amendment has been executed to mobilize, initiate site work, and begin modifications to the existing Recreation Center. The construction site has been fenced off and this initial phase of work has begun. Existing chilled water lines

have been rerouted to accommodate the new building footprint, and work to expose the existing building's foundation in preparation for placement of the new foundation is on-going. The agreement amendment for the remaining scope of work will be executed in August. Project is on schedule with an estimated construction delivery date in 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. The Notice to Proceed (NTP) was issued to the design/build team on January 14, 2016. Construction is scheduled to start early October 2016. Construction Engineering and Inspection (CEI) Services shortlist selection was completed on February 25, 2016 with presentations held on April 12th. Bolton Perez & Associates was selected as the CEI for the project and contract negotiations are in progress. 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 TAP review and evaluation process is still in progress and final decision is expected by next month. 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. The Florida Department of Transportation (FDOT) is currently reviewing 100% of CDs for the bridge foundation, roadway, and superstructure. Target delivery date: June 2018.
- **International Center for Tropical Botany (BT-914) at The Kampong** - \$5.0M privately funded project budget. A/E - MC Harry; CM - Thornton Construction. The project will construct a new 8,000 -12,000 gsf facility on a site immediately adjacent to the National Tropical Botanical Garden (NTBG) property in Coconut Grove to house educational, lab, and office spaces. Programming was formally approved August 28, 2015. MC Harry has completed advanced schematics and has begun design development. Warrant package submitted to City of Miami Zoning and Planning on June 21st is currently under review. Thornton Construction was selected as CM and has begun preconstruction services. Target delivery date: December 2017.

Projects in Planning Stage

- **Multi-Purpose Practice Fields (BT-916)** - \$8.9M; multiple funding sources. The project will construct two (2) full-sized practice fields, one natural grass and the other artificial turf, a 900 SF covered seating area, and a 1,524 SF scalable multi-purpose field support facility. A/E selection is complete and Stantec Consulting is formally contracted. CM selection is also complete and negotiations for pre-construction services with Moss and Associates have begun. Construction delivery is scheduled for August 2017.

FIU FOUNDATION, INC.

**FINANCIAL STATEMENTS RECAP
& INVESTMENT SUMMARIES**

June 30, 2016

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FIU FOUNDATION, INC.
Recap of Statement of Activities
For the Period Ended June 30, 2016

(In Thousands of Dollars)

	2015-16 12-Month Budget	2015-16 12-Month Actuals	Budget to Actual 12-Month Variance		2015-16 Annual Budget	2014-15 12-Month Actuals	Current Year to Previous Year Variance
REVENUES:							
Cash Contributions	\$ 27,000	\$ 26,422	\$ (578)	[1]	\$ 27,000	\$ 23,578	\$ 2,844
MARC Building	\$ 1,694	\$ 1,781	\$ 86		\$ 1,694	\$ 1,884	\$ (103)
Foundation Subsidiaries	\$ 511	\$ 510	\$ (1)		\$ 511	\$ 562	\$ (52)
Estimated Investment Returns	\$ 12,220	\$ (5,806)	\$ (18,026)	[2]	\$ 12,220	\$ 6,549	\$ (12,355)
TOTAL REVENUES	\$ 41,425	\$ 22,907	\$ (18,518)		\$ 41,425	\$ 32,573	\$ (9,665)
EXPENSES:							
<u>University Programs:</u>							
Scholarships & Programs	\$ 15,976	\$ 18,647	\$ (2,671)		\$ 15,976	\$ 16,210	\$ (2,437)
Building Funds	\$ 1,243	\$ 927	\$ 316		\$ 1,243	\$ 2,325	\$ 1,397
Unrestricted Annual Expenses	\$ 2,171	\$ 2,158	\$ 13		\$ 2,171	\$ 968	\$ (1,190)
TOTAL UNIVERSITY PROGRAMS EXPENSES	\$ 19,390	\$ 21,732	\$ (2,342)		\$ 19,390	\$ 19,503	\$ (2,229)
<u>Operational:</u>							
MARC Building	\$ 608	\$ 447	\$ 161		\$ 608	\$ 548	\$ 101
Foundation Subsidiaries	\$ 452	\$ 452	\$ -		\$ 452	\$ 454	\$ 2
Administrative & Fund-Raising	\$ 7,427	\$ 6,693	\$ 734		\$ 7,427	\$ 7,090	\$ 397
TOTAL OPERATIONAL EXPENSES	\$ 8,488	\$ 7,592	\$ 895		\$ 8,488	\$ 8,092	\$ 500
TOTAL EXPENSES	\$ 27,878	\$ 29,324	\$ (1,446)		\$ 27,878	\$ 27,595	\$ (1,729)
EXCESS REVENUES OVER EXPENSES	\$ 13,548	\$ (6,418)	\$ (19,965)		\$ 13,548	\$ 4,978	\$ (11,395)

These financial statement recaps reflect expenses on an accrual basis and receipts on a cash basis, with the exception of investment returns. Excludes capital acquisitions, amortization, and depreciation

Please refer to Appendix A for detailed variance notes.

