FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE

Thursday, December 7, 2017
8:30 am
Florida International University
Modesto A. Maidique Campus
Graham Center Ballrooms

AGENDA

1. **Call to Order and Chair's Remarks** — **Leonard Boord**

2. **Approval of Minutes** — **Leonard Boord**

3. **Action Items**

   FF1. FIU Direct Support Organizations Financial Audits FY 2016-2017 — **Kenneth A. Jessell**

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

   FF2. Investment Policy Amendment — **Kenneth A. Jessell**

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

   4.1 Financial Performance Review – First Quarter FY 2017-18 — **Kenneth A. Jessell**

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

   5.1 Athletics Update — **Pete Garcia**

   5.2 Business Services Report — **Aime Martinez**

   5.3 Emergency Management Status Report — **Ruben D. Almaguer**

5. Reports *(Continued…)*

5.4	**Facilities and Construction Update**	**John Cal**
5.5	**Foundation Report**	**Andre L. Teixeira**
5.6	**Safety and Environmental Compliance Report**	**Ruben D. Almaguer**
5.7	**Treasury Report**	**Benjamin Jarrell**

6. New Business *(If Any)* — **Leonard Boord**

7. Concluding Remarks and Adjournment — **Leonard Boord**

The next Finance and Facilities Committee Meeting is scheduled for Tuesday, February 27, 2018

Approval of Minutes

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 7, 2017

Subject: Approval of Minutes of Meeting held June 1, 2017

Proposed Committee Action:

Approval of Minutes of the Finance and Facilities Committee meeting held on Thursday, June 1, 2017 at the FIU, Modesto A. Maidique Campus, College of Business Complex, Special Events Center, Room 233.

Background Information:

Committee members will review and approve the Minutes of the Finance and Facilities Committee meeting held on Thursday, June 1, 2017 at the FIU, Modesto A. Maidique Campus, College of Business Complex, Special Events Center, Room 233.

Supporting Documentation:	Minutes: Finance and Facilities Committee Meeting, June 1, 2017
Facilitator/Presenter:	Leonard Boord, *Finance and Facilities Committee Chair*

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FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MINUTES
JUNE 1, 2017

1. Call to Order and Chair's Remarks
The Florida International University Board of Trustees' Finance and Facilities Committee meeting was called to order by Committee Chair Leonard Boord at 8:47 am on Thursday, June 1, 2017, at the Modesto A. Maidique Campus, College of Business Complex, Special Events Center, Room 233.

The following attendance was recorded:

Present
Leonard Boord, *Chair*
Justo L. Pozo, *Vice Chair*
Cesar L. Alvarez
Dean C. Colson
Natasha Lowell
Marc D. Sarnoff
Kathleen L. Wilson

Board Chair Claudia Puig, and Trustees Gerald C. Grant, Jr. and Krista M. Schmidt also were in attendance.

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

2. Approval of Minutes
Committee Chair Boord asked that the Committee approve the Minutes of the meeting held on March 3, 2017. A motion was made and passed to approve the Minutes of the Finance and Facilities Committee Meeting held on Friday, March 3, 2017.

3. Action Items
FF1. Proposed 2017-18 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 $1,411.1M, 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.

In response to Trustee Cesar L. Alvarez's inquiry on how full-time equivalent (FTE) student numbers referenced in the budget presentation are calculated, Sr. VP and CFO Jessell noted that while the calculation is lower in other states, under the State University System of Florida, the factors for calculating the number of student FTE's are 40 undergraduate student credit hours equal one FTE, and 32 graduate student credit hours equal one FTE.

Trustee Marc D. Sarnoff inquired about the potential impacts to the University's budget if Governor Rick Scott made significant vetoes eliminating not only FIU-specific projects, but also reducing State University System funding and the University's plans of action for addressing any possible budgetary challenges resulting from proposed changes to the Board of Governors (BOG) Performance Metrics. Committee Chair Boord noted that authority for the University President to amend the budget is necessary to accommodate changes in circumstances. Sr. VP and CFO Jessell added that Florida law prescribes levels that must be maintained in terms of reserve balances, adding that the University's current unencumbered reserve totals $26M. He stated that should the University experience a shortfall in Performance Based funding, reserve balances may be drawn upon. He added that an approximate $46M in anticipated 2017-18 carryforward balances may be utilized to then cover reserve funds.

In response to Committee Chair Boord's inquiry on the factors that have contributed to the growth in tuition, Sr. VP and CFO Jessell explained that this can be attributed to a growth in student headcount and also regular tuition increases in past years. Committee Chair Board recommended that Consumer Price Index data be included in future budgetary presentations.

In addition, Committee Chair Boord recommended that, within the context of online education's continued growth trajectory, the Board of Trustees, during the next year, engage with University administration to review fully online degree offerings so as to identify what portion of the University's revenue stream distance-learning represents in order to develop a strategy that ensures responsiveness to student and market demand. Provost and Executive Vice President Kenneth G. Furton indicated that he serves on the BOG's Task Force for Strategic Planning for Online Education and explained that by year 2020, the majority of the University's degrees will have a fully online mode of delivery as set forth in the 20 Critical Performance Indicator Goals of the FIU*BeyondPossible*2020 Strategic Plan.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the Board of Trustees (the BOT) approve the FIU 2017-18 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.

FF2. Proposed 2017-18 Fixed Capital Outlay Budget
Sr. VP and CFO Jessell presented the University's 2017-18 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 2017-18 Capital Outlay Budget for Public Education Capital Outlay (PECO) projects totaled $28,913,226 for critical deferred maintenance, phase II of the School of International and Public Affairs building, and phase I and II of the Engineering building. He explained that FIU's request for 2017-18 Fixed Capital Outlay

Budget for Capital Improvement Trust Fund (CITF) projects totaled $6,475,636 for improvements to the Graham Center.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT approve Florida International University's 2017-18 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.

FF3. Request for Approval of Florida International University's 2018-19 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan
Sr. VP and CFO Jessell presented the request for approval of FIU's 2018-19 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 set forth the University's proposed capital expenditures during the next five years. He presented FIU's 2018-19 request for Capital Outlay Budget for PECO-eligible projects for facilities infrastructure, strategic land acquisition, engineering building and science laboratory complex, which, as he explained, totaled $99,100,000.

In response to Trustee Natasha Lowell's inquiry, Sr. VP and CFO Jessell noted that the PECO request for the Strategic Land Acquisition pertained to the current land occupied by the Youth Fair.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT approve FIU's 2018-19 Fixed Capital Outlay Legislative Budget Request, consisting of the five-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.

FF4. Self-Supporting Program Tuition, 2018-19 Academic Year
Sr. VP and CFO Jessell presented the 2018-19 academic year Self-Supporting Program Tuition proposals for the Doctorate of Athletic Training (DAT) and the Master of Science in Applied Behavior Analysis (MSABA) for Committee review. He noted that the DAT and MSABA are self-supporting graduate degree programs offered through the University's Continuing Education and all costs are covered by student tuition. He stated that Educational and General funds are not used to support the programs.

Committee Chair Boord requested for future proposals of self-supporting program tuition that business plans be presented for BOT review. Sr. VP and CFO Jessell noted that the MSABA was approved by the BOT in March and that the business plan for DAT is on the June 2, 2017 meeting agendas for the Academic Policy and Student Affairs Committee and BOT. Sr. VP and CFO Jessell also noted that the University conducts extensive benchmarking and market studies in order to ensure that the proposed programs meet new and unmet educational needs for which there are no existing state resources.

A. Doctorate of Athletic Training
Sr. VP and CFO Jessell noted that upon approval of the DAT program by the BOT, in accordance with BOG Regulation, FIU will submit the DAT proposal to the BOG for authorization subsequent to BOT approval.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT approve the self-supporting tuition of $16,800 annually for 24 credits for the Doctor of Athletic Training beginning academic year 2018-19 pending program approval by the BOT.

B. Master of Science in Applied Behavior Analysis
Sr. VP and CFO Jessell reported that the FIU Board of Trustees approved the MSABA at its March 3, 2017 meeting, indicating that in accordance with BOG Regulation, FIU will submit the MSABA proposal to the BOG for authorization subsequent to BOT approval.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT approve the self-supporting tuition of $25,393 for 45 credits completed in four semesters for the Master of Science in Applied Behavior Analysis (MSABA) beginning academic year 2018-19. The BOT approved the program at its March 2017 meeting.

FF5. Approval of Amendment to the 2010-20 Campus Master Plan for the Modesto A. Maidique Campus to Accommodate the Construction of a Hotel, Conference Center, Alumni Center and Parking and Approval of Terms of the Ground Lease Associated with the Hotel, Conference Center, Alumni Center and Parking
Sr. VP and CFO Jessell presented, for Committee review, the request for approval of the amendment to the 2010-20 Campus Master Plan for the Modesto A. Maidique Campus to accommodate the construction of a Hotel, Conference Center, Alumni Center and Parking and approval of terms of the ground lease associated with the Hotel, Conference Center, Alumni Center and parking. He added that the Hotel, Conference Center, and Alumni center were included in FIU's 2005-15 and 2010-20 Campus Master Plans and Board of Trustees/BOG Capital Improvement Plans and have received Legislative authorization. He explained that the Hotel and Conference Center would meet the needs of the University community in terms of academic conferences and meeting and seminar rooms. He indicated that the Alumni Center would help create affinity and encourage alumni to remain engaged members of the University community.

Sr. VP and CFO Jessell reported that an initial feasibility study was conducted in 2008, adding that updated studies followed in 2013 and 2015. Sr. VP and CFO Jessell noted that the amendment to the 2010-20 Campus Master Plan for the Modesto A. Maidique Campus was necessitated in order to change 5.21 acres currently designated as special purpose recreation open space to multi-purpose space and reflect that the conference facility would be located immediately adjacent to the hotel and alumni center. He stated that the Project would be located in the SW corner of the intersection of SW 8th Street and SW 112th Avenue. He described the Project process and timeline.

Sr. VP and CFO Jessell explained that Hotel and Conference Center amenities included 150 guest rooms, a ballroom and multiple conference rooms, an indoor fitness center, an outdoor swimming pool and a minimum of 300 parking spaces. He delineated the Hotel and Conference Center funding structure, noting that the Project will be designed, built, owned and operated by the Developer/Operator and that FIU and the FIU Foundation will have no financial obligation or debt obligations. He added that the University will approve design, that land will not be subordinated to any debt, and that FIU will receive market value ground rent and/or net income in return for leasing the parcel of land to the hotel operator. He further stated that while the University will agree to refer campus visitors requiring overnight accommodations to the Hotel and will direct all FIU-paid/reimbursed local lodging to the Hotel on a best-price match basis, that FIU will not guarantee any number of room nights or any level of revenue operating support.

Sr. VP and CFO Jessell mentioned that the Alumni Center will consist of 13,737 sq. ft. and will be managed by the FIU Foundation. He presented a funding overview, noting that the Alumni Center will cost $6.8M, with $1.3M from Bank of America royalties, accumulated fund balances and new cash gifts as well as $5.5M in direct investment. He stated that the FIU Foundation will create a wholly-owned subsidiary for the operation and maintenance of the Alumni Center.

Sr. VP and CFO Jessell presented Project renderings and provided a detailed summary of key terms, financial projections, and concluded by discussing possible benefits to the University and next steps. He noted that the University is in discussions with the Project Developers, Concord Eastridge, Inc., and Benchmark Management Company, LLC, regarding the possible use of the University's chiller water and sewer services to be reimbursed at the University's costs. Sr. VP and CFO Jessell indicated that this cooperation has proven effective for other University projects, such as Bayview Student Housing at FIU's Biscayne Bay Campus, allowing for lower expenses that translate to lower costs to the University community.

Sr. VP and CFO Jessell presented an aerial overview of the proposed Project. Senior Vice President, University Advancement Howard R. Lipman stated that naming opportunities were available and in response to Trustee Justo L. Pozo's inquiry, noted that the downstairs bar, library, and conference rooms have been named in association with multi-million dollar gifts.

Committee members engaged in a substantive discussion regarding the Project terms and scope. Trustee Lowell requested that for the next regularly scheduled Committee meeting, the Evaluation Committee member biographies be furnished. Trustee Gerald C. Grant, Jr. stated that he endorsed the Project, noting the positive benefits to the University in its having no financial obligations over funding.

Trustee Alvarez noted that the Project can benefit greatly from the knowledge and expertise within the University's faculty and graduate students, and recommended that the FIU administration consider ways of collaboration, and he also inquired as to the determined land valuation. Sr. VP and CFO Jessell noted that prior to the approval by the Trustees of the Internal Improvement Trust Fund to sublease the land, documentation of assessed land value will be required. Trustee Kathleen L. Wilson noted that the FIU Faculty Senate's Environment and Planning Committee participated in the planning process and encouraged a continued collaboration with the University's faculty in the Project development phase.

In response to Trustee Dean C. Colson's inquiry on whether the proposed square footage of the Alumni Center would be sufficient, Sr. VP Lipman noted that the Project was designed in order to ensure financial sustainability. Sr. VP Lipman added that the Alumni Center receives the first right of refusal based upon usage and that the intended outcome was for all units to work together for the best result for the institution.

Trustee Marc D. Sarnoff stated that he did not endorse the Project, noting that the proposed horizontal structure posed constraints that would not meet immediate and future needs. Trustee Pozo mentioned that the Project has been under development for many years and has been reviewed by the University's Alumni Association Board of Directors and the FIU Foundation Board of Directors, where issues of size and usability were thoroughly vetted.

Trustee Lowell inquired as to whether changes could be made to decrease the stipulated grace period during which no ground rent would be paid to FIU. Committee Chair Boord inquired as to the University's first right of refusal and requested that in addition to receiving audited statements, the University also should retain the right to audit the Project's financial statements.

A motion was made and passed that the FIU Board of Trustees Finance and Facilities Committee recommend that the BOT hereby approve an amendment to the Campus Master Plan for the Modesto A. Maidique Campus to accommodate the construction of a Hotel, Conference Center, Alumni Center and Parking; and approve the terms of the Ground Lease and other key terms associated with the Hotel, Conference Center, Alumni Center and Parking.

In addition to the key terms presented, the Finance and Facilities Committee incorporated the following three additional terms as part of its approval:

- FIU receives the first right of refusal to purchase the Project in the event the Project is sold
- FIU has the right to receive and audit the financial statements associated with the operation of the Project
- FIU limits the grace period during which no ground rent is paid to FIU to no more than 24 months after execution of the Ground Lease

Trustee Sarnoff voted against the motion.

4. Discussion Items

4.1 Review of FIU Financial Statement Audit for Fiscal Year Ended June 30, 2016

Sr. VP and CFO Jessell reported on the results from the State of Florida's Auditor General Financial Statements Audit for Fiscal Year ended June 30, 2016, noting 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 Financial Performance Review – Third Quarter FY 2016-17
Sr. VP and CFO Jessell provided a brief overview of the Financial Performance Review for the third quarter of 2016-17. He reported that the University and direct support organizations' operating revenues were above estimates by $9.5M (or 1 percent) and that expenses were below estimates by $26.0M (or 3 percent).

5. Reports
Committee Chair Boord 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
No new business was raised.

7. Concluding Remarks and Adjournment
With no other business, Committee Chair Leonard Boord adjourned the meeting of the Florida International University Board of Trustees Finance and Facilities Committee on Thursday, June 1, 2017 at 11:21 am.

Trustee Requests	Follow-up	Completion Date
1. *Committee Chair Boord recommended that Consumer Price Index data be included in future budgetary presentations.*	*Senior Vice President and Chief Financial Officer Kenneth A. Jessell*	*Ongoing*
2. *Committee Chair Boord recommended that, within the context of online education's continued growth trajectory, the Board of Trustees, during the next year, engage with University administration to review fully online degree offerings so as to identify what portion of the University's revenue stream distance-learning represents in order to develop a strategy that ensures responsiveness to student and market demand.*	*Provost and Executive Vice President Kenneth G. Furton*	*Ongoing*
3. *Committee Chair Boord requested for future proposals of self-supporting program tuition that business plans be presented for Board of Trustees review.*	*Provost and Executive Vice President Kenneth G. Furton*	*Ongoing*

4. *Trustee Natasha Lowell requested that for the next regularly scheduled Committee meeting, that Evaluation Committee member biographies be furnished. (Hotel, Conference Center, Alumni Center and Parking Project)*	*Senior Vice President and Chief Financial Officer Kenneth A. Jessell*	*Next Regularly Scheduled Committee Meeting*

6.8.17 MB

Agenda Item 3 **FF1-A**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 7, 2017

Subject: Florida International University Foundation Inc., Financial Audit, 2016-17

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Foundation, Inc. Financial Audit for the 2016-17 Fiscal Year and authorize the CEO of the Florida International University Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Foundation, Inc. Financial Audit for 2016-17 was approved by the Florida International University Foundation, Inc. Board of Directors on October 21, 2017, and the University President is recommending its acceptance.

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

Supporting Documentation: Florida International University Foundation, Inc. Financial Audit, 2016-17

Facilitator/Presenter: Kenneth A. Jessell

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
TABLE OF CONTENTS
JUNE 30, 2017 AND 2016

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Florida International University Foundation, Inc. and Subsidiaries (the Foundation), a direct support organization and component unit of Florida International University, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/252-0209
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2017

CONSOLIDATED FINANCIAL STATEMENTS

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 23,200,815	$ 8,338,074
Contributions receivable, net	70,073,417	79,648,946
Investments	249,300,348	229,073,465
Other assets	431,802	1,305,344
Fixed assets, net	15,696,458	17,566,435
Total Assets	$ 358,702,840	$ 335,932,264
Liabilities		
Accounts payable and other liabilities	$ 107,497	$ 417,206
Deferred revenue	273,586	255,000
Due to Florida International University	2,206,451	2,539,417
Due to FIU Athletics Finance Corporation	95,000	-
Split-interest obligations	746,137	882,014
Funds held for others	3,622,400	1,962,240
Note payable	4,574,758	5,347,289
Total Liabilities	11,625,829	11,403,166
Net Assets		
Unrestricted	32,466,034	27,009,655
Temporarily restricted	101,704,424	87,854,851
Permanently restricted	212,906,553	209,664,592
Total Net Assets	347,077,011	324,529,098
Total Liabilities and Net Assets	$ 358,702,840	$ 335,932,264

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
Revenue, Gains and Other Support					
Contributions	$ 3,955,238	$ 18,025,050	$ 5,261,581	$ 27,241,869	$ 21,812,230
Rental income	2,193,895	2,125	-	2,196,020	2,195,294
Administrative fees	2,373,002	-	-	2,373,002	2,341,825
Contributed services	1,050,859	-	-	1,050,859	897,826
Dues	240,635	118,788	669	360,092	564,016
Royalty income	85,105	-	-	85,105	1,542,374
Special events revenue, net of direct donor benefits of $104,013 and $251,042	-	21,994	-	21,994	86,466
Other	44,045	62,873	-	106,918	218,056
Net investment income	1,556,999	4,445,786	-	6,002,785	2,481,169
Net unrealized investment gain (loss)	5,771,831	17,774,312	-	23,546,143	(8,744,658)
	17,271,609	40,450,928	5,262,250	62,984,787	23,394,598
Net assets released from restrictions	22,300,106	(22,407,098)	106,992	-	-
Total Revenue, Gains and Other Support	39,571,715	18,043,830	5,369,242	62,984,787	23,394,598
Expenses					
Program services	26,067,301	-	-	26,067,301	21,504,772
General and administrative	3,967,717	-	-	3,967,717	3,847,538
Fundraising	4,565,119	-	-	4,565,119	7,116,334
Total Expenses	34,600,137	-	-	34,600,137	32,468,644
Change in Net Assets From Current Operations	4,971,578	18,043,830	5,369,242	28,384,650	(9,074,046)
Other Changes					
Change in value of split-interest obligations	(34,887)	-	-	(34,887)	(60,613)
Provision for uncollectible promises to give	(40,000)	(4,194,257)	(2,127,281)	(6,361,538)	(481,878)
Gain on sale of fixed asset	559,688	-	-	559,688	-
Change in Net Assets	5,456,379	13,849,573	3,241,961	22,547,913	(9,616,537)
Net Assets, beginning of year	27,009,655	87,854,851	209,664,592	324,529,098	334,145,635
Net Assets, end of year	$ 32,466,034	$ 101,704,424	$ 212,906,553	$ 347,077,011	$ 324,529,098

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	$ 2,973,619	$ 15,561,056	$ 3,277,555	$ 21,812,230
Rental income	2,191,394	3,900	-	2,195,294
Administrative fees	2,341,825	-	-	2,341,825
Contributed services	897,826	-	-	897,826
Dues	390,750	154,807	18,459	564,016
Royalty income	1,542,374	-	-	1,542,374
Special events revenue, net of direct donor benefits of $251,042	-	86,466	-	86,466
Other	56,965	161,091	-	218,056
Net investment income	259,792	2,221,377	-	2,481,169
Net unrealized investment gain (loss)	(2,126,463)	(6,618,195)	-	(8,744,658)
	8,528,082	11,570,502	3,296,014	23,394,598
Net assets released from restrictions	18,982,833	(18,982,833)	-	-
Total Revenue, Gains and Other Support	27,510,915	(7,412,331)	3,296,014	23,394,598
Expenses				
Program services	21,504,772	-	-	21,504,772
General and administrative	3,847,538	-	-	3,847,538
Fundraising	7,116,334	-	-	7,116,334
Total Expenses	32,468,644	-	-	32,468,644
Change in Net Assets From Current Operations	(4,957,729)	(7,412,331)	3,296,014	(9,074,046)
Other Changes				
Change in value of split-interest obligations	(60,613)	-	-	(60,613)
Provision for uncollectible promises to give	-	(441,878)	(40,000)	(481,878)
Change in Net Assets	(5,018,342)	(7,854,209)	3,256,014	(9,616,537)
Net Assets, beginning of year	32,027,997	95,709,060	206,408,578	334,145,635
Net Assets, end of year	$ 27,009,655	$ 87,854,851	$ 209,664,592	$ 324,529,098

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 22,547,913	$ (9,616,537)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	703,865	747,892
Provision for uncollectible promises to give	6,361,538	481,878
Net unrealized investment (gain) loss	(23,546,143)	8,744,658
Gain on sale of fixed asset	(559,688)	-
Changes in value of split-interest obligations	34,887	60,613
Contributions restricted for long-term investment	(11,103,009)	(7,115,981)
Net investment income restricted for long-term reinvestment	(4,445,786)	(2,221,377)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	3,213,992	2,252,502
Other assets	873,542	360,054
Increase (decrease) in:		
Accounts payable and other liabilities	(309,709)	(34,987)
Split-interest obligations	(86,765)	11,787
Due to Florida International University	(332,966)	385,284
Funds held for others	1,660,160	1,950,050
Due to FIU Athletics Finance Corporation	95,000	-
Deferred revenue	18,586	(1,245,700)
Total adjustments	(27,422,496)	4,376,673
Net cash used in operating activities	(4,874,583)	(5,239,864)
Cash Flows from Investing Activities		
Proceeds from sale of fixed asset	1,800,000	-
Purchases of property and equipment	(61,731)	(111,484)
Purchases of investments	(106,783,464)	(170,676,038)
Sales of investments	110,102,724	163,884,467
Net cash provided by (used in) investing activities	5,057,529	(6,903,055)
Cash Flows from Financing Activities		
Principal repayments on note payable	(785,000)	(745,000)
Payments on split-interest obligations	(84,000)	(84,000)
Proceeds from contributions restricted for long-term investment	11,103,009	7,115,981
Net investment income restricted for long-term reinvestment	4,445,786	2,221,377
Net cash provided by financing activities	14,679,795	8,508,358
Net Increase (Decrease) in Cash and Cash Equivalents	14,862,741	(3,634,561)
Cash and Cash Equivalents, beginning of year	8,338,074	11,972,635
Cash and Cash Equivalents, end of year	$ 23,200,815	$ 8,338,074
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 117,775	$ 101,667
Non-Cash Operating Activities		
In-kind donated capital asset	$ -	$ 68,500

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

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

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

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

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

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

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

Foundation Enterprise Holdings III, LLC ("FEH III") is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On June 14, 2013, FEH III was organized pursuant to a gift agreement with Mitchell Wolfson, Jr. which transferred the gift of real property located at 100 East Flagler Street (Floors 2, 8, and 9), Miami, Florida, for the benefit of the Wolfsonian-FIU. On October 14, 2016, FEH III closed on a Real Estate Purchase and Sale Contract to sell the property for a contract sales price of $1,800,000, which resulted in a gain of $559,688. The gain on sale of fixed asset is reflected on the consolidated statement of activities.

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

Foundation Enterprise Holdings IV, LLC ("FEH IV") is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On February 25, 2014, FEH IV purchased real property ("Islamorada Property") located at 85932 Overseas Highway, for the purpose of leasing to the University's College of Arts, Sciences and Education to serve as the staging area for the Aquarius Reef Base, an undersea research laboratory. A donor pledged a gift to be paid in five annual installments to support the acquisition of this property. On June 23, 2017, the Islamorada Property was transferred to the University's College of Arts, Sciences & Education (see Note 13).

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

(b) **Principles of consolidation**—The consolidated financial statements of the Foundation and its subsidiaries for the years ended June 30, 2017 and 2016, include the accounts of the Foundation, Wolfsonian, Inc., FEH I, FEH II, FEH III, and FEH IV, based on the Foundation's controlling economic interest in the five entities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The consolidated statements of activities include services received from University personnel and these services are measured at the cost recognized by the University. For the years ended June 30, 2017 and 2016, the contributed services total $1,050,859 and $897,826, respectively.

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

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

See Note 5 for a summary of the inputs used as of June 30, 2017 and 2016, in determining the fair value of the Foundation's investments.

(l) **Property and equipment**—Property and equipment are defined as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of 5 years and are recorded at historical cost. If contributed, the asset, with the exception of the collection of decorative and propaganda arts, is recorded at the fair value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions are recorded as unrestricted support. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years.

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

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

(m) **Deferred revenue**—Deferred revenue is comprised of unearned contributions and rental income. On May 13, 2016, the Foundation entered into a challenge gift agreement to receive matching contributions up to $1 million for the benefit of a Chair of Transition Studies in the Vaclav Havel Center for Human Rights and Diplomacy. As of June 30, 2017, the donor has made advanced matching funding payments to the Foundation in the amount of $150,000. Once the required matching donations are received, the Foundation will recognize contribution revenue.

During the fiscal year ended June 30, 2017, the Foundation received a prepaid lease payment in the amount of $118,586. The payment covers the rent for the next two fiscal years; rental income will be recognized as earned over the next two fiscal years.

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

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

(o) **Funds held for others**—In March 2016, the National Institutes of Health (NIH) awarded a grant in the amount of $9,500,000 to the University, with annual increments in the amount of $1,900,000 payable over five years in support of research in the area of minority health and health disparities. Pursuant to the terms of the grant, the NIH requires that the funds be held as an endowment for a period of at least 20 years. Thereafter, the funds may be used to support this research initiative. The University transferred the first installment of $1,900,000 in June of 2016 to the Foundation to be held as a term endowment. The University transferred the second installment of $1,710,000 in April of 2017. The endowment will be managed consistent with the Foundation's policies and procedures. In addition, the balance also includes funds deposited with the Foundation for management on behalf of a family foundation in the amount of $12,400 and $62,240 as of June 30, 2017 and 2016, respectively.

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

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

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. If the Foundation were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations from years prior to 2014.

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

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

The Foundation maintains certain investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. At June 30, 2017 and 2016, approximately $266,000,000 and $235,000,000 was held in these accounts, respectively. The Foundation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

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

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

In fiscal year 2017, the Foundation adopted the FASB Accounting Standards Update 2015-03, "*Interest – Imputation of Interest*", which requires bond issuance costs related to a note to be reported in the statement of net position as a direct deduction from the face amount of that note. The only effect of this change was to change the presentation of bond issuance costs, with no material impact on the Foundation's results of activities or financial condition upon adoption of the new standard.

(t) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2016 account balances have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net position.

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

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

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

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

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

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

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

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

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

(3) **Contributions Receivable:**

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

	2017	2016
Receivable in less than one year	$ 19,343,104	$ 17,878,122
Receivable in one to five years	38,937,634	53,759,597
Receivable in more than five years	24,822,973	12,964,919
	83,103,710	84,602,638
Less allowance for doubtful accounts	(5,766,926)	(1,134,046)
Less discount to present value	(7,263,368)	(3,819,646)
Contributions receivable, net	$ 70,073,417	$ 79,648,946

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

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

State match receivable

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

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

(4) **Investments:**

	As of June 30,	
	2017	**2016**
Domestic equities	$ 38,728,821	$ 39,897,818
Global equities	73,741,982	59,888,795
Real assets	10,422,138	13,168,406
Fixed income	32,907,800	30,565,183
Hedge funds	60,482,689	53,666,126
Private investments	33,016,918	31,887,137
Total investments	$ 249,300,348	$ 229,073,465

Total net investment income and net unrealized gains for the year ended June 30, 2017 totaled $6,002,785 and $23,546,143 respectively. Earnings applied to individual endowments for the year ended June 30, 2017 totaled $22,209,081. Total net investment income and net unrealized losses for the year ended June 30, 2016 totaled to a loss of $6,263,489 of which $3,993,652 was applied to individual endowments. Investment revenues are reported net of related expenses for custodial fees, investment management and incentive fees, mutual fund expenses, and investment consulting fees. Fees paid during the fiscal years ended June 30, 2017 and 2016, totaled $3,164,278 and $2,558,933, respectively. Investment consultant fees totaled $590,087 and $572,658 for 2017 and 2016, respectively.

(5) **Fair Value Measurements**:

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

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

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

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

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

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

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

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

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

The following tables set forth by levels, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2017 and 2016:

	Investments at Fair Value as of June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Fair Value Total**
Investments				
Domestic equities[1]	$ 2,635,129	$ -	$ -	$ 2,635,129
Domestic equities measure at net asset value[2]				36,093,692
Total domestic equities	2,635,129	-	-	38,728,821
Global equities[1]	22,538,944	-	-	22,538,944
Global equities measured at net asset value[2]				51,203,038
Total global equities	22,538,944	-	-	73,741,982
Fixed income[1]	27,987,677	-	-	27,987,677
Fixed income measured at net asset value[2]				4,920,123
Total fixed income	27,987,677	-	-	32,907,800
Real assets[1]	7,082,229	-	-	7,082,229
Real assets measured at net asset value[2]				3,339,909
Total real assets	7,082,229	-	-	10,422,138
Hedge funds measured at net asset value[2]				60,482,689
Private investments measured at net asset value[2]				33,016,918
Total investments at fair value	$ 60,243,979	$ -	$ -	$ 249,300,348

[1] Excludes investments measured at net asset value.

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

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

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

[1] Excludes investments measured at net asset value.

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

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

The following table discloses the nature and risk of investments for which fair value has been estimated using the net asset value per share (NAV) of the investments as a practical expedient as of June 30, 2017 and 2016:

	Investments Measured at Net Asset Value as of June 30, 2017			
	Total Fair Value	**Unfunded Commitments**	**Exit Frequency**	**Days Notice**
Equities				
Domestic equities (a)	$ 36,093,692	$ -	Monthly – Quarterly	5 – 45 days
Global equities (b)	42,254,571	-	Monthly – Quarterly	6 – 60 days
Emerging markets (c)	8,948,467	-	Monthly	7 – 30 days
Fixed income				
Domestic fixed income (d)	4,918,923	-	Daily	2 days
Global bonds (e)	1,200	-	Monthly	10 days
Real assets				
Natural resource equities (f)	3,339,909	-	Monthly	30 days
Hedge funds				
Fund of funds (g)	1,092,842	-	Quarterly	90 days
Long/short equity (h)	35,715,112	-	Quarterly – Every 3 Years *	30 – 180 days
Event driven/open mandate (i)	16,694,043	-	Quarterly – Annually*	30 – 90 days
Global macro (j)	6,980,692	-	Monthly	3 – 15 days
Private investments				
Private equity (k)	16,985,435	15,839,590	Illiquid	N/A
Venture capital (l)	16,031,483	3,494,428	Illiquid	N/A
	$ 189,056,369	$ 19,334,018		

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) **Property and Equipment:**

	2017	2016
Management and Research Center (MARC) Building	$ 13,325,539	$ 13,325,539
Construction in progress – MARC 1st Floor	61,731	-
Infrastructure & other improvements – MARC 5th Floor	2,570,980	2,570,980
FEH I Building	2,100,000	2,100,000
FEH II Building	3,007,000	3,007,000
FEH III Building	-	1,350,000
Furniture and equipment	926,465	926,465
	21,991,715	23,279,984
Less: Accumulated depreciation	(6,295,257)	(5,713,549)
Property and equipment, net	$ 15,696,458	$ 17,566,435

Depreciation expense was $691,395 and $735,422 for the years ended June 30, 2017 and 2016, respectively.

(7) **Other Assets:**

Other assets include the cash surrender value of life insurance policies in the amount of $220,849 and $889,047 at June 30, 2017 and 2016, respectively. The net benefit value of the underlying life insurance in force at June 30, 2017 and 2016, was approximately $5,534,543 and $7,394,543, respectively. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner.

Additionally, the Foundation received the final lease payment of $192,311 from the University's College of Arts, Sciences & Education in March 2017. The property was transferred to the University in June 2017.

(8) **Note Payable:**

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

The Bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see Note 13). The $13,000,000 original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on fifty percent of the original issue, $6,500,000, has been synthetically fixed at 4.63 percent through February 1, 2015, by way of an interest rate swap agreement with a commercial bank. The bond proceeds were used to acquire, construct and equip the multi-function support complex located on the University campus in Miami-Dade County and to pay issuance costs. As of June 30, 2017 and 2016, the outstanding principal balance due under this note payable amounted to $4,635,000 and $5,420,000, respectively. For the years ended June 30, 2017 and 2016, total interest incurred and paid was $117,775 and $101,667, respectively.

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

The bonds were repurchased by the Trustee under the SunTrust Bank letter of credit due to the diminishing ability to remarket the variable rate demand bonds in the public marketplace. On July 30, 2010, the commercial bank converted the variable rate demand bonds into a five year tax exempt qualified loan. After the initial 5 year period, the bank would have the right to require the Foundation to refinance the bank qualified loan or could agree to extend the maturity date for an additional five year period. The Foundation agrees to pay interest at a rate of 67% of one month LIBOR plus 1.68% (2.50% at June 30, 2017). The bond maturity date of May 1, 2022 remains unchanged. The Foundation paid $52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments and therefore, all remains unchanged.

(8) **Note Payable:** (Continued)

The aggregate maturities of the note payable as of June 30, 2017 are as follows:

For the Year Ending June 30	Amount
2018	$ 825,000
2019	865,000
2020	910,000
2021	960,000
2022	1,075,000
Total	$ 4,635,000

Issuance costs related to the tax-exempt bonds (Florida International University Foundation Project – Series 1999) issued by the Miami-Dade County Educational Facilities Authority are reflected in the following table. The issuance costs will be amortized over the term of the bonds which mature in 2022. The unamortized issuance costs are reflected as a reduction to note payable on the accompanying statements of financial position.

	2017	2016
Bond issuance costs	$ 230,985	$ 230,985
Less: Accumulated amortization	(170,743)	(158,274)
Bond issuance costs, net	$ 60,242	$ 72,711

Amortization expense was $12,469 and $12,470 for the years ended June 30, 2017 and 2016, respectively.

	2017	2016
Reconciliation of the Consolidated Statements of Net position to the Note payable, net:		
Notes payable	$ 4,635,000	$ 5,420,000
Bond issuance costs, net	(60,242)	(72,711)
Note payable, net	$ 4,574,758	$ 5,347,289

(9) **Split Interest Obligations:**

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

(9) **Split Interest Obligations:** (Continued)

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

In return for the transfer of the Property and assignment of the leases to the FEH I, the Foundation or FEH I agreed to satisfy the donor's obligation under the current mortgage of $386,000; pay the 2010 property taxes on the real estate; documentary stamp taxes and Miami–Dade County surtax in connection with closing; pay the donor an annual sum of $84,000 commencing on April 1, 2011 and continuing until the demise of the donor. The payment shall be paid by the Foundation in all events without regard to income or proceeds generated by the Property.

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

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

	Fixed Asset	Liability to Donor	Net
Life Annuity	$ 2,100,000	$ 648,626	$ 1,451,374

The Foundation has received, as of June 30, 2017 and 2016, $155,000 and $555,000, respectively, in gifts under charitable remainder annuity trust agreements. The Foundation recognized the contributions received as revenue during the period that the trust was established. The amount of the contribution was the fair value of the trust assets less the fair value of the estimated annuity payments to be paid annually over the expected life of the annuities. The Foundation recorded the present value of the annuities, as required by Florida Statute Section 627.481, as the liability of annuities payable totaling $97,511 and $184,276 at June 30, 2017 and 2016, respectively.

(10) **Temporarily and Permanently Restricted Net Assets:**

Temporarily restricted net assets of $101,704,424 and $87,854,851, which includes $27,688,946 and $13,281,171 of undistributed earnings related to endowment funds, at June 30, 2017 and 2016, respectively, represent gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. Temporarily restricted amounts also include earnings on permanently restricted endowments that have not yet been appropriated for expenditure by the Foundation.

(10) **Temporarily and Permanently Restricted Net Assets:** (Continued)

Permanently restricted net assets of $212,906,553 and $209,664,592 at June 30, 2017 and 2016, respectively, consisted of endowment funds. Investment income earned by endowment funds are available for spending based on the Foundation's spending policy. The spending rate is determined by the Foundation's Board at its annual meeting. The spending rate for years ending June 30, 2017 and 2016 was 6.0%, 4.0% to support donor-designated scholarships and programs and 2.0% for administrative fee. The spendable earnings are recorded as either temporarily restricted or unrestricted assets, as stipulated by the donor.

(11) **Contributions to University Building Program:**

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

During the years ended June 30, 2017 and 2016, the Foundation transferred $3,128,230 and $927,266 to support numerous construction projects, as follows:

	As of June 30,	
	2017	**2016**
Academic Health Learning Center	$ 230	$ -
Alumni Center Building	62,659	20,000
Art Museum Construction Fund	-	19,272
Baseball Stadium Expansion	20,000	-
CBA Building Complex	350	68,601
Chapel Initiative Construction	7,500	-
Football Stadium Expansion	30,025	-
HM BBC Dining Facility Building	-	734,262
Founders Park	25	-
Ruth Shepard Broad Auditorium	21	-
SIPA Bricks and Mortar Building	7,110	73,876
SIPA Phase II Building	3,000,000	-
Stocker Astrophysics Center Building	310	-
World for Tropical Botany	-	11,255
Total Contributions to University Building Program	$ 3,128,230	$ 927,266

(12) **Commitments and Contingencies:**

Loan Guarantees

In January of 2012, the Foundation board approved to guarantee the loan balance of the Graduate Association of Phi Gamma Delta Housing facility at Florida International University. This guarantee is expected to retire without being funded, and is not expected to significantly impact operations or future cash flows. The outstanding loan amount as of June 30, 2017 and 2016 was $152,888 and $257,435, respectively.

(13) **Related Party Transactions:**

On December 1, 1999, the Foundation entered into a ground lease agreement with the Board of Regents of the State University System of the State of Florida for and on behalf of the University. Under this agreement, the Foundation, as lessee, has leased the grounds on which the multi-functional support complex was built, as described in Note 8. The consideration required to be paid by the Foundation is $10 annually. The lease will expire on December 31, 2024 or the final payment date under the letter of credit agreement, as described in Note 8. Total amounts paid to the Foundation under this agreement were $1,689,602 and $1,692,276 for the years ended June 30, 2017 and 2016, respectively.

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

The lease expires on May 1, 2022 which is the date of maturity of the loan agreement. The cost of the leased asset is $13,325,539 and the net book value is $8,427,079 at June 30, 2017. Minimum future rentals as of June 30, 2017 are approximately as follows:

For the Year Ending June 30	Amount
2018	$ 1,418,000
2019	1,418,000
2020	1,418,000
2021	1,418,000
2022	1,418,000
Total	$ 7,090,000

FEH IV entered into a lease agreement with Florida International University Board of Trustees to lease the Islamorada Property, commencing March 1, 2014, to the University's College of Arts, Sciences & Education for an annual rent in the amount of $250,212 for five years beginning March 2015. The University's College of Arts, Sciences & Education made their final lease payment in March 2017. On June 23, 2017, the property was transferred to the University.

(14) **Endowments:**

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

Interpretation of Relevant Law

The Board of Directors of the endowment has interpreted the Florida Uniform Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.
As of June 30, 2017, endowment net assets consisted of the following:

	Temporarily Restricted*	Permanently Restricted	Total
Endowment net assets, July 1, 2016	$ 13,281,171	$ 209,664,592	$ 222,945,763
Endowment investment return:			
Interest, dividends and realized gains	4,421,006	-	4,421,006
Unrealized gains	17,788,075	-	17,788,075
Total endowment investment returns	22,209,081	-	22,209,081
Contributions and other revenues	1,716,650	5,262,250	6,978,900
Appropriation of endowment assets for expenditure	(7,144,954)	-	(7,144,954)
Appropriation for administrative fee	(2,373,002)	-	(2,373,002)
Provision for uncollectible promises to give	-	(2,127,281)	(2,127,281)
Replenishment of JMOF endowment	-	227,662	227,662
Donor directed release of restriction	-	(120,670)	(120,670)
Endowment net assets, June 30, 2017	$ 27,688,946	$ 212,906,553	$ 240,595,499

(14) **Endowments:** (Continued)

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

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

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

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

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

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

(14) **Endowments:** (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Spending distributions are dependent on the Foundation's investment returns and are therefore not guaranteed. If in any given year investment losses reduce the endowment's market value below original corpus, future spending distributions are contingent on first restoring the endowment to its original corpus, before any distribution is made for spending. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. As of June 30, 2017 and 2016, the amount included in the endowment's temporarily restricted balance and approved for future spending on program services was $7,144,954 and $6,856,171, respectively.

SUPPLEMENTAL INFORMATION

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)

Project Name	Program Services	General and Administrative	Fundraising	2017	2016
Academic Affairs	$ 830,975	$ -	$ 11,450	$ 842,425	$ 1,701,110
Administrative Reserve	-	120,787	-	120,787	67,067
Advancement operations	-	-	911,121	911,121	896,785
Athletics Fund - Golden Panthers	1,536,670	-	-	1,536,670	281,074
Banking fees	-	23,584	-	23,584	19,846
Business office operations	-	410,616	-	410,616	399,346
Capital Campaign	-	-	3,431,797	3,431,797	5,670,752
College of Communication, Architecture & the Arts	836,640	-	-	836,640	980,153
College of Arts, Sciences & Education	1,713,580	-	-	1,713,580	1,655,377
College of Business Administration	2,012,229	-	-	2,012,229	1,745,141
College of Engineering & Computing	1,840,634	-	-	1,840,634	1,246,931
College of Law	991,362	-	-	991,362	996,125
College of Medicine	5,975,492	-	-	5,975,492	4,068,887
College of Nursing & Health Sciences	903,421	-	-	903,421	900,846
Contributions to University Building Program	315,998	-	-	315,998	927,746
Depreciation & amortization	-	703,865	-	703,865	747,892
Division of Research	808,087	-	-	808,087	346,723
External Relations	28,194	-	-	28,194	26,448
FIU Alumni Association	197,665	-	210,751	408,416	468,730
FIU Libraries	82,163	-	-	82,163	67,423
FIU Vice President's allowance	-	9,728	-	9,728	12,460
Florida Board of Governor's assessment	-	36,151	-	36,151	36,165
Foundation Enterprise Holdings I, LLC	163,361	-	-	163,361	146,329
Foundation Enterprise Holdings II, LLC	56,498	-	-	56,498	54,261
Foundation Enterprise Holdings III, LLC	327,654	-	-	327,654	171,309
Foundation Enterprise Holdings IV, LLC	21,351	-	-	21,351	20,431
Frost Art Museum	421,011	-	-	421,011	346,651
General Reserve	-	2,820	-	2,820	22,070
Government Relations	84,338	-	-	84,338	-
Green School of International & Public Affairs	649,550	-	-	649,550	599,132
Honors College	99,709	-	-	99,709	89,028
Human Resources	25,568	-	-	25,568	18,197
Insurance	48,199	55,092	-	103,291	104,636
Interest	-	117,775	-	117,775	101,667
Office of Engagement	76,634	-	-	76,634	77,380
President's Allowance	-	79,760	-	79,760	80,692
President's compensation	-	628,416	-	628,416	634,252
President's Office	-	-	-	-	6,250
Professional fees	-	354,350	-	354,350	334,646
School of Computing & Information Sciences	409,261	-	-	409,261	342,498
School of Hospitality Management	1,142,474	-	-	1,142,474	991,754
Stempel School of Public Health	414,417	-	-	414,417	695,709
Student Access and Success	795,107	-	-	795,107	598,357
Student Affairs	164,617	-	-	164,617	97,594
University Advancement	20,703	-	-	20,703	94,289
University College	42,491	-	-	42,491	40,767
University Support	-	48,309	-	48,309	25,000
University Wide Scholarships and Programs	1,267,787	1,050,859	-	2,318,646	2,397,893
Utilities and Maintenance	-	304,930	-	304,930	304,590
Wolfsonian Museum	1,763,461	-	-	1,763,461	750,852
Wolfsonian, Inc. Expenses	-	20,675	-	20,675	59,383
Total Expenses	$ 26,067,301	$ 3,967,717	$ 4,565,119	$ 34,600,137	$ 32,468,644

See accompanying notes to consolidated financial statements.