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Florida International University Foundation
Preliminary Performance Summary
As of June 30, 2016

Asset Class/Manager	Market Value (\$000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Trailing 3- Months	Calendar Year to Date	Fiscal Year to Date	Trailing 2- Years	Trailing 3- Years	Trailing 5- Years	Trailing 10- Years	Since Inception
GMO Global Equity Asset Allocation	4,985	2.2%			-0.6	0.4	2.3	-6.5	-5.5	---	---	---	-0.3
Indus Markor Master Fund	2,792	1.2%			-5.3	-7.4	-7.8	-11.7	2.4	---	---	---	1.8
Kiltearn Global Equity Fund	9,077	4.0%			-2.2	-0.5	3.6	-7.6	-6.3	---	---	---	-4.0
Maverick Long Fund, Ltd	8,534	3.8%			-1.7	1.7	0.2	-3.7	6.1	---	---	---	6.8
Vanguard Total World Stock Index	6,687	3.0%			-0.1	1.6	2.1	-3.3	-1.1	---	---	---	1.0
iShares MSCI ACWI ETF	1,189	0.5%			-0.0	1.6	7.8	---	---	---	---	---	7.8
Indus Markor Master Fund - Holdback	45	0.0%			---	---	---	---	---	---	---	---	---
Global Public Equity	33,308	14.8%	11.5%	5.0%-25.0%	-1.7	-0.2	0.6	-6.2	-1.1	---	---	---	2.4
D.E. Shaw Core Alpha Extension	9,373	4.2%			-0.1	4.0	4.7	4.3	5.7	---	---	---	7.4
First Eagle U.S. Equity Fund	9,120	4.1%			1.1	3.1	5.0	3.3	5.5	---	---	---	7.6
Sirios Focus Fund	8,294	3.7%			-2.8	-0.9	-2.7	-7.9	2.0	---	---	---	2.1
HHR Titan Offshore	4,747	2.1%			-0.4	0.5	-7.9	-6.2	---	---	---	---	-2.9
U.S. Public Equity	31,534	14.1%	13.5%	6.0%-35.0%	-0.5	1.9	0.7	-1.1	2.6	9.8	8.3	5.9	4.2
Vanguard FTSE Dev. Markets	328	0.1%			-2.1	-0.1	-1.9	-8.2	-6.2	---	---	---	-2.1
AKO European Master Fund	7,883	3.5%			-0.8	1.9	-0.4	0.2	7.0	---	---	---	6.7
Cevian Capital II	3,969	1.8%			-7.3	-2.3	-1.4	-11.3	-5.0	---	---	---	-0.3
Buena Vista Asian Opp. Fund	5,051	2.3%			2.5	4.7	0.9	-5.3	-2.6	---	---	---	0.5
Kabouter International Opps. Fund II	4,420	2.0%			-3.5	-1.0	-0.2	-1.5	---	---	---	---	5.1
Non-U.S. Developed Public Equity	21,651	9.7%	8.5%	4.0%-25.0%	-1.9	1.1	-0.3	-3.7	0.7	7.4	2.6	2.1	2.0
DFA Emerging Markets Value	5,801	2.6%			5.5	1.3	10.3	-11.8	-10.4	---	---	---	-5.3
Somerset Emerging Markets	3,275	1.5%			4.1	3.0	9.5	-4.7	-6.1	---	---	---	-3.0
Polunin Developing Countries Fund	3,776	1.7%			3.9	0.2	8.8	-11.9	---	---	---	---	-7.2
Emerging Markets Public Equity	12,853	5.7%	4.0%	0.0%-15.0%	4.7	1.4	9.6	-10.1	-8.1	-1.9	---	---	-2.0
Total Global Private Equity	24,115	10.7%	20.0%	0.0%-34.0%	---	---	0.5	6.1	10.0	15.9	14.5	8.0	7.5
Total Long Public and Private Equity	123,461	55.0%	57.5%	45.0%-70.0%	-0.5	0.8	1.4	-2.5	1.2	8.7	7.1	5.0	3.9
Valinor Capital Partners	2,529	1.1%			-0.9	-3.6	-10.3	-23.8	-6.2	---	---	---	-1.6
Blue Harbour Strategic Value	3,199	1.4%			-4.5	-3.3	-3.1	-9.2	-4.0	---	---	---	-0.7
Roystone Master Fund	2,732	1.2%			-2.0	-1.6	-13.5	-23.0	-8.1	---	---	---	-4.2
Fir Tree International Value	3,244	1.4%			1.0	7.7	-4.1	-15.1	-7.8	---	---	---	-6.5
Pelham Long/Short Fund Ltd	3,313	1.5%			-10.2	-8.3	-9.4	-9.8	---	---	---	---	-4.3
Highfields Capital	4,093	1.8%			-1.8	1.2	2.3	2.3	---	---	---	---	2.3
Hedge Funds (Growth Objective)	19,109	8.5%	---	0.0%-15.0%	-3.3	-1.4	-6.0	-13.2	-3.3	---	---	---	-0.3
Brahman Capital Partners	2,626	1.2%			-1.8	-2.7	-12.7	-23.0	-9.2	---	---	---	-8.9
Naya Offshore Fund	3,042	1.4%			-2.7	-0.6	-5.4	-7.9	---	---	---	---	0.2
Janchor Partners	3,197	1.4%			-1.5	1.9	---	---	---	---	---	---	6.6
Indus Asia Pacific Sidepocket	103	0.0%			0.0	-5.8	-6.4	-36.1	---	---	---	---	-31.1
Indus Asia Pacific Fund - Holdback	222	0.1%			0.0	0.0	---	---	---	---	---	---	0.0
Hedge Funds (Blended Objective)	9,189	4.1%	---	0.0%-15.0%	-1.9	-0.4	-4.4	-9.7	-0.4	2.5	3.5	2.7	4.3
Davidson Kempner	3,597	1.6%			0.2	2.0	2.8	2.7	1.4	---	---	---	3.6
Kynikos Opportunity Fund	2,879	1.3%			-0.8	-3.5	-5.3	-2.0	-1.3	---	---	---	-1.9
Luxor Capital Partners	1,354	0.6%			-1.4	-0.7	-7.6	-29.4	-19.1	---	---	---	-18.5
Scopia PX Funds	2,971	1.3%			-4.3	-6.0	-8.7	-11.0	---	---	---	---	-1.1
GMO Systematic Global Macro Fund	5,340	2.4%			8.2	4.2	5.6	---	---	---	---	---	5.5
Hedge Funds (Diversifying Objective)	16,140	7.2%	---	0.0%-15.0%	1.4	-0.1	-1.3	-6.3	-3.3	---	---	---	-1.7
Total Hedge Funds	44,438	19.8%	17.5%	10.0%-30.0%	-1.3	-0.7	-4.0	-10.3	-2.9	1.4	2.9	2.4	4.1
Clifton Global Defensive Equity	3,576	1.6%			0.5	2.2	2.1	---	---	---	---	---	5.6
Renaissance RIEF	3,149	1.4%			4.6	---	---	---	---	---	---	---	5.0
Other Diversifying Investments	6,725	3.0%	---	0.0%-30.0%	2.4	3.9	3.8	4.1	3.4	5.9	---	---	6.9