COMPLIANCE REPORT

James Moore
Certified Public Accountants and Consultants

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Florida International University Foundation, Inc. and Subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of and for the year ended June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated October 20, 2017.

Internal Control over Financial Reporting

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/252-0209
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 20, 2017

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Agenda Item 3 **FF1-B**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 7, 2017

Subject: Florida International University Research Foundation Inc., Financial Audit, 2016-17

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Research Foundation, Inc. Financial Audit for the 2016-17 Fiscal Year and authorize the President of the Florida International University Research Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Research Foundation, Inc. Financial Audit for 2016-17 was approved by the Florida International University Research Foundation, Inc. Board of Directors on October 5, 2017, and the University President is recommending its acceptance.

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

Supporting Documentation: Florida International University Research Foundation, Inc. Financial Audit, 2016-17

Facilitator/Presenter: Kenneth A. Jessell

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

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
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JUNE 30, 2017 AND 2016

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida International University Research Foundation, Inc. (the Research Foundation), a direct support organization and component unit of Florida International University, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/252-0209
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Member of AGN International with offices in principal cities worldwide

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Research Foundation as of June 30, 2017 and 2016, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Blended Component Unit

The financial statements of the Florida International Research iWASH Initiative Limited (iWASH) are presented in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). iWASH is a blended component unit, is presented in the Research Foundation's financial statements, and has a December 31st year-end. iWASH is audited by other independent auditors. Since the iWASH year end and presentation is not compatible with the Research Foundation's presentation as it is presented under the international accounting standards and not in accordance with generally accepted accounting principles in the United States of America, the financial statements and notes related to iWASH are presented on separate pages 14 – 29 along with the respective Report of the Independent Auditors.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of the Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Research Foundation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 5, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Florida International University Research Foundation, Inc. (the "Research Foundation") for the fiscal years ended June 30, 2017 and 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto are the responsibility of management.

FINANCIAL HIGHLIGHTS

The Research Foundation's assets totaled $333,928 at June 30, 2017. This balance decreased by approximately $10,000, or 3.0% from the 2016 fiscal year, entirely resulting from a decrease in cash. While assets decreased, liabilities also decreased by approximately $59,000, or 22.6%. As a result, the Research Foundation's net position increased by approximately $49,000 reaching a year-end balance of $131,095.

The Research Foundation had operating revenues of $10,000 for the 2017 fiscal year. Transfers from Florida International University (FIU) totaled approximately $59,000 for the 2017 fiscal year. Operating expenses totaled approximately $21,000 for the 2017 fiscal year, representing an increase of 1.6% over the 2016 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

The Statements of Net Position

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

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

Condensed Statements of Net Position at June 30

	2017	2016	2015
Assets			
Current assets	$ 333,928	$ 344,311	$ 150,584
Total assets	333,928	344,311	150,584
Liabilities			
Current liabilities	192,833	262,056	75,674
Noncurrent liabilities	10,000	-	-
Total liabilities	202,833	262,056	75,674
Net position			
Unrestricted	131,095	82,255	74,910
Total net position	$ 131,095	$ 82,255	$ 74,910

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

In summary, total assets decreased by approximately $10,000, or 3.0%, while total liabilities decreased by approximately $59,000, or 22.6%. As a result, the net position balance at June 30, 2017, had a favorable increase of approximately $49,000, or 59.4%.

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

The Statements of Revenues, Expenses and Changes in Net Position

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

The following summarizes the Research Foundation's activity for the 2017, 2016, and 2015 fiscal years:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2017	2016	2015
Operating revenues	$ 10,000	$ -	$ -
Operating expenses	20,645	20,313	269,174
Operating loss	(10,645)	(20,313)	(269,174)
Transfers from Florida International University	59,485	27,658	123,000
Changes in net position	48,840	7,345	(146,174)
Net position - beginning of year	82,255	74,910	221,084
Net position - end of year	$ 131,095	$ 82,255	$ 74,910

Operating Revenues

The Research Foundation categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value. The Research Foundation has operating revenues of $10,000 for the current year, related to the development of a transit stop inventory system. There were no operating revenues in the prior year. The Research Foundation will recognize a total of $20,000 of unearned revenue in subsequent accounting periods. See Note 4 for additional information.

	2017	2016	2015
Operating revenues	$ 10,000	$ -	$ -
Total operating revenues	$ 10,000	$ -	$ -

Operating Expenses

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

The following summarizes the operating expenses by natural classifications for the 2017, 2016, and 2015 fiscal years:

Operating Expenses

	2017	2016	2015
Audit and tax fees	$ 15,600	$ 19,600	$ 18,534
Professional services	4,306	-	250,000
Other operating expenses	739	713	640
Total operating expenses	$ 20,645	$ 20,313	$ 269,174

Operating expenses totaled approximately $21,000 for the 2017 fiscal year. This represents a 1.6% increase over the 2016 fiscal year.

TRANSFERS

As in prior years, the University transferred funds to the Research Foundation to support its operating expenses. Transfers for the June 30, 2017 fiscal year totaled approximately $59,000 versus $28,000 for the June 30, 2016 fiscal year.

BLENDED COMPONENT UNIT

Florida International Research iWASH Initiative Limited

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

In January 2010, Florida International University received a cooperative agreement funding award to support the Tanzania Integrated Water, Sanitation and Hygiene Program (iWASH). The Company was established in Tanzania by the Florida International University Research Foundation, Inc. in order to implement the iWASH program in Tanzania. The funding is obligated under the USAID Strategic Assistance Objective #13 "Biodiversity Conserved in Targeted Landscapes through Livelihood Driven Approaches," and is under the bilateral Economic and Technical Cooperation Agreement signed between the Government of the United Republic of Tanzania and the Government of the United States of America. Current funding is for the period January 1, 2010 through February 29, 2016. The Company has a December 31 year end. For additional information on this component unit, see the blended component unit section in Note 1 of the financial statements on page 11.

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

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

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

- Over 200,000 people obtained improved access to water for drinking and productive purposes through new or rehabilitated wells, gravity schemes, or deep borehole schemes. This was achieved through implementation of a 'demand driven approach' working with a network of likeminded local implementing partners.
- At least 3,700 household benefited from the productive use of water, increasing their economic or livelihood resilience to climate variability. This was achieved through implementation of the 'Multiple Use Services' (MUS) approach.
- Over 250,000 people were sensitized on sanitation and hygiene, and more than 28,000 school children and their teachers gained access to improved sanitation, and at least 11,400 people gained access to improved household sanitation through ~ 2,280 new or improved household latrines.
- Nearly 100 small-scale private sector iWASH providers received training through iWASH and the implementing partners and are actively providing iWASH products and services on a commercial basis (including Rope Pumps and hand drilling services).
- Over 1000 people in basins, local government, and communities have been trained on water resources management (WRM) and 30 professionals were supported to obtain Master's degrees in WRM related subjects. Also, a diverse range of research and studies have increased understanding of water resources within the Wami Ruvu Basin, and elsewhere.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

REQUESTS FOR INFORMATION

This financial statement is designed to provide a general overview of the Research Foundation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Florida International University Research Foundation, Inc., 11200 S.W. 8th Street, MARC Building 5th Floor, Miami, Florida 33199.

BASIC FINANCIAL STATEMENTS

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current assets		
Cash	$ 333,928	$ 344,311
LIABILITIES		
Current liabilities		
Accounts payable	2,000	4,000
Due to Florida International University	180,833	258,056
Unearned revenues	10,000	-
Total current liabilities	192,833	262,056
Noncurrent liabilities		
Unearned revenues	10,000	-
Total noncurrent liabilities	10,000	-
Total Liabilities	202,833	262,056
NET POSITION		
Net position		
Unrestricted	$ 131,095	$ 82,255

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

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
Operating revenues	$ 10,000	$ -
Operating expenses		
Audit and tax fees	15,600	19,600
Professional services	4,306	-
Other operating expenses	739	713
Total operating expenses	20,645	20,313
Operating loss	(10,645)	(20,313)
Transfers from Florida International University	59,485	27,658
Change in net position	48,840	7,345
Net position, beginning of year	82,255	74,910
Net position, end of year	$ 131,095	$ 82,255

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

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Receipts from Florida International University	$ -	$ 184,382
Cash paid to Florida International University	(77,223)	-
Other receipts	30,000	-
Cash used in program activities	(22,645)	(18,313)
Net cash provided by (used in) operating activities	(69,868)	166,069
Cash flows from non-capital and related financing activities		
Transfers from Florida International University	59,485	27,658
Net increase (decrease) in cash	(10,383)	193,727
Cash, beginning of year	344,311	150,584
Cash, end of year	$ 333,928	$ 344,311
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	$ (10,645)	$ (20,313)
Change in assets and liabilities:		
Increase (decrease) in accounts payable	(2,000)	2,000
Increase in unearned revenue	20,000	-
Increase (decrease) in due to Florida International University	(77,223)	184,382
Net cash provided by (used in) operating activities	$ (69,868)	$ 166,069

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

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(1) Summary of Significant Accounting Policies:

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

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

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

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

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

The financial statements of iWASH presented are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB). The iWASH board consists of two members, one of whom is authorized as the Research Foundation's representative at any meeting of iWASH and is entitled to exercise the same powers on behalf of iWASH as if it were an individual member present at the meeting including power to vote. iWASH is fiscally dependent on the Research Foundation. Accordingly, iWASH is a blended component unit and is presented in the Research Foundation's financial statements. iWASH has a December 31 year-end and it is presented under IFRS. The Research Foundation has a June 30 year-end and is presented in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. As a result of these reporting differences, the financial statements and notes related to iWASH are presented separately. Complete financial statements for iWASH can be obtained by writing to: Controller, Florida International University Research Foundation, Inc., 11200 S.W. 8th Street, MARC Building 5th Floor, Miami, FL 33199.

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

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

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

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

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

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

(g) **Income taxes**—The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such are subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the years ended June 30, 2017 and 2016.

The application of GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2017 and 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in

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

progress. The Research Foundation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. Management believes the Organization is no longer subject to income tax examinations for years prior to 2014.

(h) **Transfers**—For the years ended June 30, 2017 and 2016, transfers from the University to support the operating expenses of the Research Foundation totaled $59,485 and $27,658, respectively.

(2) **Deposits:**

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

CONCENTRATIONS OF CREDIT RISK FOR CASH

The Organization has a bank account in Burkina Faso, West Africa to support the operations pertaining to the West Africa Water Supply, Sanitation and Hygiene (WA-WASH) Program under a U.S. Agency for International Development (USAID) grant. The balance in this account of $182,224 and $118,362 as of June 30, 2017 and 2016, respectively, is not FDIC insured and is subject to foreign currency exchange risk. The Research Foundation maintains its cash balances with high quality financial institutions, which the Research Foundation believes limits these risks.

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

The amount Due to Florida International University of $180,833 and $258,056 as of June 30, 2017 and 2016, respectively, represents funds that were sent to Burkina Faso related to grant operations. This liability will be reduced as vendors are paid in Burkina Faso. The funds for grant operations in Burkina Faso are repaid directly to the University from the grantor.

(4) **Unearned Revenues:**

The Florida International University (University) entered into an agreement to furnish a bus stop management system to Research Triangle Regional Public Transportation Authority. The system to be used is the Automated Transit Stop Inventory Model (ATSIM), a transit stop inventory system developed by University researchers and being managed by the Research Foundation. The agreement will be for a term of 3 years beginning October 15, 2015 through June 30, 2018 with the option to renew the contract for two (2) additional one (1) year periods, unless terminated earlier. The University and the Research Foundation have entered into a Royalty Sharing Agreement beginning November 2016. The total revenue on the agreement is $30,000 over the course of the 3 years. As of June 30, 2017, the Research Foundation reported $20,000 as unearned revenue related to the subsequent accounting periods.

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH iWASH INITIATIVE LIMITED

KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P O Box 1160
Dar es Salaam, Tanzania

Telephone +255 22 2600330
Fax +255 22 2600490
Email info@kpmg.co.tz
Internet www.kpmg.com/eastafrica

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Florida International Research iWASH Initiative Limited ("the Company"), set out on pages 10 to 20 which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

The memorandum column representing the results in Tanzania Shillings (TZS) do not form part of the audited financial statement.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Florida International Research IWASH Initiative Limited as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' report as required by the Companies Act, 2002, Corporate Information, the Statement of directors' responsibilities and the Declaration of the Head of finance/accounting. The other information does not include the financial statements and our auditors' report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002, and for such internal control as directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors are responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intends to liquidate the or to cease operations, or has no realistic alternative but to do so.

KPMG

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

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.
Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

KPMG
Certified Public Accountants (T)

Signed by: CPA M. Salim Bashir (TACPA 612)
Dar es Salaam

8 August 2017

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FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2016

	2016	2015
Assets		
Non Current Assets		
Property and equipment	$ -	$ 2,892
Current Assets		
Cash and cash equivalents	40,749	46,332
Total Assets	$ 40,749	$ 49,224
Equity and Liabilities		
Fund Accounts		
Retained earnings	$ -	$ -
Long Term Liabilities		
Capital grant	-	-
Current Liabilities		
Capital grant - current portion	-	2,892
Deferred grant	40,749	46,332
Total Current Liabilities	40,749	49,224
Total Equity and Liabilities	$ 40,749	$ 49,224

FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Statement of Comprehensive Income		
Income		
Grant income	$ 110,190	$ 403,046
Amortization of capital grant	2,892	1,444
Total Income	113,082	404,490
Expenditure		
Operating expenditure	(113,082)	404,490
Operating Surplus	-	-
Other Comprehensive Income (Net Taxes)	-	-
Total Comprehensive Income	$ -	$ -

Statement of Changes in Equity

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

FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Cash Flow (Used in) from Operating Activities		
Operating surplus	$ -	$ -
Depreciation	241	1,444
Loss on Disposal	2,651	-
Amortization of capital grant	(2,892)	(1,444)
Net Cash Flow from Operating Activities	-	-
Cash Flow from Financing Activities		
Capital grant received	-	-
Movement in deferred grant	(5,583)	(11,758)
Cash Flow from Financing Activities	(5,583)	(11,758)
Net Decrease in Cash and Cash Equivalents	(5,583)	(11,758)
Cash and Cash Equivalents - Beginning of Period	46,332	58,090
Cash and Cash Equivalents - End of Period	$ 40,749	$ 46,332

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Florida International Research iWASH Initiative Limited (the Company) is an Organization domiciled in Tanzania. The financial statements of the Company are for the period ended December 31, 2016.

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

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

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

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

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

During the year, property and equipment were disposed of since the iWASH Program came to an end. The parent company, Florida International University Research Foundation, Inc. has expressed its willingness to provide financial support to meet its obligations for the next 12 months from the date of the financial statements or until the Company has been liquidated or otherwise dissolved, whichever comes first.

Accordingly, the financial statements have been prepared on the basis of accounting policies applicable to going concern.

EMPLOYEE BENEFITS

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

REVENUE RECOGNITION

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

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

PROPERTY AND EQUIPMENT

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

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

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

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

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

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

New Standard or Amendments	**Effective for annual periods beginning on or after**
Disclosure Initiative (Amendments to IAS 7)	January 1, 2017
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	January 1, 2017
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 9 Financial Instruments (2014)	January 1, 2018
IFRS 16 Leases	January 1, 2019

All Standards and Interpretations will be adopted at their effective date except for those Standards and Interpretations that are not applicable to the Company. The directors are in the process of assessing the impact of these new standards; some of which have significant impact on the Company.

- **Disclosure initiative (Amendments to IAS 7)**

  The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The amendments apply for annual periods beginning on or after January 1, 2017 and early application is permitted.

- **Recognition of deferred tax assets for unrealized losses (Amendments to IAS 12)**

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether or not a deferred tax asset can be recognized.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealized losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after January 1, 2017 and early application is permitted.

- **IFRS 15 Revenue from contracts with customers**

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The new Standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognized and the amount of revenue recognized. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ended December 31, 2017 financial statements.

The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- **IFRS 9 Financial Instruments**

On July 24, 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This Standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortized cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different.

The Standard is effective for annual periods beginning on or after January 1, 2018 with retrospective application with early adoption permitted.

- **IFRS 16 Leases**

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related interpretations. IFRS 16 has one model for lessees, which will result in almost all leases being included on the Statement of Financial Position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in United States of American Dollars (USD) which is the Company's functional currency. The unaudited memorandum columns are presented in thousands of Tanzanian Shillings (TZS '000). The exchange rates used to translate USD figures into TZS memorandum were as follows:

- Assets and liabilities were translated at the closing rate at the reporting date of TZS 2, 177/USD;
- Income and expenses were translated using an average exchange rate for the year of TZS 2, 172/USD;
- All resulting exchange differences are being recognized in other comprehensive income.

COMPARATIVES

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

NOTE 2 – DEFERRED GRANT

	2016	2015
Opening Balance	$ 46,332	$ 58,090
Receipts for the period	101,285	394,935
Grant income release (see Note 3 below)	(110,190)	(403,046)
Exchange difference	3,322	(3,647)
Balance at December 31	$ 40,749	$ 46,332

NOTE 3 – OPERATING EXPENDITURES

	2016	2015
NRA-Salaries and consultants (non US personnel)	$ 62,960	$ 239,752
Printing, copy card, Xerox and reproduction	14,355	411
Per Diem Foreign	10,206	-
Foreign Travel	10,122	66,044
Maintenance Contracts	5,873	18,503
Gasoline & diesel	1,843	15,758
Other motor fuel supplies	1,691	5,648
Security Services	1,257	6,440
Rent of buildings	775	5,484
Legal Services	500	1,200
Communications charges	333	2,336
Office supplies	326	4,061
Bank fees	244	885
Airfare - foreign	210	2,969
Cellular phones	146	1,618
Other materials and supplies	42	376
Miscellaneous	22	389
Rent expenses	-	3,822
Courier/freight	-	123
Furniture & Equipment <$5000 (is under $5,000 not over)	-	1,130
Stipend	-	446
Professional fees	-	15,816
Food products	-	8,292
Auto insurance	(715)	1,543
Total Operating Expenses	110,190	403,046
Loss on disposal	2,651	-
Depreciation	241	1,444
Total Operating Expenditures	$ 113,082	$ 404,490

NOTE 4 – PROPERTY AND EQUIPMENT

	Office Equipment	Motor Vehicles	Office Furniture and Fittings	Computer Accessories	Total
Cost					
At January 1, 2015	$ 2,465	$ 203,110	$ 9,091	$ 23,333	$ 237,999
Additions	-	-	-	-	-
Disposals	-				
Translation difference	-	-	-	-	-
At December 31, 2015	2,465	203,110	9,091	23,333	237,999
At January 1, 2016	2,465	203,110	9,091	23,333	237,999
Additions	-	-	-	-	-
Disposals	(2,465)	(203,110)	(9,091)	(23,333)	(237,999)
Translation difference	-	-	-	-	-
At December 31, 2016	-	-	-	-	-
Depreciation					
At January 1, 2015	1,540	203,110	5,680	23,333	233,663
Charge for the year	308	-	1,136	-	1,444
Eliminated on disposal	-	-	-	-	-
Translation difference	-	-	-	-	-
At December 31, 2015	1,848	203,110	6,816	23,333	235,107
At January 1, 2016	1,848	203,110	6,816	23,333	235,107
Charge for the year	51	-	190	-	241
Eliminated on disposal	(1,899)	(203,110)	(7,006)	(23,333)	(235,348)
Translation difference	-	-	-	-	-
At December 31, 2016	-	-	-	-	-
Carrying Amount at					
December 31, 2015	$ 617	$ -	$ 2,275	$ -	$ 2,892
December 31, 2016	$ -	$ -	$ -	$ -	$ -

NOTE 5 – CASH AND CASH EQUIVALENTS

	2016	2015
USD Account 6002092	$ 34,720	$ 37,682
TZS Account 6000200	6,029	8,650
	$ 40,749	$ 46,332

NOTE 6 – CAPITAL GRANTS MOVEMENT

	2016	2015
Balance at January 1	$ 2,892	$ 4,336
Amortization of capital grants	(2,892)	(1,444)
Balance at December 31	$ -	$ 2,892
Current portion	-	2,892
Total	$ -	$ 2,892

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

NOTE 7 – RELATED PARTY TRANSACTIONS

The Research Foundation is the significant member of the Company and only related party for the year ended December 31, 2016.

All funding to the Company is provided by the Research Foundation. The total grant income received by the Company from the Research Foundation during the year ended December 31, 2016 was $101,285 and $394,935 for the year ended December 31, 2015.

NOTE 8 – TAXES

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

NOTE 9 – FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments are comprised of cash and payables. These financial instruments arise directly from the Company's operations. The Company has not traded in financial instruments throughout the year ended December 31, 2016.

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

LIQUIDITY RISK

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

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

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

MARKET RISK

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

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

INTEREST RATE RISK

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

NOTE 9 – FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK

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

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

FOREIGN CURRENCY RISK

The Company is exposed to currency risk on bank balances, which are denominated in other than the US dollar.

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

FAIR VALUES

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

NOTE 10 – SUBSEQUENT EVENTS

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

NOTE 11 – CONTINGENT LIABILITIES AND OTHER COMMITMENTS

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

NOTE 12 – ULTIMATE HOLDING ENTITY

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

REPORTING SECTION

James Moore
Certified Public Accountants and Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida International University Research Foundation, Inc. (the Research Foundation), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control Over Financial Reporting

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/252-0209
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 5, 2017

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Agenda Item 3 **FF1-C**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 7, 2017

Subject: Florida International University Athletics Finance Corporation Financial Audit, 2016-17

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Athletics Finance Corporation Financial Audit for the 2016-17 Fiscal Year and authorize the Treasurer of the Florida International University Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Athletics Finance Corporation Financial Audit for 2016-17 was approved by the Florida International University Athletics Finance Corporation Board of Directors on October 18, 2017, and the University President is recommending its acceptance.

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

Supporting Documentation:	Florida International University Athletics Finance Corporation, Financial Audit, 2016-17
Facilitator/Presenter:	Kenneth A. Jessell

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
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JUNE 30, 2017 AND 2016

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
FIU Athletics Finance Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

121 Executive Circle
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dab@jmco.com

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gnv@jmco.com

2477 Tim Gamble Place, Suite 200
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Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the FIU Athletics Finance Corporation (the Athletics Finance Corporation) for the fiscal years ended June 30, 2017 and 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto are the responsibility of management.

OVERVIEW OF FINANCIAL STATEMENTS

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

THE STATEMENTS OF NET POSITION

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

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

Statements of Net Position

	June 30,		
	2017	2016	2015
Assets			
Current assets	$ 2,873,015	$ 3,206,542	$ 3,578,449
Noncurrent assets	22,237,286	24,465,488	25,748,281
Total Assets	25,110,301	27,672,030	29,326,730
Deferred Outflow of Resources	2,503,057	3,989,674	2,732,791
Liabilities			
Current liabilities	1,802,376	1,425,916	1,170,705
Noncurrent liabilities	33,234,086	35,980,459	35,884,236
Total Liabilities	35,036,462	37,406,375	37,054,941
Total Net Position	$ (7,423,104)	$ (5,744,671)	$ (4,995,420)

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

Total assets were $25,110,301 as of June 30, 2017. This balance reflects a decrease of approximately $2,562,000 or 9.3% and $1,655,000 or 5.6%, compared to June 30, 2016 and 2015, respectively. Total liabilities were $35,036,462 as of June 30, 2017. This balance reflects a decrease of approximately $2,370,000 or 6.3% and an increase of approximately $351,000 or 1.0%, compared to June 30, 2016 and 2015, respectively. As a result, the net position decreased by approximately $1,678,000 or 29.2% and $749,000 or 15.0% at June 30, 2017 and 2016, respectively.

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

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

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

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

Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2017	2016	2015
Operating revenues	$ 4,030,559	$ 3,524,461	$ 3,781,020
Operating expenses	2,421,095	2,252,946	2,457,568
Operating Income	1,609,464	1,271,515	1,323,452
Net non-operating expenses	(1,448,942)	(1,270,766)	(1,374,800)
Transfers to Florida International University	1,838,955	750,000	370,000
Change in Net Position	(1,678,433)	(749,251)	(421,348)
Net Position - beginning of year	(5,744,671)	(4,995,420)	(4,574,072)
Net Position - end of year	$ (7,423,104)	$ (5,744,671)	$ (4,995,420)

The statements of revenues, expenses, and changes in net position reflect higher operating revenues, operating expenses and net non-operating expenses.

Operating Revenues

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

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

Operating Revenues

	June 30,		
	2017	2016	2015
Athletic support	$ 1,000,000	$ 870,000	$ 870,000
Ticket sales	723,901	607,890	693,134
NCAA and conference payments	700,000	600,000	600,000
Other operating revenues	398,913	375,059	384,587
Rental income	331,696	493,670	418,734
Suite revenues	303,640	402,950	494,240
Stadium naming rights	261,100	86,100	86,100
Event revenues	216,309	88,792	-
Contributions	95,000	-	234,225
Total Operating Revenues	$ 4,030,559	$ 3,524,461	$ 3,781,020

Operating revenues were $4,030,559 for the fiscal year ended June 30, 2017, representing a 14.4% increase and a 6.8% decrease over the June 30, 2016 and 2015 fiscal year, respectively. This was mainly due to an increase in athletics support, stadium naming rights and event revenues totaling approximately $433,000 in the current year.

Operating Expenses

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

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

Operating Expenses

	June 30, 2017	June 30, 2016	June 30, 2015
Amortization of prepaid rent	$ 1,304,083	$ 1,304,083	$ 1,304,083
Gameday/Event day contractors and repairs	786,901	692,203	899,181
Other operating expenses	170,501	135,685	126,996
Utilities	159,610	120,975	127,308
Total Operating Expenses	$ 2,421,095	$ 2,252,946	$ 2,457,568

Operating expenses were $2,421,095 for the fiscal year ended June 30, 2017, representing a 7.5% increase and an 8.3% decrease over the June 30, 2016 and 2015 fiscal year, respectively. In the 2016/2017 football season, there were 7 home games versus 5 home games in the 2015/2016 football season. The increase in home games resulted in an increase in Gameday contractor expenses year over year.

Non-Operating Revenues and Expenses

Non-operating expenses consist of interest expense, bond modification charges, and unrealized loss on investments. The following summarizes the Athletics Finance Corporation's non-operating revenues and expenses for the fiscal years ended June 30:

Non-operating Revenues (Expenses)

	June 30, 2017	June 30, 2016	June 30, 2015
Interest income	$ 8,506	$ 69,426	$ 1,295
Interest expense and fiscal charges	(1,292,498)	(1,340,192)	(1,342,489)
Bond modification charges	(164,950)	-	-
Unrealized loss on investments	-	-	(33,606)
Net Non-operating Revenues (Expenses)	$ (1,448,942)	$ (1,270,766)	$ (1,374,800)

Non-operating expenses were $1,448,942 for the fiscal year ended June 30, 2017, an increase of 14.0% and a decrease of 7.6% over the June 30, 2016 and 2015 fiscal year, respectively.

TRANSFERS TO FLORIDA INTERNATIONAL UNIVERSITY

Transfers to Florida International University represent approximately $1,839,000 in the statements of revenues, expenses and changes in net position for the fiscal year ended June 30, 2017. The transfers were attributable to surplus funds and Series B sinking funds transferred back to Florida International University. During the fiscal year ended June 30, 2016 and 2015, transfers to Florida International University represented $750,000 and $370,000, respectively.

DEBT ADMINISTRATION

As of June 30, 2017, the Athletics Finance Corporation had $29,740,000 in outstanding bonds payable, representing a decrease of approximately $979,000 or 3.2% and $697,000 or 2.2%, compared to fiscal year ended June 30, 2016 and 2015, respectively.

On December 21, 2016, the Athletics Finance Corporation entered into four amendments to the trust indenture between Miami-Dade Authority and the Trustee which authorized the reissuance of the Series 2009A Bonds through the issuance of four separate series of bonds.

Additional information about the Athletics Finance Corporation's bond payable is presented in notes 5 and 6 to the financial statements on pages 15-18.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current assets		
Cash	$ 35,697	$ 19,575
Investments	742,744	1,637,743
Suites and ticket sales receivable	562,644	155,440
Due from Florida International University	131,354	89,659
Due from FIU Foundation	95,000	-
Prepaid rent and other	1,305,576	1,304,125
Total current assets	2,873,015	3,206,542
Noncurrent assets		
Restricted cash and cash equivalents	-	1,018,792
Restricted investments	2,693,462	2,690,039
Prepaid rent	19,452,574	20,756,657
Leasehold improvement, net	91,250	-
Total noncurrent assets	22,237,286	24,465,488
Total Assets	25,110,301	27,672,030
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	2,266,536	3,729,734
Deferred amount on debt refundings	236,521	259,940
Total deferred outflows of resources	2,503,057	3,989,674
LIABILITIES		
Current liabilities		
Accounts payable	179,714	39,474
Accrued interest payable	110,617	118,068
Due to Florida International University	62,945	5,725
Bonds payable	1,150,000	1,090,035
Unearned revenue	299,100	172,614
Total current liabilities	1,802,376	1,425,916
Noncurrent liabilities		
Due to Florida International University	852,241	1,000,000
Derivative liability	3,791,845	5,351,887
Bonds payable	28,590,000	29,628,572
Total noncurrent liabilities	33,234,086	35,980,459
Total Liabilities	35,036,462	37,406,375
NET POSITION		
Total Net Position - Unrestricted	$ (7,423,104)	$ (5,744,671)

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating revenues		
Athletic support	$ 1,000,000	$ 870,000
Ticket sales	723,901	607,890
NCAA and conference payments	700,000	600,000
Rental income	331,696	493,670
Suite revenues	303,640	402,950
Sponsorship revenues	300,000	260,000
Stadium naming rights	261,100	86,100
Event revenues	216,309	88,792
Contributions	95,000	-
General concessions and vending commissions	58,580	78,455
Merchandise royalties	40,333	36,604
Total operating revenues	4,030,559	3,524,461
Operating expenses		
Amortization of prepaid rent	1,304,083	1,304,083
Gameday contractors	482,467	306,597
Utilities	159,610	120,975
Repairs and maintenance	155,227	109,103
Event day contractors	149,207	276,503
Materials and supplies	96,875	73,785
Audit and tax professional fees	22,100	24,100
Depreciation	18,250	-
Banking fees	17,736	20,661
Other operating expenses	15,540	17,139
Total operating expenses	2,421,095	2,252,946
Operating income	1,609,464	1,271,515
Nonoperating revenues (expenses)		
Interest income	8,506	69,426
Interest expenses and fiscal charges	(1,292,498)	(1,340,192)
Bond modification charges	(164,950)	-
Total nonoperating revenues (expenses)	(1,448,942)	(1,270,766)
Transfers to Florida International University	1,838,955	750,000
Decrease in net position	(1,678,433)	(749,251)
Net position, beginning of year	(5,744,671)	(4,995,420)
Net position, end of year	$ (7,423,104)	$ (5,744,671)

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Operating receipts	$ 3,613,147	$ 3,502,959
Payments to vendors	(901,303)	(915,700)
Net cash provided by operating activities	2,711,844	2,587,259
Cash flows from capital and related financing activities		
Payments and transfers to Florida International University	(1,986,714)	(750,000)
Purchase of leasehold improvement	(109,500)	-
Principal payments on bonds	(978,608)	(697,270)
Payment of bond modification charges	(164,950)	-
Interest paid	(1,373,373)	(1,410,507)
Net cash used in capital and related financing activities	(4,613,145)	(2,857,777)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	7,812,984	7,013,611
Purchase of investments	(6,921,409)	(6,851,441)
Interest income received	7,056	69,419
Net cash provided by (used in) investing activities	898,631	231,589
Net decrease in cash and cash equivalents	(1,002,670)	(38,929)
Cash and cash equivalents, beginning of year	1,038,367	1,077,296
Cash and cash equivalents, end of year	$ 35,697	$ 1,038,367
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,609,464	$ 1,271,515
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	18,250	-
Change in assets and liabilities:		
(Increase) decrease in:		
Suites and ticket sales receivable	(407,204)	112,460
Prepaid rent and other	1,304,083	1,304,083
Due from Florida International University	(41,695)	37,065
Due from FIU Foundation	(95,000)	-
Increase (decrease) in:		
Accounts payable	140,240	27,438
Unearned revenue	126,486	(171,027)
Due to Florida International University	57,220	5,725
Total adjustments	1,102,380	1,315,744
Net cash provided by operating activities	$ 2,711,844	$ 2,587,259
Non-cash investing and financing activities		
Change in fair value derivative liability	$ 1,463,198	$ (1,283,103)
Change in deferred amount on debt refundings	$ 23,419	$ 26,220
Amortization of derivative liability	$ 96,845	$ 96,846
Cash and cash equivalents are presented on the Statements of Net Position as:		
Cash	$ 35,697	$ 19,575
Restricted cash and cash equivalents	-	1,018,792
	$ 35,697	$ 1,038,367

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(1) Summary of Significant Accounting Policies:

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

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

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

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

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

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

(d) **Cash and cash equivalents—**Amounts reported as cash and cash equivalents consist of cash on hand, cash held by a trust institution and invested in money market funds, and investments with original maturities of three months or less. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

(e) **Investments**—Amounts reported as investments consist of investments in money market funds. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, money market funds are recorded at amortized cost, which is generally equivalent to fair value, and are not categorized in the fair value hierarchy. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

(f) **Derivative financial instruments and fair value measurements—**The Athletics Finance Corporation entered into an interest rate swap agreement to reduce its exposure to market risks from changing interest rates. For interest rate swaps, the differential to be paid or received is accrued and recognized in interest expense and may change as market interest rates change. The fair value of the derivative liability is presented in the statements of net position. The Organization uses the synthetic instrument method to evaluate the effectiveness as of the end of the reporting period. The Organization determined the interest rate swap met the criteria as an effective hedging transaction. Therefore, the change in the fair value in the effective interest rate swap is presented in the statements of net position as a hedging derivative in deferred outflows of resources. The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 6 for additional information on the interest rate swap.

(g) **Income taxes**—The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such is subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the years ended June 30, 2017 and 2016.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Athletics Finance Corporation’s income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. Management believes the Organization is no longer subject to income tax examinations for years prior to 2014.

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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

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

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

(k) **Leasehold improvements**—These assets are capitalized and recorded at historical cost at the date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life (5 years).

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

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

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

(b) **Investments**—In addition, the Athletics Finance Corporation maintains investment accounts with financial institutions that are not insured by the FDIC. Fund shares are not guaranteed by the U.S. government. Current and future portfolio holdings are subject to risk.

At June 30, 2017 and 2016, $3,436,206 and $4,327,782, respectively, were held in these accounts. The Athletics Finance Corporation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(3) **Investments:**

Investments are made in accordance with the trust indenture. The Organization invests in the Fidelity Institutional Money Market Government Portfolio – Class III Fund (Fidelity Money Market Fund). This is a money market fund seeking to provide current income consistent with stability of principal by investing in a portfolio of short-term, U.S. treasury and government securities. These investments include repurchase agreements collateralized fully by U.S Treasury and government securities. The Fund limits its investment to those that would enable it to qualify as a permissible investment for federally

(3) **Investments:** (Continued)

chartered credit unions. Investments are made in accordance with the Trust Indenture dated as of December 1, 2009 (the "Trust Indenture") between the Miami-Dade County Industrial Development Authority and Regions Bank, as trustee. This transaction is further described in Note 5. The investments were reported at amortized cost of $3,436,206 and $4,327,782 as of June 30, 2017 and 2016, which is generally the equivalent of fair value.

(a) **Credit risk**—Credit risk is the risk that an issuer of securities in which the Fund invests may default on the payment of interest or principal on the securities when due, which would cause the Fund to lose money. At June 30, 2017 and 2016, the money market mutual fund investments were rated AAAm by Standard & Poor's.

(b) **Concentration credit risk**—All of the investments at June 30, 2017 and June 30, 2016 are held with Regions Morgan Keegan and are invested in money market funds. According to the bond indenture, the Organization can invest the bond proceeds in these investment vehicles; there are no stated limitations on the amount that can be invested in any one issuer. The short term nature of the investments is due to liquidity needs, since those funds are being used for operating expenses and debt service payments.

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

The Fidelity Money Market Fund prices of fixed-income securities generally fall when interest rates rise. Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. The money market mutual fund WAM at June 30, 2017 and 2016 was 26 and 42 days, respectively, while the weighted average life (WAL) was 95 and 90 days at June 30, 2017 and 2016, respectively.

(4) Leasehold Improvements:

Improvements to the exterior of the stadium purchased for the years ended June 30, 2017 and 2016, were as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Leasehold Improvements	$ -	$ 109,500	$ -	$ 109,500
Less: Accumulated Depreciation	-	(18,250)	-	(18,250)
	$ -	$ 91,250	$ -	$ 91,250

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Leasehold Improvements	$ -	$ -	$ -	$ -
Less: Accumulated Depreciation	-	-	-	-
	$ -	$ -	$ -	$ -

(5) Long-term Debt:

The debt activity for the years ended June 30, 2017 and 2016 is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
June 30, 2017:					
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	$ 30,000,000	$ -	$ 260,000	$ 29,740,000	$ 1,150,000
2009 Taxable Capital Improvement Revenue Bonds (Series B)	718,607	-	718,607	-	-
	$ 30,718,607	$ -	$ 978,607	$ 29,740,000	$ 1,150,000

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

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

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

These bonds were issued and secured under and pursuant to a trust indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and non-operating revenues. Principal payments for the bonds began March 1, 2010. Interest payments are made on a quarterly basis.

On December 21, 2016, the Athletics Finance Corporation entered into four amendments to the trust indenture between Miami-Dade Authority and the Trustee which authorized the reissuance of the Series 2009A Bonds through the issuance of four separate series of bonds. The first amendment authorized the reissuance of $9,000,000 Series 2009A-1 Bond. The interest rate on the Series 2009A-1 Bonds shall be at a rate equal to 2.8% per annum. The second, third and fourth amendments authorized the reissuance of separate series of the Series 2009A Bonds in a principal amount of $8,400,000 (Series 2009A-2), $8,400,000 (Series 2009A-3) and $4,200,000 (Series 2009A-4), respectively. The interest rates on these Series 2009A bonds shall be at a rate equal to the sum of 63.7% of three-month LIBOR plus 1.40%.

The bonds are secured by operating and non-operating revenues as well as University athletic fees, not to exceed 5% of the total athletic fees collected. Total principal due at June 30, 2017 and 2016, was $29,740,000 and $30,718,607, respectively.

The Athletics Finance Corporation has funded a debt service reserve fund in accordance with the bond indenture requirement of maintaining an amount equal to the maximum allowable debt service on the bond in the current and any future fiscal year. This debt service reserve fund totaled $2,693,462 and $2,690,039 as of June 30, 2017 and 2016, respectively, and is presented in restricted investments.

Prior to the December 2016 reissuance, the Athletics Finance Corporation was required to maintain minimum deposits of $1,000,000 with Regions Bank. As part of the amendment on December 21, 2016, the Athletics Finance Corporation agreed to use approximately $1,000,000 currently on deposit with the Trustee to pay in full the outstanding balance of the Series 2009B Bonds.

The interest rate on these bonds is both fixed and variable and is subject to a hedge agreement (see Note 6) that was entered into to reduce the exposure to market risks from changing interest rates. Interest is computed on the basis of the actual number of days elapsed over a year of 365 or 366 days.

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

The aggregate maturities of these bonds as of June 30, 2017 are as follows:

For the Year Ending June 30,	Principal	Interest	Total Principal and Interest
2018	1,150,000	1,306,903	2,456,903
2019	1,325,000	1,253,958	2,578,958
2020	1,445,000	1,198,426	2,643,426
2021	1,505,000	1,131,936	2,636,936
2022	1,580,000	1,066,013	2,646,013
2023-2027	9,085,000	4,229,964	13,314,964
2028-2032	13,650,000	2,056,528	15,706,528
Total	$ 29,740,000	$ 12,243,728	$ 41,983,728

(6) **Derivative Financial Instruments:**

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

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

(c) **Fair value**—The Athletics Finance Corporation swap had a derivative liability of $3,791,845 and $5,351,887 at June 30, 2017 and 2016, respectively, as reported in the statements of net position. The negative fair value was determined using a mark-to-market value and represents the closing mid-market values. It was classified in Level 2 of the fair value hierarchy at June 30, 2017 and 2016.

As of June 30, 2017 and 2016, the fair value of the Series 2007A ineffective interest rate swap was $1,525,309 and $1,622,154, respectively. This interest rate swap was not terminated when the bonds were refunded in December 2009 nor in December 2016. The interest rate on the refunded Series 2009A bonds reflects a higher rate due to not terminating this interest rate swap.

(6) **Derivative Financial Instruments** (Continued)

Accordingly, the fair value of $1,525,309 of the ineffective Series 2007A interest rate swap at June 30, 2017, is being amortized over the remaining life of the refunded Series 2009A bond.

The synthetic instrument method evaluates the effectiveness by quantitative approach. The synthetic instrument method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item. The Organization determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap is presented in the statements of net position as a deferred outflow of resources in the amount of $2,266,536 and $3,729,734 at June 30, 2017 and 2016, respectively.

(d) **Credit risk**—As of June 30, 2017 and 2016, the Athletics Finance Corporation was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Organization would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty (Regions Bank) was rated A2 by Moody's Investors Service, BBB+ by Standard and Poor's and BBB by Fitch Ratings.

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

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

(6) **Derivative Financial Instruments** (Continued)

(g) **Swap payments and associated debt**—Using rates as of June 30, 2017, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

For the Year Ending June 30,	Variable-Rate Bond Principal	Variable-Rate Bond Interest	Interest Rate Swap, Net	Total
2018	910,000	565,624	485,778	1,961,402
2019	950,000	540,807	464,464	1,955,271
2020	995,000	514,898	444,835	1,954,733
2021	1,040,000	487,762	418,908	1,946,670
2022	1,090,000	459,399	394,549	1,943,948
2023-2027	6,220,000	1,824,234	1,568,748	9,612,982
2028-2032	7,760,000	895,617	770,994	9,426,611
2033	1,775,000	48,408	(48,408)	1,775,000
Total	$ 20,740,000	$ 5,336,749	4,499,868	$ 30,576,617

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

(7) **Unearned Revenues:**

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

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

For the Year Ending June 30,	Amount
2018	215,960
2019	212,160
2020	200,000
2021	160,000
2022	-
Total	$ 788,120

(8) Related Party Transactions:

(a) **Related party revenues**—In accordance with the Memorandum of Understanding dated March 5, 2010; the University manages stadium-related activities, collects revenues on behalf of the Athletics Finance Corporation, and remits revenues timely as required under the existing trust indenture. For the years ended June 30, 2017 and 2016, the Athletics Finance Corporation received revenue for NCAA and conference payments, athletic support, suite revenue, ticket sales, sponsorship revenues, rental income, contributions and other operating revenues. The total of these revenues was $4,030,559 and $3,524,461 in 2017 and 2016, respectively. As of June 30, 2017 and 2016, the Athletics Finance Corporation had amounts due from FIU related to these revenues of approximately $131,000 and $90,000, respectively.

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

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

For the Year Ending June 30,	Amount
2018	$ 1,304,083
2019	1,304,083
2020	1,304,083
2021	1,304,083
2022	1,304,083
2023-2027	6,520,416
2028-2032	6,520,416
2033	1,195,410
	$ 20,756,657

	2017	2016
Reconciliation of the Statement of Net Position to the Lease Commitment:		
Current prepaid rent and other	$ 1,304,083	$ 1,304,083
Noncurrent prepaid rent	19,452,574	20,756,657
Total prepaid rent	20,756,657	22,060,740
Other assets	1,493	42
	$ 20,758,150	$ 22,060,782

As of June 30, 2017 and 2016, construction draws amounting to $31,937,211 have been paid by the University to various contractors. The prepaid rent has been amortized by $1,304,083 in both years.

REPORTING SECTION

James Moore
Certified Public Accountants and Consultants

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

To the Board of Directors of
FIU Athletics Finance Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 18, 2017.

Internal Control over Financial Reporting

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/252-0209
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Member of AGN International with offices in principal cities worldwide

Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 18, 2017

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Agenda Item 3 **FF1-D**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee

December 7, 2017

Subject: Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit, 2016-17

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit for the 2016-17 Fiscal Year and authorize the President of the Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

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

The FIU HCN Financial Audit for the 2016-17 fiscal year was approved by the FIU HCN Board of Directors on October 31, 2017, and the University President is recommending its acceptance.

Supporting Documentation:	Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit, 2016-17
Facilitator/Presenter:	Kenneth A. Jessell

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

FINANCIAL STATEMENTS

JUNE 30, 2017

THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
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JUNE 30, 2017

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN), a component unit of Florida International University, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the FIU HCN's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/252-0209
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FIU HCN as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, on our consideration of the FIU HCN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the FIU HCN's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 13, 2017

THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER
HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
MANAGEMENT'S DISCUSSION ANALYSIS
JUNE 30, 2017

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN or HCN) for the fiscal year ended June 30, 2017 and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements and notes thereto, are the responsibility of management.

BACKGROUND

In FY 2015-2016 the FIU HCN transitioned from a full risk clinical model to a Management Services Organization model (MSO). As a result, the patient revenues and respective AR for clinical services provided since July 2015 are no longer recorded under the books of HCN. Starting in July 2015, the patient revenues and respective AR provided at the Herbert Wertheim College of Medicine (HWCOM) clinics are recorded under the books of the HWCOM. In the MSO model, HCN revenues are based on management fees which derive from managing the HWCOM clinics, the Office of International Affairs (OIA), the FIU Student Health Clinics, Embrace, and the leases of the Ambulatory Care Center (ACC) to Miami Children's Hospital and Gastro Health.