Florida International University Foundation
Preliminary Performance Summary
As of June 30, 2016

Asset Class/Manager	Market Value (\$000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Trailing 3- Months	Calendar Year to Date	Fiscal Year to Date	Trailing 2- Years	Trailing 3- Years	Trailing 5- Years	Trailing 10- Years	Since Inception
Total Diversified Growth	51,163	22.8%	17.5%	10.0%-40.0%	-0.9	-0.2	-3.3	-9.2	-2.4	1.6	2.9	2.4	4.1
Van Eck Global Hard Assets	4,019	1.8%			4.4	15.8	28.9	-12.5	-21.7	---	---	---	-12.1
SPDR Gold ETF	4,961	2.2%			9.0	7.5	24.7	12.6	-0.6	---	---	---	4.0
Harvest MLP Income Fund	4,185	1.9%			4.9	19.5	11.6	-17.3	-12.8	---	---	---	-3.7
Public Inflation Sensitive	13,165	5.9%	2.0%	0.0%-12.5%	6.3	13.9	23.1	-4.7	-11.4	-3.0	-1.2	---	-2.1
Private Inflation Sensitive	7,197	3.2%	8.0%	0.0%-20.0%	4.7	5.6	19.9	30.0	---	---	---	---	14.6
Total Inflation Sensitive	20,362	9.0%	10.0%	5.0-20.0%	5.7	10.9	22.0	4.6	-7.0	0.2	0.7	---	-1.0
Vanguard Intermediate-Term Treasury Bond	16,360	7.3%			2.1	1.7	5.2	---	---	---	---	---	5.0
Fidelity Interim Treasury Bond Index Fund	10,113	4.5%			2.7	---	---	---	---	---	---	---	1.9
Cash Pending	1,339	0.6%			---	---	---	---	---	---	---	---	---
SunTrust Cash	1,556	0.7%			0.0	0.1	0.1	0.2	---	---	---	---	0.1
Total Deflation Sensitive	29,368	13.1%	15.0%	9.0%-30.0%	2.0	2.0	4.5	3.8	2.3	3.2	3.9	5.8	5.8
Total Managed Assets Net of CA Fees	224,355	99.9%	100.0%	---	0.2	1.5	2.3	-2.8	-0.2	5.7	5.4	4.5	4.0
Foundation Enterprise Holdings I	574	---			---	---	---	---	---	---	---	---	1.5
Student Managed Investment Fund	254	---			-2.6	-0.9	-1.5	-9.8	-6.5	1.8	3.5	---	3.3
SunTrust Balanced Annuity Account	274	---			-0.7	0.3	-0.8	-5.3	-6.6	-3.4	-0.4	2.8	3.4
Islamorada Investment	415	---			---	---	5.4	8.4	8.0	---	---	---	7.5
StoneCastle FICA Program	3,013	---			0.0	0.1	0.2	0.3	---	---	---	---	0.3
IR&M Short Fund	4,102	---			0.6	0.6	1.7	1.8	---	---	---	---	1.4
Archstone Offshore	2,098	---			-1.4	0.6	-4.1	-9.3	-3.5	1.0	2.3	---	2.7
State of Florida Treasury Fund	1,246	---			---	---	---	---	---	---	---	---	---
Other Alternatives	11,977	---			-0.1	0.3	0.0	-1.0	-0.0	1.3	1.9	3.3	3.8
Total Assets Net of CA Fees	236,331	---			0.2	1.4	2.2	-2.7	-0.2	5.7	5.3	4.5	4.0

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 March 31, 2016, updated with cashflows through the most recent period.