As part of the management of the HWCOM clinics and the OIA program, the operating expenses are processed and recorded on the books of HCN under the respective line of business. The operating expenses of the HWCOM clinics are billed to and reimbursed by HWCOM to HCN. The expenses of the OIA program are captured along with the OIA program revenues under the OIA line of business. By fiscal year end, the net profits from the OIA line of business are transferred to HWCOM.

FINANCIAL HIGHLIGHTS – CURRENT YEAR

The FIU HCN assets totaled approximately $5.3 million at June 30, 2017. This balance reflects an approximate increase of $1.3 million from June 30, 2016, resulting primarily from the increase in cash and receivables from MSO fees and the OIA revenues and payments for rotations paid several months in advance.

The liabilities represent the debt due to the Florida International University (FIU or FIU proper), the payables and accruals for the operating expenses and the unearned revenue related to the pre-paid rotations under the OIA program. Liabilities totaled approximately $10.3 million at June 30, 2017. This is an increase of approximately $0.6 million over prior fiscal year. The increase in liabilities is related to the increase in payable accruals for the OIA preceptors and the increase in unearned revenue for the pre-paid rotations, both commensurate with the increase in the enrollment under OIA. Also included in the liabilities is the common area maintenance (CAM) paid by Miami Children's Hospital as part of their rent.

The FIU HCN's operating revenues totaled approximately $8.2 million for the 2017 fiscal year, an approximate increase of $2.6 million from the 2016 fiscal year. This amount was comprised of management fee revenue (approximately $4.3 million), OIA revenue (approximately $3.4 million) as well as rental income and other revenue (approximately $0.49 million). In this fiscal year 2016-2017 the cost for managing and operating the HWCOM clinical sites is reimbursed under a cost reimbursement model and recorded as management fees under the Clinical Management line of business on the books of HCN. This cost (management fee) comprised of $2.1 million and it includes the allocation for the percentage effort for the HCN MSO admin personnel, the clinical support staff and the operating expenses for the HWCOM clinics. This $2.1 million represents a savings of $108 thousand to HWCOM as compared to budget.

Operating expenses totaled approximately $4.9 million for the 2017 fiscal year representing an increase of approximately $1.6 million over the 2016 fiscal year driven by the following: (a) the pass through of the HWCOM clinical expenses for support personnel and medical supplies via HCN (b) the increase in contracted services deriving from the increase in OIA preceptor rotation expense.

Non-operating expenses include the interest expense on the debt payments to FIU proper totaling approximately $166 thousand and the transfers to HWCOM related to the net profits of the OIA program for FY 2015-2016 and FY 2016-2017 totaling approximately $2.4 million.

FINANCIAL HIGHLIGHTS – PRIOR YEAR

In FY 2015-2016 the FIU HCN assets totaled approximately $4.0 million at June 30, 2016 coming primarily from the receivables generated from the MSO fees, the OIA educational program and the leases of the ACC. The cash generated from the leases is used to pay FIU proper for the principal and interest on the debt incurred while HCN operated as a full risk clinical model prior to becoming an MSO model in FY2015-16.

The liabilities of HCN represent the debt due to FIU proper, the payables and accruals for the operating expenses and the unearned revenue related to the pre-paid rotations under the OIA program. Liabilities totaled approximately $9.7 million at June 30, 2016.

The FIU HCN's operating revenues totaled approximately $5.6 million for the 2016 fiscal year. This amount was comprised of management fee revenue (approximately $2.5 million), OIA revenue (approximately $2.6 million), rent income deriving from leases (approximately $0.48 million) as well as net service revenue (approximately $0.06 million) related to previous fiscal year collections.

Operating expenses totaled approximately $3.3 million for the 2016 fiscal year. The expenses absorbed by HCN in FY 2015-2016 included some of the operating expenses for the HWCOM clinics such as of the lease of the ultrasound machine, the electronic health records system and the cost allocation for IT support for the clinics.

OVERVIEW OF FINANCIAL STATEMENTS

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

Statement of Net Position

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

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

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

	2017	2016
Assets		
Current assets	$ 5,031	$ 3,659
Noncurrent assets	283	354
Total Assets	$ 5,314	$ 4,013
Liabilities		
Current liabilities	$ 2,564	$ 1,666
Noncurrent liabilities	7,716	8,032
Total Liabilities	$ 10,280	$ 9,698
Net Position		
Investment in capital assets	$ 283	$ 354
Unrestricted	(5,249)	(6,039)
Total Net Position	$ (4,966)	$ (5,685)

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

In summary of fiscal year 2017, total assets increased by approximately $1.3 million, while total liabilities increased by approximately $0.6 million. As a result, the total net position balance went from ($5.7) million to ($5.0) million at June 30, 2017 showing an improvement of approximately $0.7 million. Capital assets, net of depreciation, decreased in fiscal year 2017 by approximately $70 thousand due to depreciation expense.

In summary of fiscal year 2016, total assets ended at approximately $4.0 million and total liabilities ended at approximately $9.7 million driven by the debt due to FIU proper. The total net position balance at June 30, 2016, ended at approximately ($5.7) million in net position. Capital assets, net of depreciation, decreased in fiscal year 2016 by approximately $86 thousand due to depreciation expense and disposal of capital assets.

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

	2017	2016
Operating revenues	$ 8,195	$ 5,591
Operating expenses	4,866	3,276
Operating Gain	3,329	2,315
Non-operating expenses	(167)	(207)
Transfers to the University	(2,443)	-
Change in Net Position	719	2,108
Net Position, beginning of year	(5,685)	(7,793)
Net Position, end of year	$ (4,966)	$ (5,685)

Operating Revenues

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

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

Operating Revenues (In Thousands)

	2017	2016
Management Fees	$ 4,310	$ 2,464
Educational Program	3,394	2,584
Net patient service revenue	-	57
Other revenues	491	487
Total Operating Revenues	$ 8,195	$ 5,592

The management fees derive from the management of the HWCOM clinics where the faculty physicians of HWCOM provide services to patients of the local community, the OIA educational program where FIU HCN provides management services to the American University of Antigua (AUA) by administering its Certificate Program for the Clerkship Rotation to 3rd year medical students and other international programs with global affiliates, the Student Health Clinics and Embrace. For fiscal year 2017 the clinical services provided by the faculty physicians consisted of Family Medicine, Internal Medicine, Gynecology, Dermatology, Psychiatry and Behavioral Health. These providers operated in various clinical sites: Modesto A. Maidique Campus, Broward and in the three mobile health clinics.

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

Net patient service revenue in prior fiscal year 2016 is the net of collections and reserves related to claims processed in fiscal year 2016 for services provided in the prior fiscal year. Other revenues consist primarily of rental income from the lease of the Ambulatory Care Center (ACC) to Gastro Health and the Miami Children's Hospital on the second floor of the Ambulatory Care Center building (ACC) which opened in April of 2015.

Operating Expenses

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

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

Operating Expenses (In Thousands)

	2017	**2016**
Contractual personnel services	$ 2,127	$ 1,170
Contracted professional and consulting services	1,939	1,477
Rentals and leases	72	27
Other operating	389	385
Depreciation	70	85
Supplies - medical	127	22
Utilities	37	6
Repairs and maintenance	23	35
Advertising and promotion	29	13
Insurance	23	22
Supplies - other	30	34
Total Operating Expenses	$ 4,866	$ 3,276

Operating expenses totaled approximately $4.9 million for the 2017 fiscal year. This represents an increase of approximately $1.6 million from the fiscal year 2016 primarily due to: (a) the change in the financial model for the HWCOM clinics to a cost reimbursement model in the fiscal year 2017 where expenses include the clinical support personnel and associated benefits, the medical supplies and Broward office rent and related expenses not present on the books of HCN in the previous fiscal year. (b) The hiring of two positions under the HCN MSO operating model as part of the reclassification of administrative positions that took place with the change in the model from a full risk clinical model to the MSO model. (c) The increase in the OIA preceptor payments brought by the increase in the volume of rotations under the OIA line of business.

Operating expenses totaled approximately $3.3 million for the 2016 fiscal year. This reflected the process of the restructuring and reclassification of administrative positions that took place in the first quarter of the fiscal year along with the transition of a financial model from a full risk clinical model to the MSO model. As part of the HCN transition to MSO model, the cost of the faculty staff, HWCOM clinics clinical support personnel and associated benefits and other expenses were not absorbed by the FIU HCN in fiscal year 2016.

Non-Operating Expenses

Non-operating expenses include interest expense on the loans owed to the University for previous years of operations as a full risk faculty group practice. Fiscal year 2016 loss on disposal of capital assets relates to book value of the facility practice build out being fully depreciated as a result of the termination of the lease of the FIU PG5 clinical facility.

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

Non-Operating Revenues (Expenses) (In Thousands)

	2017	2016
Interest Expense	$ (167)	$ (173)
Loss on disposal of capital	-	(34)
Non-Operating Expenses	$ (167)	$ (207)

There was no non-operating income for 2017 or 2016.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

FIU HCN will continue to operate as a management services organization for FIU. As we enter the FY 2017-2018, FIU HCN revenues will continue to derive from management fees related to HWCOM clinics, the AUA graduate certificate program, the 15% of programmatic MSO fees from all other international programs, the Student Health Clinics, Embrace, and the leases from Miami Children's Hospital and Gastro Health. In fiscal year 2018 the management service revenue from HWCOM will change from a cost reimbursement model with HCN admin allocation to a flat MSO fee reimbursement model with clinic operating cost reimbursement. The flat MSO fee will be captured under the MSO line of business and it will be separate from the cost reimbursement for the HWCOM clinics which will continue to be recorded under the Clinics line of business. The allocation of the percent effort of FIU HCN administrative staff will no longer be part of the clinic's operating expenses. The cost reimbursement for the HWCOM clinics will continue to include the cost of the clinical support staff and associated benefits and all operating cost to operate the clinical sites.

In the new fiscal year 2018 the HCN MSO stands as a self-sustained financial model absorbing the expenses aligned to the MSO operations. All cash collections related to patient services provided since July 1, 2015 will continue to be revenue and receivables of HWCOM.

There are other potential stakeholders that can use FIU HCN for their management services. The goal for FIU HCN FY 2017-2018 is continued OIA programmatic growth through increasing global partners, enhancing programmatic offerings and expanding clinical sites. We will focus on enhanced clinical services at all clinical sites inclusive of student health clinics and focus on process improvement. We will also continue to focus to increase patient service revenue for HWCOM by aligning physician productivity up to national benchmarks and focus on operational efficiencies, increased billable services for the Student Health Clinics and a decrease in the dependency on the health fee subsidy for the Student Health pharmacy. In addition, as an MSO, FIU HCN is committed to increase revenues through management fees of other potential partnerships.

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

REQUESTS FOR INFORMATION

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

THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Current assets	
Cash and cash equivalents	$ 4,542,485
Management fee receivable	407,381
Education program receivable	9,867
Rent receivable	42,281
Prepaid expenses	28,391
Total current assets	5,030,405
Noncurrent assets	
Depreciable capital assets, net	283,279
Total assets	$ 5,313,684
LIABILITIES	
Current liabilities	
Accounts payable	$ 1,263,848
Due to Florida International University	316,878
Unearned revenue	983,778
Total current liabilities	2,564,504
Noncurrent liabilities	
Due to Florida International University	7,715,614
Total liabilities	$ 10,280,118
NET POSITION	
Net position	
Net investment in capital assets	$ 283,279
Unrestricted	(5,249,713)
Total net position	$ (4,966,434)

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

THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

Operating revenues	
Management fee revenue	$ 4,310,216
Educational program	3,393,880
Rental revenue	483,283
Other revenue	7,912
Total operating revenues	8,195,291
Operating expenses	
Contractual personnel services	2,127,299
Contracted professional consulting services	1,939,387
Rentals and leases	72,215
Other operating	388,298
Depreciation	70,122
Supplies - medical	126,757
Utilities	36,632
Repairs and maintenance	23,368
Advertising and promotion	29,253
Insurance	23,248
Supplies - other	29,935
Total operating expenses	4,866,514
Operating gain	3,328,777
Nonoperating expenses	
Interest expense	(166,770)
Gain before transfers	3,162,007
Transfers	
Transfers to Florida International University	(2,442,982)
Change in net position	719,025
Net position, beginning of year	(5,685,459)
Net position, end of year	$ (4,966,434)

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

**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash flows from operating activities	
Receipts from management fee revenue	$ 4,112,348
Receipts from educational program revenue	3,730,472
Receipts from rent and other revenue	530,968
Payments to suppliers for goods and services	(4,228,054)
Net cash and cash equivalents provided by operations	4,145,734
Cash flows from noncapital financing activities	
Transfer to Florida International University	(2,915,782)
Net change in cash and cash equivalents	1,229,952
Cash and cash equivalents, beginning of year	3,312,533
Cash and cash equivalents, end of year	$ 4,542,485
Reconciliation of operating gain to net cash and cash equivalents provided by operations:	
Operating gain	$ 3,328,777
Depreciation	70,122
Adjustments to reconcile operating gain to net cash and cash equivalents provided by operating activities:	
Decrease in rent receivables	39,773
Increase in management fee receivables	(197,868)
Decrease in education program receivable	45,333
Increase in other current assets	(28,391)
Increase in accounts payable	596,729
Increase in unearned revenue	291,259
Net cash and cash equivalents provided by operating activities	$ 4,145,734

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

THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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

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

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

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

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

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

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

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

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

(i) **Income taxes**—The FIU HCN is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, except for unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2017.

(2) **Educational Program:**

Effective October 1, 2013, an Agreement was executed by HWCOM on behalf of the FIU HCN with the AUA that allows for the opportunity for qualified AUA students to participate in a HWCOM Clinical Certificate Program that offers clinical rotations in multiple medical specialties under three different AUA programs. The agreement is for a period of sixty four (64) months and will generate management fee and educational program revenues for the FIU HCN. As per the terms of the Agreement, the FIU HCN received a $500,000 advance in October 2013, which will be earned as revenue on a pro-rata basis over the term of the Agreement. As of June 30, 2017, the unearned amount was approximately $148,000, and was included in unearned revenue as a liability on the statement of net position.

For the year ended June 30, 2017, total revenues earned under the terms of this agreement approximated $3,297,000, composed of $1,280,000 in management fee revenue and $2,017,000 in educational program revenue.

(3) **Depreciable Capital Assets:**

A summary of depreciable capital assets is as follows:

	Depreciable Capital Assets			
	Beginning Balance	**Additions**	**Disposals**	**Ending Balance**
June 30,2017:				
Medical equipment	$ 551,669	$ -	$ -	$ 551,669
Accumulated depreciation	(198,268)	(70,122)	-	(268,390)
Depreciable capital assets, net	$ 353,401	$ (70,122)	$ -	$ 283,279

The above balances include $93,382 of net depreciable capital assets that were idle during the year ended June 30, 2017.

(4) **Related Party Transactions:**

On August 27, 2010, the FIU HCN entered into a loan agreement totaling $5,321,198 with FIU in order to provide working capital and build out capital to fund the expansion of the faculty practice plan and the establishment of the ambulatory care center and other FIU clinical activities. In June of 2015 FIU HCN renegotiated the loan agreement with FIU and borrowed an additional $3,015,652. The total loaned by FIU to HCN was $8,633,962, interest on the loan accrues at 2.00% simple interest and the loan is scheduled to mature in 2036.

Estimated principal and interest payments for the life of the amounts due to FIU, based on the balance due as of June 30, 2017, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2018	$ 316,878	$ 160,650	$ 477,528
2019	327,991	154,312	482,303
2020	339,374	147,752	487,126
2021	351,033	140,965	491,998
2022	362,973	133,944	496,917
2023-2027	2,004,279	555,849	2,560,128
2028-2032	2,348,754	341,966	2,690,720
2033-2036	1,981,210	95,450	2,076,660
Total	$ 8,032,492	$ 1,730,888	$ 9,763,380

In addition, at June 30, 2017, $547,072 was owed to FIU for expenses incurred in the ordinary course of business and is included in accounts payable on the statement of net position. Amounts owed from FIU for revenues incurred in the ordinary course of business are included in accounts receivable on the statement of net position at June 30, 2017 totaled $407,381.

(5) **Leases:**

The University and the FIU HCN were parties to a space leasing agreement for the Ambulatory Care Center with an initial term of 40 years, expiring in October 2053. For the year ended June 30, 2017, rent expense under this agreement amounted to $1. Furthermore, certain space within this facility was subleased with rental income of $483,283 for the year ended June 30, 2017.

The FIU HCN leases equipment and building occupancy on a month-to-month basis. Total rental expense for the year ended June 30, 2017 was $72,215.

(6) **Commitments and Contingencies:**

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

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

COMPLIANCE SECTION

James Moore
Certified Public Accountants and Consultants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the FIU HCN) as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control over Financial Reporting

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/252-0209
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 13, 2017

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Agenda Item 3 **FF2**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee

December 7, 2017

Subject: Investment Policy Amendment

Proposed Committee Action:

Recommend to The Florida International University Board of Trustees (the BOT) adoption of the revisions to the University's Investment Policy, in the form attached hereto.

Background Information:

The University Investment Committee is an advisory committee created by the BOT to make recommendations to the University administration and BOT regarding University investments. The University is recommending approval of the proposed revisions to the Investment Policy. The proposed revisions were ratified by the University Investment Committee on May 23, 2017.

The major clarifications in the Governance section include selection of a Chair and Vice Chairperson by the Committee, review of spending requests by Staff, and communication of significant matters by Investment Managers.

The major additions include expansion of the Diversification section, focus on Long-Term Target Allocation, Investment Costs, and Voting of Proxies.

The major revisions include replacement of the detailed Asset Class Characteristics, Investment Guidelines for specific managers, and detailed policy benchmarks language with more robust direction.

The revised policy also amends the asset allocation including increasing Working Capital Pool target from 30 percent to 40 percent, eliminating real estate investment trusts (REITs), master limited partnerships (MLPs), and private equity, replacing high yield bonds with bank loans, and increasing targets to investment grade bonds, investment grade corporate bonds and Treasury Inflation Protected Securities (TIPS).

The BOT is authorized to adopt an investment policy pursuant to Sections 1011.42 and 218.415 of the Florida Statutes. The University's Investment Policy was last revised on January 14, 2015.

Supporting Documentation:	Amended Investment Policy Proposed revisions to the University's Investment Policy in tracked form
Facilitator/Presenter:	Kenneth A. Jessell

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FLORIDA INTERNATIONAL UNIVERSITY

OFFICIAL UNIVERSITY POLICY

University Community (faculty, staff and students)

SUBJECT (R*)	EFFECTIVE DATE (R*)	POLICY NUMBER (O*)
INVESTMENT POLICY	June 29, 2005	1160.010

POLICY STATEMENT (R*)

The purpose of this document is to set forth the goals and objectives of the Florida International University's operating funds investment portfolio (the "Portfolio"), and to establish guidelines for the implementation of investment strategy.

Any material revisions to this document may be made only with the approval of the Florida International University Finance and Facilities Committee.

The Investment Committee ("Committee") reports to the Finance and Facilities Committee and recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the Portfolio. As such, the Investment Committee has developed this Investment Policy with the following goals in mind:

- To clearly establish the objectives and constraints that govern the investment of the Portfolio,
- To establish a long-term target asset allocation with a high likelihood of meeting the Portfolio objectives given the constraints, and
- To protect the financial health of the Portfolio through the implementation of this stable long-term investment policy.

I. Operating Funds Investment Portfolio Goals

The overall goal of operating funds investment portfolio (the "Portfolio") is to provide funds through a carefully planned and executed investment program necessary for normal expenses, capital expenditures, and overall liquidity needs. There are both short term liquidity needs and longer term needs that allow for some incremental longer term growth of these assets.

II. Statutory Requirements

The Florida International University Board of Trustees ("BOT" or the "Board") and the Committee will manage the assets of the Portfolio in accordance to the Prudent Expert Rule, in accordance with Florida Statutes 218.415 and 1011.42.

III. Governance

A. Responsibilities of the Board

1. The Board is responsible for the oversight and approval of this Policy (and any amendments thereto) and oversight of the University's implementation of the Policy.

2. The Board authorizes the creation of the Committee to oversee the investments of the Portfolio.

3. The Board's responsibilities include periodic review of the Investment Policy and its:

   a. Investment goals and objectives

   b. Asset allocation policy targets, minimums and maximums

   c. Authorized investments

B. Responsibilities of the Committee

1. The Committee recognizes that matters concerning the investment of the Portfolio assets owned by the University merit serious attention and frequent consideration. The Committee, at a minimum, will consist of:

   a. An individual designated by the BOT,

   b. The Chief Financial Officer of the University,

   c. The Treasurer of the University and

   d. A representative from University academics.

2. In addition, the Committee may include up to two business community and other representatives with specific expertise in investment and portfolio management to strengthen the Committee's capabilities. The need for adding members will be

determined by the Chair of the BOT, in consultation with the Chair of the Finance and Facilities Committee.

3. The Committee is responsible for hiring an investment consultant, consistent with University procurement requirements, and with the guidance and recommendations of the Investment Consultant:

   a. Directing all of its efforts toward the investment objectives stated herein

   b. Performing at least annually a review of the investment objectives stated herein

   c. Ensuring that the objectives stated in this Policy are practical and reflect the mission of the University

   d. Implementing and monitoring the asset allocation policy

   e. Conducting an annual formal review of the investment structure

   f. Selecting and monitoring of qualified, competent investment managers

   g. Terminating investment managers failing to maintain acceptable quantitative (e.g. risk/return profile) and/or qualitative (e.g. organizational changes) standards

   h. Developing and reviewing the objectives and guidelines given to each specific investment manager

   i. Meeting at least quarterly to review the results of the investment portfolios

   j. Determining whether the investment objectives set forth herein are being met and whether the investment guidelines are being followed

   k. Providing the BOT with regular performance reports on the investment portfolios

   l. Completing annually eight (8) hours of continuing education in subjects or courses of study related to investment practices and procedures, or the Chief Financial Officer shall complete this requirement.

4. Recommending and approving requests under the spending policy.

5. The Committee will annually select a Chair and a Vice Chair to preside over the meetings.

C. Responsibilities of the Staff

The staff is an integral part of the day-to-day requirements of the operating portfolio. The staff has the responsibility of administering and coordinating the implementation of decisions made by the Committee and the BOT. The staff is responsible for:

1. Administering the investments of the Portfolio at the lowest possible cost, being careful to avoid sacrificing quality.

2. Administering the rebalancing process.

3. Day-to-day interaction with the consultants and investment managers.

4. Administering the investment earnings distribution process.

5. Reviewing requests under the spending policy.

D. Responsibilities of Investment Managers

Investment managers are delegated the following responsibilities:

1. Each investment manager will have full discretion to make all investment decisions for the assets placed under its control, while operating within guidelines, constraints, and philosophies as outlined in this Policy.