Florida International University Foundation Preliminary Performance Summary As of June 30, 2016													
Asset Class/Composite	Market Value (\$000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Trailing 3-Months	Calendar Year to Date	Fiscal Year to Date	Trailing 2-Years	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
Global Public Equity	33,308	14.8%	12.5%	5.0%-25.0%	-1.7	-0.2	0.6	-6.2	-1.1	---	---	---	2.4
U.S. Public Equity	31,534	14.1%	15.0%	7.5%-35.0%	-0.5	1.9	0.7	-1.1	2.6	9.8	8.3	5.9	4.2
Non-U.S. Developed Public Equity	21,651	9.7%	10.0%	5.0%-25.0%	-1.9	1.1	-0.3	-3.7	0.7	7.4	2.6	2.1	2.0
Emerging Markets Public Equity	12,853	5.7%	5.0%	0.0%-15.0%	4.7	1.4	9.6	-10.1	-8.1	-1.9	---	---	-2.0
Global Private Long Equity	24,115	10.7%	15.0%	0.0%-25.0%	---	---	0.5	6.1	10.0	15.9	14.5	8.0	7.5
Total Long Public Equity and Private Investments	123,461	55.0%	57.5%	45.0%-70.0%	-0.5	0.8	1.4	-2.5	1.2	8.7	7.1	5.0	3.9
Total Hedge Funds	44,438	19.8%	17.5%	10.0%-30.0%	-1.3	-0.7	-4.0	-10.3	-2.9	1.4	2.9	2.4	4.1
Other Diversifying Investments	6,725	3.0%	---	0.0%-30.0%	2.4	3.9	3.8	4.1	3.4	5.9	---	---	6.9
Total Diversified Growth	51,163	22.8%	17.5%	10.0%-40.0%	-0.9	-0.2	-3.3	-9.2	-2.4	1.6	2.9	2.4	4.1
Total Inflation Sensitive	20,362	9.1%	10.0%	5.0%-20.0%	5.7	10.9	22.0	4.6	-7.0	0.2	0.7	---	-1.0
Total Deflation Sensitive	29,368	13.1%	15.0%	9.0%-30.0%	2.0	2.0	4.5	3.8	2.3	3.2	3.9	5.8	5.8
Total Managed Assets Net of CA Fees	224,355	100.0%	100.0%	---	0.2	1.5	2.3	-2.8	-0.2	5.7	5.4	4.5	4.0
Total Assets Net of CA Fees	236,331	---	---	---	0.2	1.4	2.2	-2.7	-0.2	5.7	5.3	4.5	4.0

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Variance Notes:

[1] The unfavorable variance of \$0.6 million in cash contributions as of June 30, 2016 is attributable to past due, unpaid pledges.

[2] Investment return for fiscal year 2015-16 was projected at 5.0% or \$12.2 million, calculated on a beginning balance of \$235 million plus projected additions to the portfolio. The monthly returns were forecasted based on our asset allocation and the historical performance of indexes for each asset class. Preliminary results for FY16 investment performance indicates a fiscal year investment loss on the portfolio of approximately 2.7%, or (\$5.8) million. The portfolio return is broken down by asset class as follows: long public and private equity (57.5% allocation) down 2.5%; diversified growth (17.5% allocation) down 9.2%; inflation sensitive (10.0% allocation) up 4.6%; and deflation sensitive (15.0% allocation) up 3.8%. Private equity performance reporting is lagged and is not current through June 30, 2016. Investment results will be updated once all managers have reported fiscal year results.

Please note that the enclosed financial statements recaps and notes as of June 30, 2016 are preliminary. The annual distribution of investment income to endowments has not yet been made, and additional invoices for expenses pertaining to this fiscal year may need to be recorded.

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THE FLORIDA INTERNATIONAL UNIVERSITY

BOARD OF TRUSTEES

Finance and Audit Committee

September 1, 2016

SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT AS OF JULY 27, 2016

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

Issue #1: FIU Gas Station Abandoned Tanks –Biscayne Bay Campus (BBC)

Agency: United States Environmental Protection Agency (EPA)

Status: On December 2, 2015, the results from the preliminary groundwater sampling revealed contamination with organic compounds above the Groundwater cleanup target levels. FIU's Department of Environmental Health and Safety (EH&S) in coordination with an outside Environmental University contractor (AMEC) and the BBC Facilities Management team scoped a project in phases, where Phase I included further testing of the surrounding wells in the questionable area to determine the extent of contamination, in order to define the next steps of the remediation phase of the project.

Findings: After cleaning, remediating, and re-testing the contaminated well, the results came back similar to the readings before the cleanup. Based on this information, the contamination is suspected to be part of the pre-existing condition of the BBC soil. Moreover documentation was acquired from Miami-Dade County Department of Environmental Resources Management (DERM) showing the proper procedures for "abandon in place" with the attached permit approvals and drawings. Upon further research, EH&S recently found documentation of the cleanup, removal, and concrete-filling of the three underground storage tanks (UST), and close-out inspection conducted by DERM. **(All actions completed on July 26, 2016)**

Issue #2: Industrial Waste Permit 5 Warning Notice – BBC Photo Lab Silver Recovery

Agency: Miami-Dade Department of Regulatory and Economic Resources (RER)

Status: On March 3, 2016, FIU received a warning notice pertaining to the BBC Photography Lab stating that evidence of industrial waste discharges to the sanitary sewers exceeded Miami-Dade County (MDC) Sanitary Sewer Discharge Standards, as well as elevated levels of silver which violated Section 24-42.4 of Chapter 24 of the Code of Miami-Dade County.

Findings: As of July 21, 2016, the Photo Shop installed two "Silver Recovery Units" (SRU) at the two sinks in use, water sample following EPA method 245.1 and EPA 200.7 showing acceptable levels were submitted and accepted by DERM. **(The warning notice has been closed. All other Corrective Actions/Prevention Actions (CAPA) were also completed).**

Issue #3: Miami-Dade County Pollution Prevention Inspection – Modesto A. Maidique Campus (MMC)

Agency: Miami-Dade Department of Regulatory and Economic Resources (RER)

Status: On July 18, 2016 the Miami-Dade Regulatory and Economic Resources Department conducted an annual industrial waste inspection at MMC in the following buildings: CSC, AHC 1, and 2. The inspection focused on management of industrial waste in workshops, paint shops, carpenter shops, and laboratories. The items reviewed included: chemical inventories, PPE, training records, satellite hazardous waste accumulation areas, and general knowledge of personnel working in a laboratory setting.

Findings: No violations were observed at time of inspection. **(No further actions)**

Issue #4: Annual Life and Fire Safety Inspections – MMC

Agency: Division of State Fire Marshal, Florida Department of Financial Services

Status: At the conclusion of the 2015-2016 fiscal year, 100% of state fire marshal inspections were completed throughout the University. In conjunction with the Facilities Management Division, improvements in processing corrections and reducing new violations were implemented and showed positive results.

Findings: No high hazard fire safety violations were observed during the inspections.

Issue #5: Annual Emergency Evacuation Drills –MMC BBC

Agency: Division of State Fire Marshal, Florida Department of Financial Services

Status: Annual emergency evacuation drills have been successfully conducted.

Findings: Goal of 100% completion was accomplished prior to close of fiscal year.

Issue #6: Annual Industrial Safety Inspections of University Facilities

Agency: Florida International University Safety Standards

Status: Four major industrial life safety inspections (MMC Housing, Physics Machine Shop, BBC Physical Plant, and Kovens Center) based on OSHA standards were conducted.

Findings: To date 95% of discrepancies identified have been corrected.

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THE FLORIDA INTERNATIONAL UNIVERSITY

BOARD OF TRUSTEES

Finance and Audit Committee

September 1, 2016

TREASURY REPORT (For quarter ending June 30, 2016)

Report (For Information Only – no action required)

OVERVIEW

The University's total liquidity position of \$309.5 million was 1.8 times the University's debt position of \$170.9 million at the end of FY 2016. Including direct support organization ("DSO") debt, the liquidity to total debt ratio was 1.5 times. These results are better compared to the end of FY 2015, the liquidity to university debt and the liquidity to total debt ratios were 1.6x and 1.4x, respectively.

LIQUIDITY

Real Days Payable

At the fiscal year end, \$165.6 million, or 53.5 percent, of the liquidity position was accessible within 5 business days (See *Liquidity Allocation* chart for detail). At the end of FY 2016, the university had 40 real days payable¹ ("RDP") versus 34 RDP at the end of FY 2015. The increase in RDP was due to both higher inflows and lower outflows (see details in Sources and Uses sections).

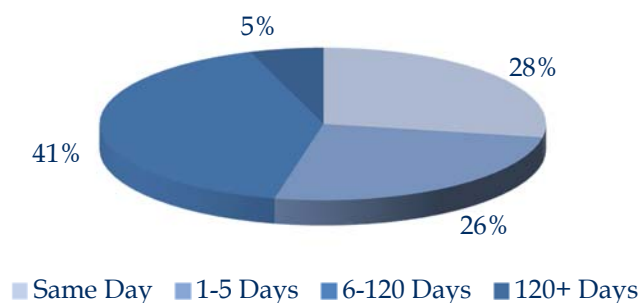
Sources

The University started the fiscal year with \$76.1 million in cash balances². Total FY 2016 inflows (state and operational) were \$1,087.4 million as compared to \$1,087.0 million for FY 2015. On average, \$4.2 million flowed into the university each business day in FYTD 2016 versus \$4.2 million per day in FY 2015.

Uses

FY 2016, the university used \$1,074.1 million as compared to \$1,081.0 million in the same period last fiscal year. The FY 2016 velocity cash outflow was

LIQUIDITY ALLOCATION



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.

\$4.1 million per day and decreased from \$4.3 million in FY 2015. The University ended the quarter with \$89.4 million in cash balances.

Stress Tests/Performance Simulations

The Office of the Treasurer ("Treasury") analyzes the effect of negative market performance on its liquidity position through both value-at-risk (VAR) analysis and Monte Carlo simulation analyses.