2. Each investment manager will be expected to manage the Portfolio's assets in a manner consistent with the investment objectives, guidelines, and constraints in accordance with applicable state and federal laws.

3. The investment manager is required to communicate with the Investment Consultant and staff all significant matters pertaining to the investment of the Portfolio's assets on a timely basis.

IV. Investment Objectives

A. There are both short term liquidity needs and longer term needs that allow for incremental longer term growth of assets.

B. While the Committee recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns.

C. Specifically, the portfolio shall be managed with the following objectives in this order:

1. Risk - Maintain the safety of the principal

   a. To accept a reasonable level of risk required to achieve the Portfolio's return objective as stated immediately below.

   b. To limit the likelihood of experiencing a loss over any five-year period.

   c. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

   d. To the extent possible, minimize the annual volatility in the asset base.

2. Liquidity - Maintain the necessary liquidity to ensure funds are available to support operational needs

    a. The Committee and Staff will monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances.

    b. The Committee intends to invest no more than 25% of the Portfolio's assets in illiquid vehicles. Illiquid investments will be considered investments with less than monthly liquidity terms.

3. Return - Obtain a reasonable return for a prudent level of risk

    a. The Committee seeks to produce a return on investment which is based on levels of operating liquidity needs and investment risk that are prudent and reasonable, given prevailing capital market conditions.

    b. The Committee seeks to produce a return in excess of a passive policy index based on the asset allocation targets. Exceeding this objective indicates that the active management of the various portfolio components has added value over a passively-managed fund with a similar asset mix.

    c. The Committee seeks to produce an adequate real return over the expected rate of inflation, the primary driver of increased costs to the University.

V. Role of Each Investment Pool

A. Total Combined Pool

This pool is the overall combined investments of the Portfolio. In its entirety, it is intended to satisfy the overall objectives and constraints set forth in this Policy. The Total Combined Pool is divided into three distinct pools; each pool has a different investment time horizon and investment objectives.

B. Working Pool

This pool is intended to provide for the immediate normal operating requirements of the University (funds awaiting clearance), and other short-term investments of the University.

C. Strategic Pool

This pool is intended to be invested over the medium-term and long-term, as the cash needs of this pool are intermediate and long-term in nature.

D. Reserve Pool

This pool encompasses a state-mandated unencumbered reserve. This pool is intended to be invested over the medium- and long-term.

VI. Diversification

The Committee recognizes that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for their low correlation of returns. Within each asset type, the portfolio will distribute investments across many individual holdings, to further reduce volatility.

VII. Asset Allocation

The Committee recognizes that the allocation of monies to various asset classes will be the major determinant of the Portfolio return and risk experience over time. Therefore, the Portfolio will allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Portfolio's investment objectives.

A. Permissible Asset Classes

The Committee has specifically indicated those asset classes that may be utilized. The University invests mainly in commingled vehicles such as mutual funds, limiting the ability of the University or its representatives to impose investment guidelines.

Permissible Asset Class
Public Equity
Private Equity
Fixed Income
Bank Loans
Commodities
Hedge Funds
Cash and Cash Equivalents

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Portfolio will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio will be considered.

C. Total Combined Pool Exposure

The total Combined Pool is expected (but not obligated) to be composed of the following split, on average, over the long term. The total Combined Pool is expected to be used for benchmarking purposes and total risk analysis; however the Committee has limited control over the level of assets in the Working Capital Pool which is expected to fluctuate throughout the year based on the normal operating requirements of the University.

	% of Total Combined Pool
Working Capital Pool	40%

Strategic Capital Pool	50%
Reserve Capital Pool	10%
Total Combined Pool	**100%**

D. Long-Term Target Allocations for the Strategic and Reserve Pool

Based on the investment objectives and constraints of the Portfolio, and on the expected behavior of the permissible asset classes, the Committee will specify a long-term target allocation for the combined Strategic and Reserve Pool.

The long-term target allocations for the Strategic and Reserve are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the Strategic and Reserve Pool's asset allocation to deviate from the long-term target, as would likely occur during transitioning, asset class restructurings, and other temporary changes in the Portfolio.

Long term strategic asset allocation targets and allowable ranges for the Strategic and Reserve Pool are listed below.

Strategic and Reserve Pool	Target (%)	Allowable Ranges (%)
Equities	**17.0**	
U.S. Equity	7.0	+/- 3
International Developed (Non-U.S.) Equity	5.0	+/- 3
Private Equity	5.0	+/- 3
Credit	**5.0**	
Bank Loans	5.0	+/- 5
Rate-Sensitive	**58.0**	
Investment Grade Bonds	28.0	+/- 5
Investment Grade Bonds (Corporate)	12.0	+/- 5
TIPS	18.0	+/- 5
Real Assets	**5.0**	
Commodities	5.0	+/- 5
Other	**15.0**	
Hedge Fund	15.0	+/- 5
Total	**100**	

E. Rebalancing

Portfolio rebalancing is designed to provide disciplined approach to control the risk exposure of the portfolio. Rebalancing parameters are addressed at the asset class level. In general, cash flows to, from and within the Portfolio will be allocated in such a manner as to move each asset class toward its target allocation as is prudent.

VIII. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy will be reviewed at least annually to ensure that the objectives and constraints remain relevant. However, the Committee recognizes the need for a stable long-term policy for the Portfolio, and major changes to this policy will be made only when significant developments occur.

The asset allocation of the Portfolio will be reviewed on an on-going basis, and at least annually, with the Investment Consultant.

The Committee will evaluate the performance of the Portfolio relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Committee will utilize relative, rather than absolute, benchmarks in evaluating performance.

IX. Investment Manager Selection

For the Strategic Capital and Reserve Pools, the Committee, with the guidance and recommendations of the Investment Consultant, is responsible for the selection and continued monitoring of qualified, competent investment managers in accordance with University policy and Florida law, while optimizing the financial return to the University, advancing its long-term financial interests and supporting the University's mission.

For the Working Capital Pool, Staff is authorized to invest in the following managers and investments:

1. Florida State Treasury
2. State Board of Administration
3. Qualified Depositors as defined by the State of Florida
4. U.S. Government debt and its Agencies
5. Money Market and short term fixed income funds rated AA or higher by at least two of the following ratings agencies: Moody's Investors Services, Standard & Poor's or Fitch.

X. Investment Costs

Investment expenses will be considered during manager due diligence process conducted by the Investment Consultant. The Committee intends to monitor and control investment costs on a portfolio level.

XI. Voting of Proxies

The Committee recognizes that the voting of proxies is important to the Portfolio. The Committee has delegated the responsibility of voting all proxies to the investment managers. The Committee expects that proxies will be executed in a timely fashion. Also, the Committee expects full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions.

RESPONSIBILITIES (O*)

LEGAL AUTHORITY:

The BOT is authorized to adopt an Investment Policy pursuant to Section 1011.42 and 218.415 of the Florida Statutes.

HISTORY (R*)

Effective Date: June 29, 2005; Revision Date(s): September 11, 2007; March 12, 2008; March 30, 2009; June 12, 2009; September 24, 2010, March 14, 2012; September 10, 2013, and January 14, 2015.
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RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R*) Office of the Treasurer Finance and Administration **RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R*)** University Treasurer Florida International University 11200 S.W. Eighth Street, MARC 110 Miami, Florida 33199 Telephone: (305) 348-2544 Facsimile: (305) 348-2990	The University Policies and Procedures Library is updated regularly. In order to ensure a printed copy of this document is current, please access it online at http://policies.fiu.edu/ . For any questions or comments, the "Document Details" view for this policy online provides complete contact information.

FORMS/ONLINE PROCESSES (O*)

Links to the above referenced Form(s) available in the "Document Details" Section of the online version of this policy document.

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

FLORIDA INTERNATIONAL UNIVERSITY

OFFICIAL UNIVERSITY POLICY

University Community (faculty, staff and students)

SUBJECT (R*)	EFFECTIVE DATE (R*)	POLICY NUMBER (O*)
INVESTMENT POLICY	June 29, 2005	1160.010

POLICY STATEMENT (R*)

~~It is the policy of Florida International University (the "University") that:~~

The ~~investment of the~~ purpose of this document is to set forth the goals and objectives of the Florida International University's operating funds investment ~~pool~~portfolio (the "Portfolio~~") shall be based on an analysis that will, at a minimum, consider:~~"), and to establish guidelines for the implementation of investment strategy.

- ~~the financial condition~~Any material revisions to this document may be made only with the approval of the Florida International University
- ~~the expected long term capital market outlook~~
- ~~the University's risk tolerance~~
- ~~future planned capital expenditures~~ Finance and ~~cash requirements~~Facilities Committee.
- ~~debt service requirements~~
- ~~current and projected expenses~~
- ~~inflation~~

~~The financial plan measures the potential impact of alternative investment policies in terms of risk and return based on various levels of asset diversification and the current and projected cash flows of the Portfolio.~~

~~**I. GENERAL INVESTMENT GOALS AND OBJECTIVES**~~

~~The general~~

The Investment Committee ("Committee") reports to the Finance and Facilities Committee and recognizes that a stable, well-articulated investment policy is crucial to the long-term success of the Portfolio. As such, the Investment Committee has developed this Investment Policy with the following goals in mind:

- To clearly establish the objectives and constraints that govern the investment ~~goals established herein are designed to broadly take into account the purpose of~~ of the Portfolio ~~and articulate the philosophy and parameters by which~~,
- To establish a long-term target asset allocation with a high likelihood of meeting the ~~University will manage~~Portfolio objectives given the ~~Portfolio's assets.~~constraints, and
- To protect the financial health of the Portfolio through the implementation of this stable long-term investment policy.

I. Operating Funds Investment Portfolio Goals

The overall goal of operating funds investment portfolio (the "Portfolio") is to provide funds through a carefully planned and executed investment program necessary for ~~regular~~normal expenses, capital expenditures, and overall liquidity needs. There are both short term liquidity needs and longer term needs that allow for some incremental longer term growth of these assets. ~~Specifically, the Portfolio shall be managed with the following objectives:~~

~~i. Maintain the safety of the principal;~~

~~ii. Maintain the necessary liquidity to ensure funds are available to support operational needs;~~

~~iii. Obtain a reasonable return for a prudent level of risk.~~

~~The University seeks to produce a return on investment which is based on levels of operating liquidity needs and investment risk that are prudent and reasonable, given prevailing capital market conditions. While the University recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns.~~

II. ~~GOVERNANCE~~ Statutory Requirements

~~**BOT Finance and Audit Committee**~~

The Florida International University Board of Trustees ("BOT~~")~~" or the "Board") and the Committee will manage the assets of the Portfolio in accordance to the Prudent Expert Rule, in accordance with Florida Statutes 218.415 and 1011.42.

III. Governance

A. Responsibilities of the Board

1. The Board is responsible for the oversight and approval of this Policy (and any amendments thereto) and oversight of the University's implementation of the Policy.

~~This Policy addresses specifics relating to:~~

2. ~~• investment~~The Board authorizes the creation of the Committee to oversee the investments of the Portfolio.

3. The Board's responsibilities include periodic review of the Investment Policy and its:

   a. Investment goals and objectives

   b. ~~• asset~~Asset allocation policy targets~~ specifying minimum~~, minimums and ~~maximum ranges~~maximums

~~• rebalancing policy~~
~~• selection of investment managers~~

   c. ~~• authorized~~Authorized investments

~~A.~~B. ~~Investment~~Responsibilities of the Committee

1. The ~~BOT's Investment~~ Committee recognizes that matters concerning the investment of the ~~operating fund~~Portfolio assets owned by the University merit serious attention and frequent consideration. The ~~Investment~~ Committee, at a minimum, will consist of:

   a. ~~•~~ An individual designated by the BOT,

   b. ~~•~~ The Chief Financial Officer of the University,

   c. ~~•~~ The Treasurer of the University and

   d. ~~•~~ A representative from University academics.

2. In addition, the ~~Investment~~ Committee may include up to two business community ~~representatives~~ and other representatives with specific expertise in investment and

portfolio management to strengthen the Committee's capabilities. _The need for adding members will be determined by the Chair of the BOT, in consultation with the Chair of the Finance and ~~Audit~~Facilities Committee.

3. The ~~Investment~~ Committee~~,~~ is responsible for hiring an investment consultant, consistent with University procurement requirements, and with the guidance and recommendations of the ~~investment consultant hired by the University, is responsible for~~Investment Consultant:

   a. ~~• directing~~Directing all of its efforts toward the investment objectives stated herein

   b. ~~• performing~~Performing at least annually a review of the investment objectives stated herein

   c. ~~• ensuring~~Ensuring that the objectives stated in this Policy are practical and reflect the mission of the University

~~• hiring an investment consultant, consistent with University procurement requirements~~

   d. ~~• implementing~~Implementing and monitoring the asset allocation policy

   e. ~~• conducting~~Conducting an annual formal review of the investment structure

~~• developing an updated financial projection a minimum of every three years~~

   f. ~~• selecting~~Selecting and monitoring of qualified, competent investment managers

   g. ~~• terminating~~Terminating investment managers failing to maintain acceptable quantitative (e.g. risk/return profile) and/or qualitative (e.g. organizational changes) standards

   h. ~~• developing~~Developing and reviewing the objectives and guidelines given to each specific investment manager

   i. ~~• meeting~~Meeting at least quarterly to review the results of the investment portfolios

   j. ~~• determining~~Determining whether the investment objectives set forth herein are being met and whether the investment guidelines are being followed

   k. ~~• providing~~Providing the BOT with regular performance reports on the investment portfolios

   l. ~~• completing~~Completing annually eight (8) hours of continuing education in subjects or courses of study related to investment practices and procedures, or the Chief Financial ~~officer~~Officer shall complete this requirement.

4. Recommending and approving requests under the spending policy.

The

5. Committee will annually select a Chair and a Vice Chair to preside over the meetings.

~~B.~~C. Responsibilities of the Staff

The staff is an integral part of the day-to-day requirements of the operating portfolio. The staff has the responsibility of administering and coordinating the implementation of decisions made by the ~~Investment~~ Committee and the BOT. The staff is responsible for:

1. ~~• administering~~Administering the investments of the Portfolio at the lowest possible cost, being careful to avoid sacrificing quality.

2. ~~• administering~~Administering the rebalancing ~~policy~~process.

3. ~~• day~~Day-to-day interaction with the consultants and investment managers.

~~III. INVESTMENT GUIDELINES~~

4. ~~The investment guidelines set forth herein establish parameters for the Portfolio and for~~ Administering the investment earnings distribution process.

5. Reviewing requests under the ~~University's~~spending policy.

D. Responsibilities of Investment Managers

Investment managers are delegated the following responsibilities:

1. Each investment ~~managers~~ manager will have full discretion to ~~follow in implementing their respective~~make all investment ~~strategies. These~~decisions for the assets placed under its control, while operating within guidelines, constraints, and philosophies as outlined in this Policy.

2. Each investment manager will be expected to manage the Portfolio's assets in a manner consistent with the investment objectives, guidelines ~~address~~, and constraints in accordance with applicable state and federal laws.

3. The investment manager is required to communicate with the Investment Consultant and staff all significant matters pertaining to the investment of the Portfolio's assets on a timely basis.

IV. Investment Objectives

A. There are both short term liquidity needs and longer term needs that allow for incremental longer term growth of assets.

B. While the Committee recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns.

C. Specifically, the portfolio shall be managed with the following objectives in this order:

1. Risk - Maintain the safety of the principal

   a. To accept a reasonable level of risk required to achieve the Portfolio's return objective as stated immediately below.

   b. To limit the likelihood of experiencing a loss over any five-year period.

   c. To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

   d. To the extent possible, minimize the annual volatility in the asset base.

2. Liquidity - Maintain the necessary liquidity to ensure funds are available to support operational needs

a. The Committee and Staff will monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances.

b. The Committee intends to invest no more than 25% of the Portfolio's assets in illiquid vehicles. Illiquid investments will be considered investments with less than monthly liquidity terms.

3. Return - Obtain a reasonable return for a prudent level of risk

a. The Committee seeks to produce a return on investment which is based on levels of operating liquidity needs and investment risk that are prudent and reasonable, given prevailing capital market conditions.

~~a.~~b. The Committee seeks to produce a return in excess of a passive policy index based on the asset allocation~~, restricted transactions, diversification, quality and turnover.~~ targets. Exceeding this objective indicates that the active management of the various portfolio components has added value over a passively-managed fund with a similar asset mix.

c. ~~A.~~ The Committee seeks to produce an adequate real return over the expected rate of inflation, the primary driver of increased costs to the University.

V. Role of Each Investment ~~Pools*~~Pool

Total Combined Pool
~~TOTAL COMBINED POOL~~

A.

This pool is the overall combined investments of the Portfolio. In its entirety, it is intended to satisfy the overall objectives and constraints set forth in this Policy. The Total Combined Pool is divided into three distinct pools; each pool has a different investment time horizon~~,~~ and investment ~~objective and minimum and maximum asset class allocations~~objectives.

~~WORKING CAPITAL POOL~~

B. Working Pool

This pool is intended to provide for the immediate normal operating requirements of the University (funds awaiting clearance), and other short-term investments of the University. ~~This pool includes funds that must be invested in a restricted manner in accordance with federal and/or state law.~~

~~STRATEGIC CAPITAL POOL~~

C. Strategic Pool

This pool is intended to be invested over the medium-term and long-term, as the cash needs of this pool are intermediate and long-term in nature.

~~RESERVE POOL~~

D. Reserve Pool

This pool encompasses a state-mandated unencumbered reserve. This pool is intended to be invested over the medium-~~longer term.~~

~~*University and affiliated organization bond proceeds are outside the purview of this Policy~~ and ~~will be invested in compliance with all relevant federal and state laws.~~

~~**B. Asset Class/Category Characteristics**~~

~~CASH EQUIVALENTS~~

~~The purpose of the cash equivalents portfolio is to provide liquidity to fund operational expenses, debt service and other short term cash needs.~~

~~FIXED INCOME~~

~~Investment Grade~~
~~This asset class is intended to be representative of the overall U.S. investment grade bond market. The purpose of the fixed income asset class is to provide a high level of current income to provide liquidity for intermediate cash flow needs and to provide diversification benefits during periods of a stock market decline.~~

~~High Yield~~
~~This asset class is intended to be representative of the non-investment grade U.S. bond market (bonds rated BB or lower). The purpose of this fixed income asset class is to provide a higher level of current income to compensate for the additional level of credit risk employed. The purpose of this asset class is to provide some return enhancement and diversification benefit in order for the Portfolio to realize long-term growth above inflation.~~

~~EQUITIES~~

~~U.S. Equity~~
~~This asset class is intended to be representative of the overall U.S. stock market. The purpose of the equity asset class is to provide a high level of capital appreciation in order for the Portfolio to realize~~ long-term ~~growth above inflation~~.

~~International Equity~~
~~The purpose of the international equity asset class is to provide exposure to equities in international equity markets. Exposure to international equities enhances returns of the combined equity portfolio while reducing return volatility.~~

~~Private Equity~~
~~The purpose of the private equity asset class is to provide a global exposure to private equity markets that is diversified by geography, investment type (venture capital, growth equity, buyout, mezzanine, distressed and special situations) and vintage year. Exposure to the private equity market is expected to provide access to outsized returns as compared to the public equity market.~~

~~REAL ASSETS~~

~~Treasury Inflation Protected Securities (~~ **VI. Diversification**

The Committee recognizes that an important element of risk control is diversification. Therefore, investments will be allocated across multiple classes of assets, chosen in part for their low correlation of returns. Within each asset type, the portfolio will distribute investments across many individual holdings, to further reduce volatility.

VII. Asset Allocation

The Committee recognizes that the allocation of monies to various asset classes will be the major determinant of the Portfolio return and risk experience over time. Therefore, the Portfolio will allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Portfolio's investment objectives.

A. Permissible Asset Classes

~~TIPS)~~
~~This asset class is intended to be representative of the fixed income investments in which the principal is adjusted periodically based on changes in CPI.~~ The ~~purpose of the TIPS~~Committee has specifically indicated those asset ~~class is to provide fixed income returns with the additional diversification benefits of inflation protection.~~

~~Real Estate Investment Trusts (REITS)~~
~~This asset class is intended to be representative~~classes that may be utilized. The University invests mainly in commingled vehicles such as mutual funds, limiting the ability of the ~~Real Estate Investment Trust market. The purpose of the REIT asset class is to provide a higher level of current income and capital appreciation than fixed income with diversification benefits from~~ University or its ~~low correlation to both stocks and bonds.~~

representatives to impose~~Commodities~~
~~This asset class is intended to be a passively managed representation of a direct~~ investment ~~in a diversified commodities strategy. A direct investment is either through the purchase of the physical commodity (e.g., crude oil, metals) or the purchase of derivatives (e.g., futures). The principal roles for commodities in the Portfolio are as a risk diversifier, and an inflation hedge, providing an expected offset to assets such as fixed rate instruments, which typically lose value during periods of unexpected inflation.~~

~~ABSOLUTE RETURN~~

~~This asset class is intended to be representative of a broadly diversified hedge fund strategy intended to provide an "absolute return" in any market environment with low to intermediate level of risk. This strategy is intended to provide modest return enhancement to that of fixed income with diversification benefits derived from its low correlation to other asset classes.~~

~~**C. Authorized Investments and Restrictions**~~

~~The following authorized investments and restrictions establish the parameters the University's investment managers must follow in implementing their respective investment strategies. Each underlying manager will have a specific set of~~ guidelines ~~that may be more restrictive than those set forth herein.~~ .

~~Authorized Investments:~~**Permissible Asset Class**

Public Equity

Private Equity

Fixed Income~~securities issued in the U.S. investment grade bond market~~

~~Rule 144A securities with registration rights~~

~~Non dollar securities and securities of issuers outside the U.S.~~ Bank Loans

Commodities~~U.S. Treasury, Agency, Eurodollar, and Swap financials futures~~

Hedge Funds~~Interest rate swaps~~

Cash and Cash Equivalents

~~Options on securities otherwise allowable under the guidelines~~	~~Authorized~~
~~Agency mortgage dollar rolls~~	~~Authorized~~
~~**Restrictions:**~~	~~**Guideline**~~
~~Maximum invested in securities not paying in US dollars~~	~~10% of account market value~~
~~Maximum invested in issuers domiciled outside the US~~	~~10% of account market value~~
~~Maximum invested in non US dollar-denominated assets~~	~~10% of account market value~~
~~Cross-currency hedging~~	~~Prohibited~~
~~Rated by both S&P Moody's (except US government and agency securities)~~	~~Required~~
~~Rated BBB-/Baa3 or higher at time of purchase~~	~~Required~~
~~Convertible securities and preferred stocks~~	~~Prohibited~~
~~Maximum position in securities not rated or rated BB+ /Bal or lower~~	~~5% of account market value~~
~~Collateralized securities must have a credit quality rated AAA by S&P and rated Aaa by Moody's~~	~~Required~~
~~Interest-only (IO) securities~~	~~Prohibited~~
~~Collateralized Bond Obligations, Collateralized Debt Obligations, and Collateralized Loan Obligations~~	~~Prohibited~~
~~Credit derivatives~~	~~Prohibited~~
~~Maximum per any one issuer~~	~~5% of account market value~~
~~Maximum duration exposure derived from futures, options or swaps~~	~~20%~~
~~Borrowing and/or lending of funds or securities~~	~~Prohibited~~
~~Leverage~~	~~Prohibited~~

B. Expected Returns, Risks, and Correlations for Permissible Asset Classes

The risk and return behavior of the Portfolio will be driven primarily by the allocation of investments across asset classes. In determining the appropriate allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio will be considered.