VAR analysis, completed quarterly, estimates the maximum potential loss during a specific time period at a given level of confidence. VAR uses the historical behavior of each asset class over various time horizons (five years, ten years, full history). Our VAR analysis predicts that there is a five percent probability that the portfolio (as of the FY 2016 ending balance) could have unrealized losses of up to \$12.1 million and one percent probability of up to \$21.8 million of unrealized losses within a twelve-month period.

At the end of FY 2016, the Monte Carlo analysis generated by a bottom decile performance for fixed income investments, translated into median 1.9 percent, or \$5.9 million, in unrealized losses. Liquidity, as measured by 5-day accessibility, would drop to 48.9 percent, or \$151.4 million, of the total current available cash and investment balances. RDP would fall to 37 days based on current fiscal year outflows.

The scenario with the bottom decile equity performance generates a median 3.2 percent, or \$10.0 million, in unrealized losses. Liquidity, as measured by 5-days accessibility, would drop to \$162.5 million or 52.5 percent of the total current available cash and investment balances. RDP would remain stable at 40 days based on fiscal year outflows in this stress scenario.

Bottom decile of overall portfolio performance represents a 4.6 percent loss, or \$14.3 million, and a projected drop in liquidity to \$142.6 million or 46.1 percent of the total current available balances. Furthermore, RDP drops to 35 days.

Forecast and Budget

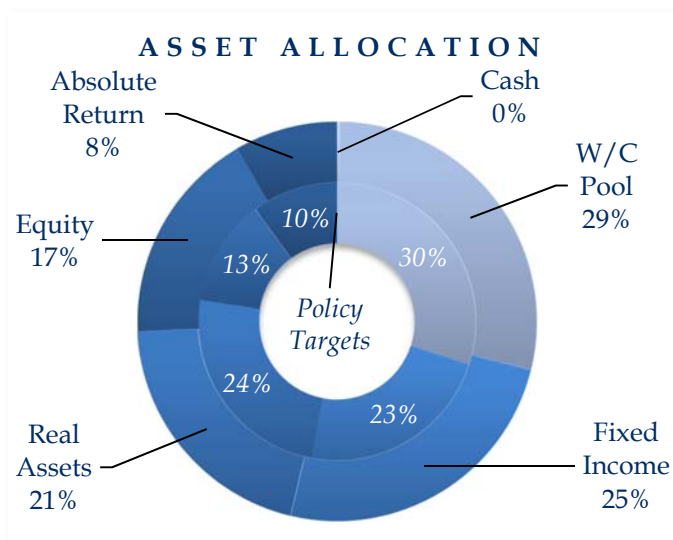
Actual balances at the end of FY 2016 were 10.8 percent higher than the rolling forecast, -1.6 percent lower than the budget and 4.9 percent higher to the prior year. For the next quarter, the university should experience an increase in the cash and investment balances lasting through the first quarter of FY 2017.

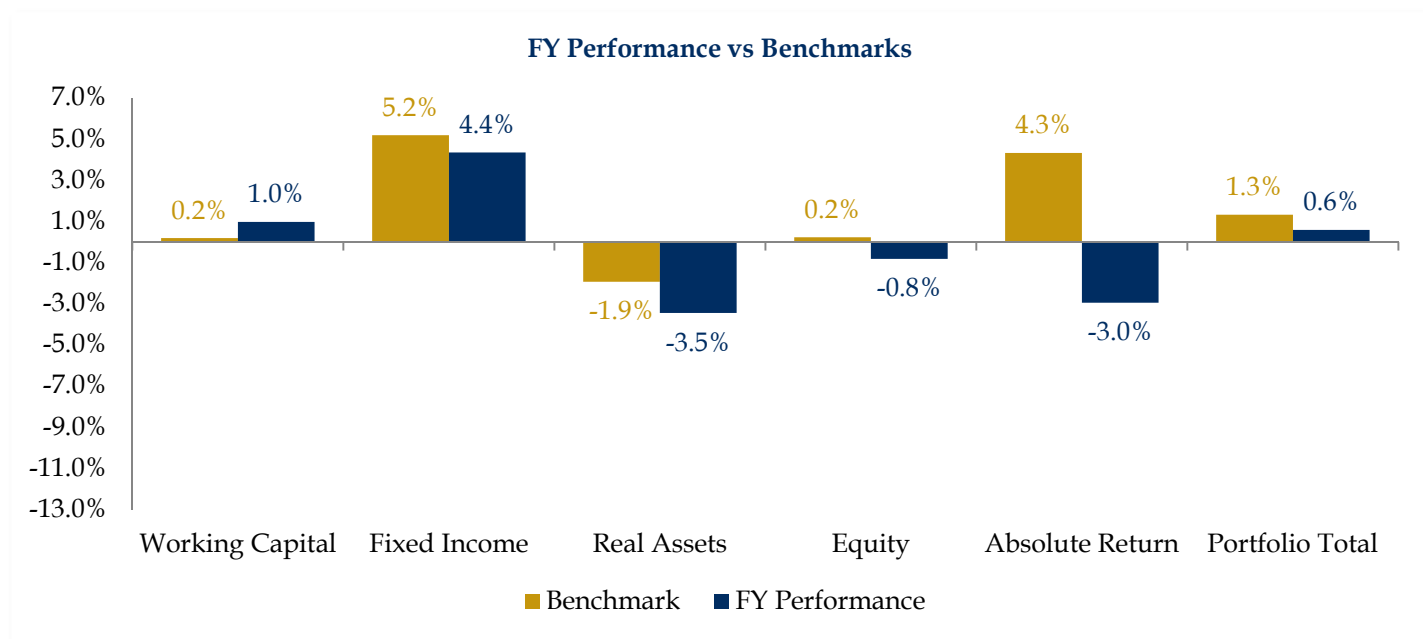
INVESTMENTS

Composition

Asset allocations at the end of FY 2016 remained within policy guidelines (See *Asset Allocation* chart for detail of asset allocation at quarter end).

At the end of FY 2016, the market value of the University's operating funds portfolio and cash was \$309.5 million. This balance reflects a decrease of \$23.6 million or 7.0 percent, from the previous quarter and was in line with the quarter-to-quarter seasonality of cash flows. The total portfolio market value was \$15.3 million higher than the market value at the end of FY 2015.





Performance

FIU's operating portfolio continues to outperform the State Treasury investment pool ("SPIA"), returning 3.9 percent since inception versus the SPIA's 2.7 percent for the same time. At the end of FY 2016, the portfolio returned 0.6 percent. This compares unfavorably to a negative 0.5 percent return at the end of FY 2015. The Strategic Capital and Reserve Pools no returns while the Working Capital Pool gained 1.0 percent. Returns from the SPIA totaled 1.7 percent FY 2016 (See FY Performance vs. Benchmarks chart for additional performance detail by asset class).

The Working Capital Pool was the top performer and exceeded the benchmark by 0.7 percent. Most other asset classes lagged their respective benchmarks. Fixed Income returned 4.4 percent (vs 5.2 percent benchmark), Real Assets returned -3.5 percent (vs -1.9 percent benchmark), Absolute Return returned -3.0 percent (vs. 4.3 percent benchmark). Equities lagged behind with returns of -0.8 percent (vs -0.2 percent benchmark).

DEBT

Total Outstanding

The University and DSOs ended FY 2016 with \$208.0 million in outstanding debt versus \$217.7 million at the end of FY 2015. The weighted average interest rate for the University and DSO issuances was 4.3 percent. At the end of FY 2016, 95.0 percent, or \$197.5 million, of the University and DSOs' outstanding debt was fixed rate and 5.0 percent, or \$10.4 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 June 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. The University will continue to seek additional opportunities to reduce capital costs.

	Outstanding					
(USD Millions)	2016	2015	Avg. Rate	Rating*	Tax Status	Maturity
Housing						
2011A Refunding	\$17.8 M	\$19.3 M	3.7%	Aa3 A A+	Exempt	7/2025
2012A Parkview Hall	51.6 M	52.6 M	4.0%		Exempt	7/2021
2015A Refunding**	29.1 M	32.9 M	3.7%		Exempt	7/2034
Total Housing	\$98.5M	\$104.8M	3.9%			
Parking						
2009B PG5 Market Station	\$28.2 M	\$28.9 M	4.7%	Aa3 AA- A+	BABs	7/2039
2013A Tech Station	44.3 M	46.4 M	4.8%		Exempt	7/2043
Total Parking	\$72.5M	\$75.3M	4.8%			
Total University	\$170.9M	\$180.2M	4.3%			
DSOs***						
2009 AFC - Stadium	\$31.4 M	\$31.4 M	4.6%	Unrated	Exempt/Taxable	3/2033
2010 Foundation - MARC	5.6 M	6.2 M	2.0%		Exempt	5/2022
Total DSOs	\$37.0M	\$37.6M	4.2%			
Total University/DSOs	\$208.0M	\$217.7M	4.3%			
* (Moody's S&P Fitch)						
** 2015 Outstanding - Refunded 2004A Bonds						
*** Direct Support Organizations						

OVERVIEW

Liquidity/University Debt	1.81
Liquidity/Total Debt	1.49

Liquidity Position

Cash + W/C Pool	\$ 89,404
Strategic + Reserve Pools	220,087
Total	\$ 309,491

Debt Position

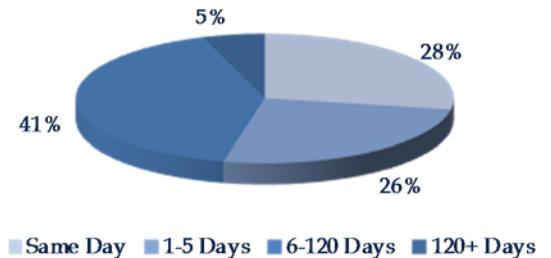
University Debt	\$ 170,940
DSO Debt	37,022
Total	\$ 207,962

LIQUIDITY
Availability

Same Day	\$ 86,128
1-5 Days	79,474
6-120 Days	127,468
120+ Days	16,420
Total	\$ 309,491

Real Days Payable (<5 Days)