C. Total Combined Pool Exposure

The total Combined Pool is expected (but not obligated) to be composed of the following split, on average, over the long term. The total Combined Pool is expected to be used for benchmarking purposes and total risk analysis; however the Committee has limited control over the level of assets in the Working Capital Pool which is expected to fluctuate throughout the year based on the normal operating requirements of the University.

~~Investment Guidelines - High Yield Fixed Income~~	
~~Authorized Investments:~~	**~~Status~~**
~~Registered high yield and Rule 144A, with registration rights, fixed income securities and debt obligations issued by public, corporate, and sovereign entities~~	~~Authorized~~
~~Securities issue or guaranteed by the US government, its agencies and instrumentalities~~	~~Authorized~~
~~Forward contracts on "eligible" securities~~	~~Authorized~~
~~Common stock, preferred stock and options or warrants to purchase common or preferred stock only where included in a unit with, or attached to, fixed income securities or upon conversion of a convertible security or exercise of a warrant or option or received in a reorganization~~	~~Authorized~~
~~Convertible securities and preferred stocks, if most of their value is attributable to their yield and other fixed income features~~	~~Authorized~~
~~Cash vehicle through trustee~~	~~Authorized~~
~~Restrictions:~~	**~~Guideline~~**
~~Maximum position in an individual security (excluding Government securities)~~	~~5% of account market value~~
~~Maximum position in any one issuer (excluding Government securities)~~	~~5% of account market value~~
~~Maximum position in Rule 144A, with registration rights, securities~~	~~5% of account market value~~
~~Maximum position in emerging market debt (corporate or sovereign debt of countries with credit rating BB+/Ba1 or lower)~~	~~5~~**% of** ~~account market value~~**Total Combined Pool**
Working Capital Pool~~Purchase of securities on margin~~	~~Prohibited~~40%
Strategic Capital Pool~~Short sales~~	~~Prohibited~~50%

~~Securities lending~~Reserve Capital Pool	~~Prohibited~~10%
Total Combined Pool~~Employ leverage~~	~~Prohibited~~**100%**
~~Structured securities (e.g. ABS, CMBS, CDO) except for equipment trust certificates~~	~~Prohibited~~
~~Maximum position in equipment trust certificates~~	~~5% of account market value~~
~~Investment in direct real estate or real estate mortgage loans~~	~~Prohibited~~
~~Debt issued by corporate entities involved in real estate otherwise allowed under these guidelines~~	~~Permitted~~
~~Investment in commodities or commodity contracts~~	~~Prohibited~~
~~All securities at the time of purchase must be rated single-B or higher by both S&P and Moody's (securities issued w/o rating are exempt if one can be reasonable expected within one month of issuance)~~	~~Required~~
~~Maximum invested in securities not rated single-B or higher by both S&P and Moody's and any equity securities received into the account~~	~~5% of account market value~~

D. Long-Term Target Allocations for the Strategic and Reserve Pool

Based on the investment objectives and constraints of the Portfolio, and on the expected behavior of the permissible asset classes, the Committee will specify a long-term target allocation for the combined Strategic and Reserve Pool.

The long-term target allocations for the Strategic and Reserve are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the Strategic and Reserve Pool's asset allocation to deviate from the long-term target, as would likely occur during transitioning, asset class restructurings, and other temporary changes in the Portfolio.

Long term strategic asset allocation targets and allowable ranges for the Strategic and Reserve Pool are listed below.

Strategic and Reserve Pool	Target (%)	Allowable Ranges (%)
Equities	**17.0**	
U.S. Equity	7.0	+/- 3
International Developed (Non-U.S.) Equity	5.0	+/- 3
Private Equity	5.0	+/- 3
Credit	**5.0**	
Bank Loans	5.0	+/- 5
Rate-Sensitive	**58.0**	
Investment Grade Bonds	28.0	+/- 5
Investment Grade Bonds (Corporate)	12.0	+/- 5
TIPS	18.0	+/- 5
Real Assets	**5.0**	
Commodities	5.0	+/- 5
Other	**15.0**	
Hedge Fund	15.0	+/- 5
Total	**100**	

E. Rebalancing

Portfolio rebalancing is designed to provide disciplined approach to control the risk exposure of the portfolio. Rebalancing parameters are addressed at the asset class level. In general, cash flows to, from and within the Portfolio will be allocated in such a manner as to move each asset class toward its target allocation as is prudent.

VIII. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy will be reviewed at least annually to ensure that the objectives and constraints remain relevant. However, the Committee recognizes the need for a stable long-term policy for the Portfolio, and major changes to this policy will be made only when significant developments occur.

The asset allocation of the Portfolio will be reviewed on an on-going basis, and at least annually, with the Investment Consultant.

The Committee will evaluate the performance of the Portfolio relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Committee will utilize relative, rather than absolute, benchmarks in evaluating performance.

IX. Investment Manager Selection

~~Hedge Funds~~

~~The Absolute Return asset class shall be implemented through a fund-of-funds investment vehicle. The organization managing the fund-of-funds vehicle must be registered with the SEC. Specific investment guidelines will be reviewed and approved by the Investment Committee prior to the implementation of such an investment vehicle.~~

~~Guidelines for Commingled Investment Vehicles and/or Mutual Funds~~

~~Investment may be made in commingled vehicles and/or mutual funds in which a specified set of guidelines developed for a broad number of institutions are already predetermined. These investments will be managed in a manner consistent with the authorized investments and restrictions set forth herein. These guidelines will be reviewed and approved by the Investment Committee prior to the implementation of such an investment vehicle.~~

~~**IV. Asset Allocation Guidelines**~~

~~The long-term allocation guidelines herein are expressed in terms of a target and ranges for each asset class to provide sufficient flexibility to take advantage of shorter-term market opportunities as they may occur. The asset allocation shall be sufficiently diversified to maintain risk at a reasonable level without imprudently sacrificing return.~~

~~The target allocation to each asset class will differ between the various pools as denoted in a previous section of this Policy. The asset allocation of each of the individual investment pools and the total combined pool are summarized in **Appendix I – Asset Allocation Targets and** Rebalancing **Policy**.~~

~~V. Manager Selection~~

For the Strategic Capital and Reserve Pools, the ~~Investment~~ Committee, with the guidance and recommendations of the ~~consultant~~Investment Consultant, is responsible for the selection and continued monitoring of qualified, competent investment managers in accordance with University policy and Florida law, while optimizing the financial return to the University, advancing its long-term financial interests and supporting the University's mission.

For the Working Capital Pool, ~~staff~~Staff is authorized to invest in the following managers and investments:

1. Florida State Treasury
2. State Board of Administration
3. Qualified ~~Public Depositories~~Depositors as defined by the State of Florida
4. U.S. Government debt and its Agencies
5. Money Market and ~~Short Term Fixed Income Funds~~short term fixed income funds rated AA or higher by at least two of the following ratings agencies: Moody's Investors ~~Service~~Services, Standard & Poor's ~~and~~or Fitch.

~~VI. Performance Measurement & Evaluation~~

~~Investment objectives provide quantifiable standards to measure and evaluate the progress of both the investment pools and each individual investment manager. For the purpose of monitoring and evaluating the ongoing investment activity and results, both relative and comparative performance standards and objectives are defined.~~

~~Relative standards are used to review the return and risk at both the pool and individual manager level. The relative standards for the pool level will represent a target policy index that will be constructed from the relative market indices weighted by the Portfolio's target allocation to each asset class. Each individual investment manager will be evaluated relative to an appropriate benchmark. An appropriate benchmark is defined as an identifiable market index or a "normal" portfolio that is constructed to replicate the manager's investment style. Benchmarks for each investment manager are identified in the Individual Manager section of this document.~~

~~Comparative standards are used to evaluate the returns of both the pool and each of its asset class components.~~

~~Investment objectives are established to measure the long-term (3 to 5 years) results of the Total Pool and each investment manager. The Committee must recognize the limitations of reviewing results over short-term horizons; however, current performance can serve as an early indication of the Portfolio's progress toward meeting the more fundamental primary objectives.~~

~~The Portfolio's performance objectives may be divided into two components: objectives for the overall fund and objectives for the individual portfolio components. Both levels of objectives will be incorporated into quarterly reviews of the Portfolio's performance. The performance objectives for each individual investment pool and the~~

X. Investment Costs

Investment expenses will be considered during manager due diligence process conducted by the Investment Consultant. The Committee intends to monitor and control investment costs on a portfolio level.

XI. Voting of Proxies

The Committee recognizes that the voting of proxies is important to the Portfolio. The Committee has delegated the responsibility of voting all proxies to the investment managers. The Committee expects that proxies will be executed in a timely fashion. Also, the Committee expects full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions.

~~Total Combined Pool are detailed in **Appendix II – Performance Objectives**.~~

~~REASON FOR POLICY (O*)~~

~~This document will provide the framework for the investment management of the Portfolio. Specifically, it will address:~~

- ~~the general goals of the investment Portfolio~~
- ~~the guidelines and parameters for the management of the Portfolio~~
- ~~the asset allocation guidelines~~
- ~~performance objectives~~

~~This Policy is intended to allow for sufficient flexibility in the management process to capture investment opportunities as they may occur, yet set forth reasonable parameters to ensure prudence and care in the execution of the investment program.~~

~~RELATED INFORMATION (O*)~~

~~APPENDIX I – Asset Allocation Targets & Rebalancing Policy~~

~~Asset Allocation Guidelines~~

~~The asset allocation guidelines differ between the various pools, and are summarized as follows:~~

	Working Capital Pool	Strategic Capital Pool	Reserve Pool	Total Combined Pool
% of Total Combined Pool	**30%**	**60%**	**10%**	**100%**
Cash Equivalents	40.00%	0.00%	0.00%	12.00%
Short-Int. Fixed Income	60.00%	0.00%	0.00%	18.00%
Fixed Income (Inv. Grade)	0.00%	29.50%	29.50%	20.65%
High Yield	0.00%	10.00%	10.00%	7.00%
Total Fixed Income	**100.00%**	**39.50%**	**39.50%**	**57.65%**
TIPS	0.00%	14.00%	14.00%	9.80%
Commodities	0.00%	10.00%	10.00%	7.00%
REITS	0.00%	5.50%	5.50%	3.85%
Total Real Assets	**0.00%**	**29.50%**	**29.50%**	**20.65%**
Domestic Equity	0.00%	5.50%	5.50%	3.85%
International Equity	0.00%	5.50%	5.50%	3.85%
Private Equity	0.00%	10.00%	10.00%	7.00%
Total Equity	**0.00%**	**21.00%**	**21.00%**	**14.70%**
Absolute Return	**0.00%**	**10.00%**	**10.00%**	**7.00%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

~~Asset Allocation Ranges and Rebalancing~~

~~Asset allocation refers to the strategic deployment of assets among the major classes of investments such as domestic equity, fixed income and cash equivalents. The asset allocation decision reflects the Portfolio's return requirements as well as the Portfolio's tolerance for return variability (risk) within the context of the expected liabilities of the fund. Asset allocation is widely recognized and accepted as the primary source of return and risk for an investment program. It is used for setting the parameters for long term risk and return in order to meet the University's long-term financial objectives.~~

~~The tables below set forth the asset allocation for the Portfolio, the strategic target weights and the allowable ranges around the target weights:~~

Total Combined Pool	Target (%)	Minimum (%)	Maximum (%)
Working Capital Pool	30.00	25.00	93.00
Strategic Capital Pool	60.00	0.00	70.00
Reserve Pool	10.00	7.00	20.00

Working Capital Pool	Target (%)	Minimum (%)	Maximum (%)
Cash Equivalents	40.00	0.00	100.00
Short Term Fixed Income	60.00	0.00	90.00

Strategic Capital Pool	Target (%)	Minimum (%)	Maximum (%)
Cash Equivalents	0.00	0.00	5.00
Fixed Income (Investment Grade)	29.50	20.50	34.50
TIPS	14.00	5.00	19.00
Absolute Return	10.00	5.00	15.00
High Yield	10.00	5.00	15.00
Commodities	10.00	7.50	12.50
REITS	5.50	3.00	12.00
International Equity	5.50	2.50	8.50
Domestic Equity	5.50	2.50	8.50
Private Equity	10.00	5.00	15.00

Reserve Pool	Target (%)	Minimum (%)	Maximum (%)
Cash Equivalents	0.00	0.00	5.00
Fixed Income (Investment Grade)	29.50	20.50	34.50
TIPS	14.00	5.00	19.00
Absolute Return	10.00	5.00	15.00
High Yield	10.00	5.00	15.00
Commodities	10.00	7.50	12.50
REITS	5.50	3.00	12.00
International Equity	5.50	2.50	8.50
Domestic Equity	5.50	2.50	8.50
Private Equity	10.00	5.00	15.00

~~Portfolio rebalancing is designed to provide a disciplined approach to control the risk exposure of the Portfolio to the investment categories that have deviated from the established target policy weights.~~

~~Rebalancing parameters are addressed at the asset class level.~~ ~~Rebalancing requires a reallocation to be made whenever the quarter-end allocations exceed the minimum or maximum allocations specified above. Naturally occurring cash flows shall be used to the fullest extent possible to minimize transaction costs and rebalance toward policy targets.~~

~~The funding of the private equity asset class occurs over the term of the investment. In order to maintain the Policy's overall target allocation to equity, the Portfolio may maintain an overweight (or underweight) position to public equity no greater than the corresponding underweight (or overweight) target allocation to private equity. The staff and consultants will annually review the rebalancing to take into account the funding of private equity.~~

~~Appendix II – Performance Objectives~~

~~The performance objectives for the overall fund are threefold:~~

1. ~~objective relative to asset allocation targets~~
2. ~~objective relative to capital market assumptions~~
3. ~~objective relative to inflation~~

~~The first objective results in a comparative index that reflects the University's unique asset allocation policy (see example in Table 1). Exceeding this objective indicates that the active management of the various portfolio components has added value over a passively-managed fund with a similar asset mix. The second objective, to compare asset class performance to the capital market assumptions, ensures that the asset mix continues to achieve the long-term goals of the Portfolio. The inflation objective requires that the investment performance provide an adequate real return over the expected rate of inflation, the primary driver of costs.~~

~~Individual portfolio components also have performance objectives reflecting the unique investment style of each category. The investment style and performance benchmarks are also shown below:~~

~~**Five-Year Performance Objectives Methodology**~~
~~Relative to asset allocation targets, indexes that represent appropriate asset classes~~

~~Target Portfolio Weight~~	~~x~~	~~Representative cash equivalent portfolio~~
~~Target Portfolio Weight~~	~~x~~	~~Investment grade fixed income index~~
~~Target Portfolio Weight~~	~~x~~	~~TIPS index~~
~~Target Portfolio Weight~~	~~x~~	~~Absolute return benchmark~~
~~Target Portfolio Weight~~	~~x~~	~~High yield fixed income index~~
~~Target Portfolio Weight~~	~~x~~	~~Global REIT index~~
~~Target Portfolio Weight~~	~~x~~	~~Commodity index~~
~~Target Portfolio Weight~~	~~x~~	~~Broad U.S equity index~~
~~Target Portfolio Weight~~	~~x~~	~~International equity index~~
~~Target Portfolio Weight~~	~~x~~	~~Private equity benchmark~~
~~100.00%~~		~~Total Portfolio Benchmark~~

~~**Total Combined Pool Objectives**~~ ~~(net of all fees and costs)~~
~~Relative to asset allocation targets, index weighted by:~~

~~30.00%~~	~~x~~	~~91-Day Treasury Bill rate~~
~~20.65%~~	~~x~~	~~Barclays U.S. Aggregate Bond Index~~
~~9.80%~~	~~x~~	~~Barclays TIPS Index~~
~~7.00%~~	~~x~~	~~ML High Yield Master II Index~~
~~7.00%~~	~~x~~	~~CPI + 3.25% (Absolute Return benchmark)~~
~~7.00%~~	~~x~~	~~Dow Jones - UBS Commodity Index~~
~~3.85%~~	~~x~~	~~FTSE EPRA / NAREIT Developed Real Estate~~
~~3.85%~~	~~x~~	~~Wilshire 5000 Index (US Equity broad market)~~
~~3.85%~~	~~x~~	~~MSCI All Country World ex-U.S. Index (int'l equity market)~~
~~7.00%~~	~~x~~	~~Wilshire 5000 (1-quarter lag) + 3%~~
		~~100.00%~~

~~**Total Combined Pool**~~ ~~Benchmark~~

~~Relative to inflation: Consumer Price Index + 3.5%~~

~~**Working Capital Pool Objectives**~~ ~~(net of all fees and costs)~~
~~Relative to asset allocation targets, index weighted by:~~

~~100.00%~~	~~x~~	~~91-Day Treasury Bill rate~~
~~100.00%~~		~~Working Capital Pool Benchmark~~

~~**Strategic Capital and Reserve Pool Objectives**~~ ~~(net of all fees and costs)~~
~~Relative to asset allocation targets, index weighted by:~~

~~29.50%~~	~~x~~	~~Barclays U.S. Aggregate Bond Index~~
~~14.00%~~	~~x~~	~~Barclays TIPS Index~~
~~10.00%~~	~~x~~	~~CPI + 3.25% (Absolute Return benchmark)~~
~~10.00%~~	~~x~~	~~ML High Yield Master II Index~~
~~5.50%~~	~~x~~	~~FTSE EPRA / NAREIT Developed Real Estate~~
~~10.00%~~	~~x~~	~~Dow Jones – UBS Commodity Index~~
~~5.50%~~	~~x~~	~~Wilshire 5000 Index (US Equity broad market)~~
~~5.50%~~	~~x~~	~~MSCI All Country World ex-U.S. Index (int'l equity market)~~
~~10.00%~~	~~x~~	~~Wilshire 5000 (1-quarter lag) + 3%~~
~~100.00%~~		~~Strategic Capital or Reserve Pool Benchmark~~

~~Relative to capital market assumptions: (Wilshire's Asset Allocation Return and Risk Assumptions, most recent published date, or equivalent publication).~~

RESPONSIBILITIES (O*)
LEGAL AUTHORITY: The BOT is authorized to adopt an Investment Policy pursuant to Section 1011.42 and 218.415 of the Florida Statutes.

HISTORY (R*)
Effective Date: June 29, 2005; Revision Date(s): September 11, 2007; March 12, 2008; March 30, 2009; June 12, 2009; September 24, 2010, March 14, 2012, ~~; and~~ September 10, 2013 and January 14, 2015~~.~~ .

RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R*)	
Office of the Treasurer Finance and Administration **RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R*)** University Treasurer Florida International University 11200 S.W. Eighth Street, MARC 110 Miami, Florida 33199 Telephone: (305) 348-2544 Facsimile: (305) 348-2990	The University Policies and Procedures Library is updated regularly. In order to ensure a printed copy of this document is current, please access it online at http://policies.fiu.edu/ . For any questions or comments, the "Document Details" view for this policy online provides complete contact information.

FORMS/ONLINE PROCESSES (O*)
Links to the above referenced Form(s) available in the "Document Details" Section of the online version of this policy document.

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

Florida International University
Financial Summary Overview [1]
FY 2017-18

($ in millions)	Year To Date September 2017 Budget	Current Year Actual	Variance $	%
Revenue / Receipts				
University				
Educational and General (net) [2]	$ 165.2	$ 167.7	$ 2.5	2%
University	150.3	152.6	2.3	2%
College of Medicine	14.9	15.1	0.2	1%
FIU Self-Insurance Program	-	0.3	0.3	0%
Auxiliary Enterprises	72.4	72.2	(0.2)	0%
Intercollegiate Athletics	10.6	9.0	(1.6)	-15%
Activities and Service	8.2	8.3	0.1	1%
Technology Fee	4.2	4.4	0.2	5%
Board Approved Fees	0.1	0.2	0.1	100%
Contracts and Grants	29.4	34.1	4.7	16%
Student Financial Aid	71.5	75.6	4.1	6%
Concessions	0.1	0.1	-	0%
Direct Support Organizations				
FIU Athletic Finance Corp	2.2	2.5	0.3	14%
FIU Foundation Inc.	5.6	4.5	(1.1)	-20%
FIU Health Care Network	1.8	2.2	0.4	22%
FIU Research Foundation	-	-	-	0%
Interfund Adjustments [3]	(1.8)	(1.4)	0.4	-22%
Total Operating Revenues	**$ 369.5**	**$ 379.7**	**$ 10.2**	**3%**
University Treasury (net)	-	(0.1)	(0.1)	0%
FIU Foundation Inc.	0.3	7.0	6.7	2233%
Total Investment Revenues	**$ 0.3**	**$ 6.9**	**$ 6.6**	**2200%**
Total Revenues / Receipts	**$ 369.8**	**$ 386.6**	**$ 16.8**	**5%**
Expenses				
University				
Educational and General (net)	$ 107.6	$ 100.3	$ 7.3	7%
University	94.8	90.4	4.4	5%
College of Medicine	12.8	9.9	2.9	23%
FIU Self-Insurance Program	-	-	-	0%
Auxiliary Enterprises	48.5	44.0	4.5	9%
Intercollegiate Athletics	6.4	7.0	(0.6)	-9%
Activities and Service	5.0	3.6	1.4	28%
Technology Fee	3.8	2.4	1.4	37%
Board Approved Fees	0.1	-	0.1	100%
Contracts and Grants	29.3	33.7	(4.4)	-15%
Student Financial Aid	75.3	79.4	(4.1)	-5%
Concessions	0.2	0.1	0.1	50%
Direct Support Organizations				
FIU Athletic Finance Corp	0.5	0.5	-	0%
FIU Foundation Inc.	8.1	6.3	1.8	22%
FIU Health Care Network	1.3	1.4	(0.1)	-8%
FIU Research Foundation	-	0.0	(0.0)	0%
Interfund Adjustments [3]	(1.8)	(1.4)	(0.4)	22%
Total Expenses	**284.3**	**277.3**	**7.0**	**2%**
Principal Payment of Debt [4]	-	0.1	(0.1)	0%
Change in Net Assets (incl. Investments)	**$ 85.5**	**$ 109.2**	**$ 23.7**	**28%**
Change in Net Assets (excl. Investments)	**$ 85.2**	**$ 102.3**	**$ 17.1**	**20%**

Florida International University
Financial Summary Overview [1]
FY 2017-18

Financial Highlights:
Operations - By Fund and Direct Support Organization

Educational and General Variance: Revenues $2.5M, Expenses $7.3M

I. University (ex-College of Medicine) Variance: Revenues $2.3M, Expenses $4.4M

Revenues	
State Appropriations:	
▪ Additional pass through distribution from the state to cover higher risk management insurance premium, $0.1M, offset by lower than budgeted distributions from the state, ($0.1M)	-
Tuition:	
▪ Undergraduate base: resident student credit hour enrollment down by 189 FTE or 1.4% mainly in transfers, offset by an increase of 32 FTE or 2.9% in non-resident enrollment	(0.4)
▪ FIU Fully Online: student credit hour enrollment, mainly non-resident, higher than budget by 32 FTE or 3.4%	0.2
▪ Dual Enrollment: institutional financial aid and fee waiver savings from 88.1% or 578 FTE lower than budgeted enrollment due to delays in entering enrollment in the system	0.7
▪ Shorelight Enrollment: 65.9% or 57 FTE higher than budgeted enrollment	0.7
▪ Tuition differential: slightly above target	0.1
▪ Graduate and Professional: student credit hour enrollment on target, however lower than budgeted non-resident enrollment driving lower net revenues	(0.4)
▪ Other: Mainly timing on higher incidental fees, lower bad debt, and lower waivers due to timing of undergraduate merit waivers	1.5
Total Revenues Variance	**$ 2.3**
Operating Expenses:	
Position Salaries and Benefits:	
▪ Savings: Net Realized Salary Float - Year-to-date budget from vacant administrative positions for which budgets are returned centrally	0.1
▪ Timing: Vacancies in faculty, administrative, and staff positions, $2.2M, one-time savings due to parental and sabbatical leave paid out of fringe benefit pool, $0.7M, offset by earlier than budgeted university-wide salary actions, ($1.2M), filled unbudgeted positions, ($1.2M), higher than budgeted notice payouts and shift differential, ($0.2M), and higher than budgeted summer faculty salaries, ($2.1M)	(1.8)
Sub-Total Position Salaries and Benefits	**(1.8)**
Other Expenses:	
▪ Savings: Variance primarily due to savings in contractual expenses paid out of carry forward, $2.2M, offset by higher risk management insurance premium, ($0.1M)	2.1
▪ Timing: Mainly, payment of Oracle license renewal and general maintenance expenses, $0.9M, delays in spending on strategic investments and special legislative appropriations, $2.5M, and generally lower spending across all units, $0.6M	4.0
Sub-Total Position Other Expenses	**6.1**
Total Operating Expenses Variance	**$ 4.3**

II. College of Medicine Variance: Revenues $0.2M, Expenses $2.9M

Revenues are above target primarily due to lower than budgeted bad debt allocation.