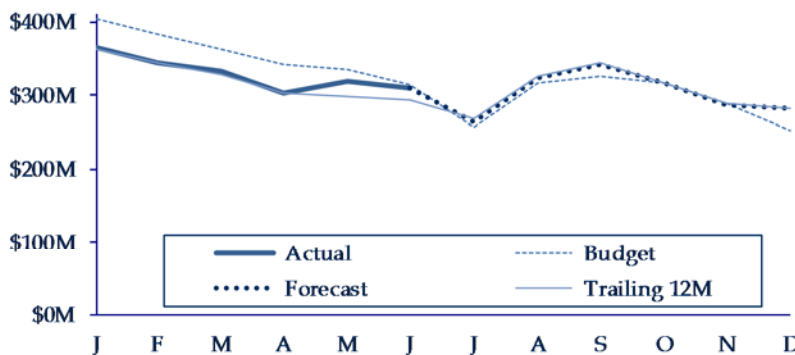
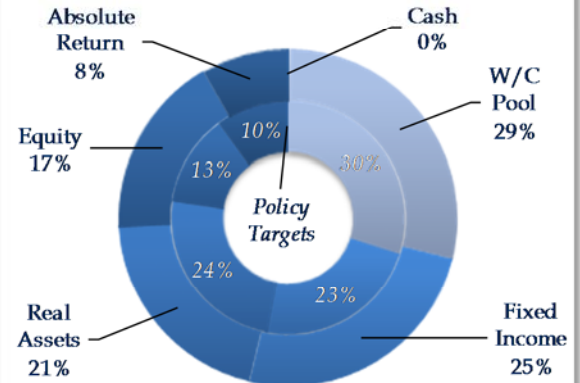
MTD Outflows	46
QTD Outflows	40
YTD Outflow	40

LIQUIDITY ALLOCATION

LIQUIDITY SOURCES AND USES

Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 102,295	\$ 121,395	\$ 70,135
Opening Cash Balance	494	453	5,949
From State	27,311	76,169	286,445
From Operations	39,244	157,567	800,935
Uses	MTD	QTD	YTD
To Payroll	(40,777)	(141,036)	(542,508)
To Operations	(31,163)	(88,281)	(316,881)
To Students	(8,001)	(36,863)	(214,671)
Cash + W/C Pool	\$ 89,404	\$ 89,404	\$ 89,404

INVESTMENTS

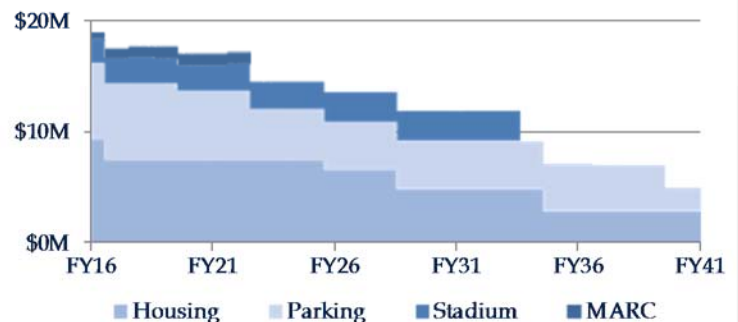
Cash + W/C Pool	Balance	FYTD	Last 1Y
Cash	\$ 631	0.0%	0.0%
W/C Pool	88,773	1.0%	1.0%
Strategic + Reserve Pools	Balance	FYTD	Last 1Y
Fixed Income	76,877	4.4%	4.4%
Real Assets	63,352	-3.5%	-3.5%
Equity	54,039	-0.8%	-0.8%
Absolute Return	25,819	-3.0%	-3.0%
Total	\$ 309,491	0.0%	0.0%

CASH + INVESTMENTS FORECAST

ASSET ALLOCATION

DEBT

University	O/s Balance	Avg. Rate
Housing (Aa3 A A+)*	\$ 98,485	3.9%
Parking (Aa3 AA- A+)*	72,455	4.8%
Direct Support Organizations		
AFC (Unrated, Stadium)	31,416	4.6%
Foundation (Unrated, MARC)	5,606	2.0%
Total Outstanding Debt	\$ 207,962	4.3%

* (Moody's | S&P | Fitch)

Fixed Rate Debt	197,546	95.0%
Variable Rate Debt	10,416	5.0%

ANNUAL DEBT SERVICE


	<u>2016 Actuals</u>	<u>2015 Actuals</u>
<u>ASSETS (Uses of Funds)</u>		
Current Assets		
Cash/Cash Equivalents/Investments ¹	\$ 59,406,596	\$ 55,214,246
Adjustments to Fair Market Value ¹	12,538,560	17,824,402
Total Current Assets	\$ 71,945,156	\$ 73,038,648
Noncurrent Assets		
Due from Component Units/University		
Parking Deferred Payment Plan	\$ 211,326	\$ 793,152
Athletics Operations Loan	4,805,526	4,707,892
Stadium Expansion Loan	-	-
Total Non-Current Assets	\$ 5,016,852	\$ 5,501,045
TOTAL ASSETS	\$ 76,962,007	\$ 78,539,692
<u>LIABILITIES AND CAPITAL (Sources of Funds)</u>		
Accounts Payable	\$ 320	\$ 9,005
Accrued Salaries & Wages	3,533	1,692
Due to/(from) Component Units	-	-
Total Liabilities	\$ 3,853	\$ 10,697
Total Capital (Net Assets)	\$ 76,958,155	\$ 78,528,996
TOTAL LIABILITIES AND CAPITAL	\$ 76,962,007	\$ 78,539,692

¹ FY 2016 Includes asset reclassification of \$5.7M