Expenses are below budget mainly due to vacant positions, $0.8M, and timing of spending on special legislative appropriations, $1.3M, and other operating expenses, $0.6M.

Florida International University
Financial Summary Overview [1]
FY 2017-18

FIU Self-Insurance Program Variance: Revenues $0.3M, Expenses $0M

Revenues are above target due to earlier than projected transfer to cover anticipated premium costs.

Expenses are slightly above budget due to earlier than budgeted payment of professional fees.

Auxiliary Enterprises Variance: Revenues $-0.2M, Expenses $4.5M

Unfavorable revenue variances are driven largely by lower enrollment in market rate programs across several colleges and schools, lower Housing occupancy (98.8% vs. planned 99.5%), and lower Parking citation revenues due to the university closure as a result of Hurricane Irma and delays in collections. Housing is accepting new residents at a prorated annual rate in order to mitigate the shortfall and Parking revenues are expected to rebound later in the year. The unfavorable variance is reduced by higher than anticipated sales in the Panther TECH store, timing of media and technology support services revenues, and higher than budgeted distance learning fee revenues.

Expenditures are below budget primarily due to lower instructional costs tied to lower enrollment in the academic auxiliaries, delays in projects across the university and payment of invoices in Parking and Panther TECH store, and savings due to timing of filling vacant positions in FIU Online.

Intercollegiate Athletics Variance: Revenues $-1.6M, Expenses $-0.6M

Revenues are below target primarily as a result of the loss of game guarantee revenues from the cancellation of the Indiana University game due to Hurricane Irma and timing of receipt of disbursements from the NCAA.

Expenditures are above budget mainly due to higher travel expenses to take the football team and other student athletes to Birmingham, Alabama, to avoid Hurricane Irma, offset by timing of scholarship expenses as other aid resources are utilized.

Student Activity and Service Variance: Revenues $0.1M, Expenses $1.4M

Revenues are higher than target mainly due to higher activity and service fee revenue mainly from higher than budgeted student credit hour enrollment and lower bad debt allocation. Additionally, higher than anticipated Summer Fest tickets sales and unbudgeted student activity revenues were offset by a prior year adjustment related to an Athletics charitable golf tournament and lower revenue from cancelled orientation programs due to Hurricane Irma.

Expenses are below budget due to generally lower expenses across student activity operations, student centers, student clubs and organizations, orientation, and delays in projects approved by the student government.

Technology Fee: Revenues $0.2M, Expenses $1.4M

Revenues are higher than target mainly due to higher than budgeted student credit hour enrollment.

Expenses are below budget mainly attributable to project delays due to Hurricane Irma and salary savings.

Board Approved Fees: Revenues $0.1M, Expenses $0.1M

Revenues are above target due to greater than anticipated students meeting the required academic status which results in payment of the bar prep course fee.

Expenses are below budget due to timing of payments to the bar prep course vendors.

Florida International University

Financial Summary Overview [1]

FY 2017-18

Contracts and Grants Variance: Revenues $4.7M, Expenses $-4.4M

Sponsored Research: The favorable variance in revenues of $5.9M is mainly due to higher than budgeted federal grant revenues and unbudgeted private revenues. Expenditures are above budget $5.8M commensurate with higher revenues than budgeted, combined with higher than expected commitments against F&A returns spent by the colleges, units, centers, and researchers.

External Contracts: Revenues are below target by $1.2M, primarily due to lower incidental revenues in the Center for Internet Augmented Research & Assessment (CIARA) and delayed contractual revenue reimbursement for College of Medicine programs. Additionally, DSO reimbursements from the Health Care Network and the Foundation - for the capital campaign and the College of Medicine, respectively - are below plan. Expenses are below budget by $1.4M and are generated mainly by less DSO reimbursable expenses related to the capital campaign and the College of Medicine.

Student Financial Aid Variance: Revenues $4.1M, Expenses $-4.1M

Student financial aid revenue is above target. Higher Pell and Bright Futures awards - more students receiving Pell and Bright Futures awards, and higher Bright Futures disbursements per student - are offset by timing of institutional aid due to lower fundable student credit hours and timing of donor-related / departmental scholarships.

Student financial aid expense is above budget. Higher Pell and Bright Futures disbursements along with greater private scholarships and new donor-related scholarships (e.g. Braman Family Completion Scholarship) are offset by lower institutional aid disbursements due to processing delays related to Hurricane Irma.

The negative change in net assets of $3.8M is as anticipated and is primarily due to timing of when aid is disbursed versus received. Pell awards, institutional financial aid to eligible, merit-based students, and departmental scholarships are typically disbursed before drawing down on federal funds, Treasury support funds, and donor-related resources respectively. These are offset by the Florida Student Assistance Grant (FSAG) allocations which are typically received from the state in advance of disbursement.

Concessions Variance: Revenues $0M, Expenses $0.1M

Vending machine sales commissions are lower than target by $32K, primarily due to lower sales as the university was closed for several days due to Hurricane Irma.

Expenditures are lower than budget largely due to unallocated reserves, delays in event expenses, and unspent contingencies in vending and laundry operations.

FIU Athletics Finance Corp Variance: Revenues $0.3M, Expenses $0M

Operating Revenues are above target due to higher than planned sales of season tickets and premium seating.

Total expenses are on budget. Savings from one less than planned football game due to Hurricane Irma are offset by earlier than budgeted debt service interest payment.

FIU Foundation Inc. Variance: Revenues $-1.1M, Expenses $1.8M

The unfavorable variance in operating revenues is due to timing of gifts for the benefit of the College of Medicine, Wolfsonian-FIU, and Jewish Museum of Florida - FIU.

Foundation operating expenses are below budget mainly due to timing of scholarships and program disbursements and timing of spending related to the Capital Campaign.

Florida International University
Financial Summary Overview [1]
FY 2017-18

FIU Health Care Network Variance: Revenues $0.4M, Expenses $-0.1M

Operating revenues are higher than target due to more enrolled students and resulting higher fee income from the international student programs and unbudgeted revenue from the IMAMU international conference.

The increased enrollment in the international student programs resulted in additional expenditures for contracted services for preceptors and affiliates. Additionally, earlier than budgeted university-wide salary actions contributed to the negative variance, however, these are offset by timing of spending on pharmaceutical and medical supplies at the clinics.

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

Operating revenues are on target.

Expenses are above budget, $14K, as a result of payment for accounting services occurring earlier than budgeted.

Net Investment Returns: $6.6M

University Treasury investments fiscal year-to-date returns are 1.4% or $22K. The unfavorable gross investment revenues variance of $509K is driven mainly by a delay in investment earnings entries for the quarter due to Hurricane Irma. The ($138K) of net investment revenues are comprised of $22K of investment income and no unrealized gains or losses offset by $159K of investment fees and Treasury operating expenses.

Foundation investments fiscal year-to-date gains are 2.6% or $7.0M, generating a positive variance of $6.7M mainly from equities. Investment returns for the full fiscal year were budgeted at 5.0%, or $12.0M.

Principal Payments of Debt: $-0.1M

Unbudgeted payment for MRI machine.

Notes:

1 *The financials presented above reflect the state budgeting methodology which differs from full accrual financial statements. The following have the most significant impact:*

- *Depreciation of Assets: For budgeting purposes equipment purchases are fully expensed in their acquisition year, therefore depreciation is not included in the budget.*
- *Unrealized gains and losses: The investment gains / losses are recognized as revenues in the budget however GASB accounting principles require that it be recorded as a non-operating revenue / expense.*

2 *E&G revenues include State Funding and Tuition and are net of waivers, uncollectible amounts and 30% Financial Aid need-based amounts per BOG regulation. Any differences between E&G Revenues and Expenses will be funded from prior year balances carried forward.*

3 *Interfund transfers have been included resulting in higher revenues and expenses by fund allowing for an individual fund performance analysis. The interfund adjustments eliminate this double counting. However, interfund transactions such as tuition funded by scholarships and auxiliary services provided to other units have not been eliminated. Since revenues and expenses are equal, the interfund adjustments are the same for both.*

4 *Principal payment of debt reflected above per BOG requirement that debt service payments be shown on a cash basis.*

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 7, 2017

Reports *(For Information Only – no action required)* Pete Garcia, *Executive Director of Sports and Entertainment*

Fundraising Report

FIU Foundation, Inc.
Unaudited Preliminary Recap
Through the Period Ended September 30, 2017 (in thousands)

	Budget	Actual	Variance
Revenues	$497	$403	($94)

- Unfavorable to budget due to timing of gift revenue collection.

Athletics Finance Corporation

FIU Athletics Finance Corporation
Unaudited Preliminary Recap
Through the Period Ended September 30, 2017 (in thousands)

	Budget	Actual	Variance
Revenues	$2,171	$2,466	$294
Expenses	$279	$136	$142

- Year-to-date Net Income excluding debt service was $2,330, favorable to budgeted $436,000.
  - Primary drivers include:
    - Increase in season ticket and premium seating over prior year.
    - Expense variance due to timing of expenses as only one home football game was played in the first quarter of the fiscal year.
- The debt coverage covenant requirement is forecasted to be met for the period ending June 30, 2018.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 7, 2017

BUSINESS SERVICES REPORT AS OF October 1, 2017

NEW SERVICES

Pharmabox, a cutting edge retail service that immediately supplies FIU's students, faculty and staff with health needs by distributing over the counter (OTC) pharmaceuticals. The machine is equipped with the latest vending technology and the service is available 24 hours a day, 7 days a week. Sales for the trial period have far exceeded expectations and a formal, three year agreement has been signed. Machines are currently located at the Green Library (now open 24/5) and the Graham Center. Sales results show purchases well into the night demonstrating the machines are providing a true service to the campus community. We are considering options for the expansion into the Biscayne Bay Campus (BBC) in addition to other areas of the Modesto A. Maidique Campus (MMC).

Sergios Cuban Kitchen has opened their bowl concept in the Graham Center as of Fall 2017. They occupy one of the three storefronts currently used by Subway. The fast-casual concept serves authentic Cuban food in addition to a healthy menu, with items catering to paleo and low-sugar diets. The menu features a selection of bowls with rice, beans, and traditional Cuban dishes like ropa vieja and pork chunks. Sales have been phenominal, averaging over $19,000 per week (except for the week the University closed due to Hurricane Irma) since opening. This puts them on track to have sales over $800,000 for the year.

Misha's known for their delicious cupcakes has opened in PG5. They carry a wide assortment of cupcakes in two different sizes, regular and mini. They are sure to satisfy any sweettooth. They occupy the location formerly held by Juice Blendz. Sales for Misha's have ranged from a high of $6,665 for opening week to leveling off to over $3,000 per week.

KEY HIGHLIGHTS

Hurricane Irma

Hurricane Irma had a substantial impact on operations during the month of September as compared to the previous year. The key highlights are as follows:

- Food Service – Food Service commssions for September were lower by $94,905 ($239,285 vs $334,190) versus prior year. It's important to note, however, that for the quarter ended September 30, Food Service has outpaced last year as noted below (Food Services recap).
- Retail – Retail Operations were impacted negatively during the month of September. Bookstore commissions were lower by $24,030 and other retail by $4,103 versus prior year.
- Vending – Vending was significantly affected coming in lower versus last year by $25,842.

With the extension of the academic calendar year by one week, Business Services expects to recover most of the difference.

Food Services:

For the period ended September 30, 2017, food service sales totalled $4.9M, generating commissions of $659K, up $39K as compared to the same period last year. The success is primarily attributed to Vicky Café ($210K this quarter, $95K since it's opening in late December 2016).

B&N Bookstore General Site:

Quarterly Sales of $4.2M fell 23% ($1.2M) from FY 16-17 and 24% from FY 15-16, representing a $1M or 16% decline in commissions. Upon further analysis for this quarter we report the following findings:

- Textbook sales of $3.3M continue to decline 13% ($.5M) from FY 16-17, and a 19% decline from FY 15-16, attributable to competing platforms (e.g. Amazon and Chegg).
- Sales of School Supplies and Café/Convenience Store of $.4M fell 42% ($.3M) from FY 16-17 and 40% from FY 15-16, attributable to mandatory closure for Hurricane Irma in September.
- Sales of Non-Textbook Items of $.4M fell 53% ($.5M) from FY 16-17 and 35% from FY 15-16. These items comprise commencement, school spirit clothing, accessories, and dorm furnishings.

There is a plan under development to launch a test of the First Day program in the Spring 2018 semester in an effort to boost textbook sales. This initiative will make textbooks more affordable through agreements to lower prices between B&N and the publishers.

Price Match:

B&N continues to offer the Price Match program as a way to counter sales from discount online retailers. For the fall 2017 semester, B&N matched 862 units for a total discount of $22,656. Since inception, the program has provided matching funds of $82,656K.

Sustainability:

Our Eco friendly carwash surpassed 1,391 cars washed this quarter., striving to maintain its sustainability status in conserving water. While the average carwash consumes 75 gallons of water per car, GTEco's mist technology only uses 0.675 gallons, thereby conserving over 100,00 gallons of water this period.

Technology:

The GTEco Carwash app (currently available for IOS and under development for Android) was soft launched, enabling users to request an exterior carwash based on the current location of their vehicle (e.g. Gold Garage). After registering personal information, vehicle information, and payment data, GTEco will locate the vehicle and wash it at the parking space where it is located and bill the user directly for the type of wash selected. There is no longer a need to drop a car off for washing unless interior cleaning or full detail is desired.

Vending:

For the quarter ended September, 30, 2017, vending sales totaled $300K, which represents a 25% decline compared to the same period last year mainly due to mandatory campus closures in the wake and aftermath of Hurricane Irma. In total, there are 125 beverage machines and 99 snack/food machines across the MMC, BBC, and Engineering Center campuses.

QUICK FACTS

Services under Management

- 55 food and retail venues, beverage and snack vending, FIU *One* Card Program, fleet services, multi-use facilities, property management and advertising. All information on food and retail, including hours of operation can be found at **www.shop.fiu.edu** and on the FIU Mobile App under the "Places" link.

Investments

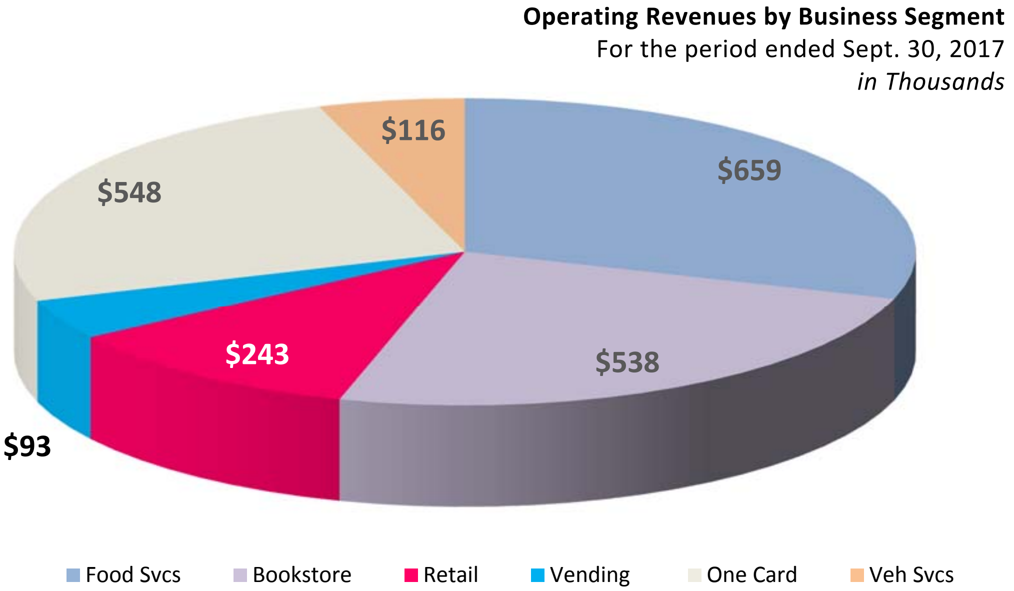
- For fiscal year 2017-18, Business Services is committed to invest approximately $7M to improve and expand existing facilities, expand service offerings, and increase indoor and outdoor seating to help foster affinity and retention at FIU. Business Services is also committed to contribute over $1.7M to fund University initiatives, provide scholarships, underwrite student services and support FIU facilities.

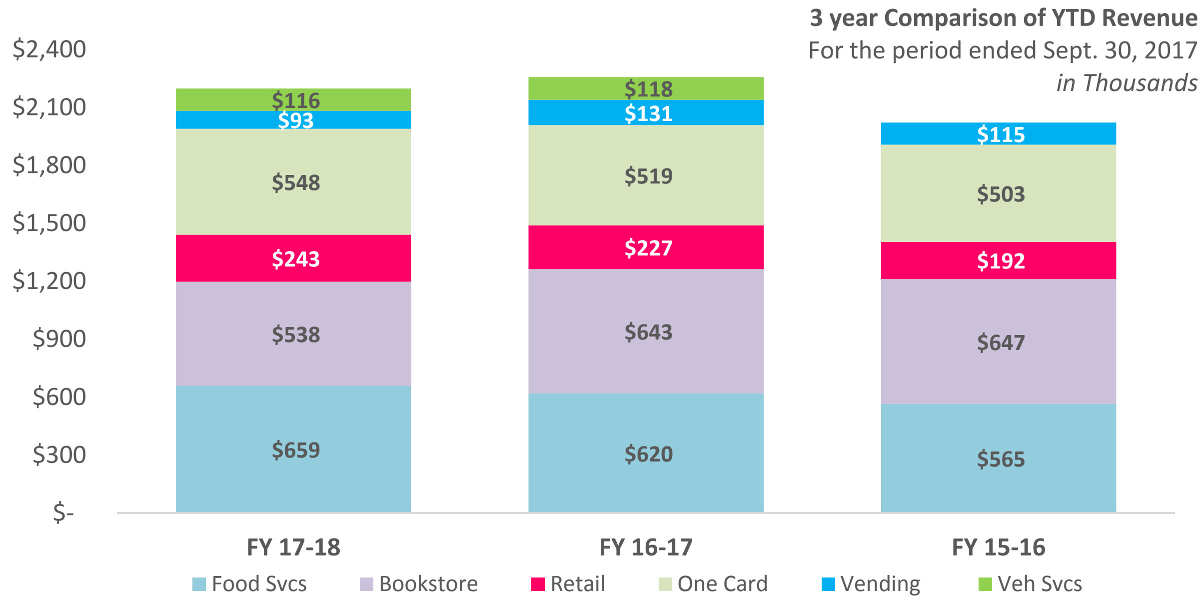
Revenues

- For the quarter ended September 30, 2017, Business Services managed sales of $11.2M from operations, representing $2.3M in revenue to FIU ($2.1M in Commissions and $200K in Grants).

Finance and Administration
*11200 SW 8th Street * DC 121 * Miami, FL 33199 * Tel: (305) 348-2187 * Fax: (305) 348-2832 * Web: obs.fiu.edu*

OPERATING REVENUES





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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 7, 2017

EMERGENCY MANAGEMENT STATUS REPORT AS OCTOBER 25, 2017

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

Test of FIU Alert emergency notification system

On September 5, 2017, the fall semester test of FIU Alert, the University's emergency notification system was conducted. Attached is a summary report of the test.

Training and Exercises

Following FIU's Hurricane Irma response, an after action meeting was conducted on October 10, 2017.

Emergency Notification System
September 5, 2017
University-Wide Emergency Notification Test
Department of Emergency Management

Test Summary

On September 5, 2017 at approximately 10:30 a.m., the FIU Police Department initiated a University-wide test of FIU Alert, the University's emergency notification system. All communication methods were tested and the results are listed below. The FIU Alert message that was sent read as follows:

FIU ALERT! This is a test of the FIU emergency notification system. This is only a test.

An email containing a survey was sent immediately following the test to the FIU community to gauge the effectiveness of the FIU Alert emergency notification system.

FIU Alert Performance Evaluation Data

FIU Alert Results

System Performance	Attempted	Delivered
Voice calls to cell phones	55,340	39,771
Text messages to cell phones	55,131	51,325
Voice over internet protocol phones, outdoor speakers, callboxes	7,778	7,589
FIU email		Successful
Facebook		Successful
Twitter		Successful
Electronic message boards (EMB)		Successful
FIU main webpage		Successful

Issues and Solutions

No issues were observed.

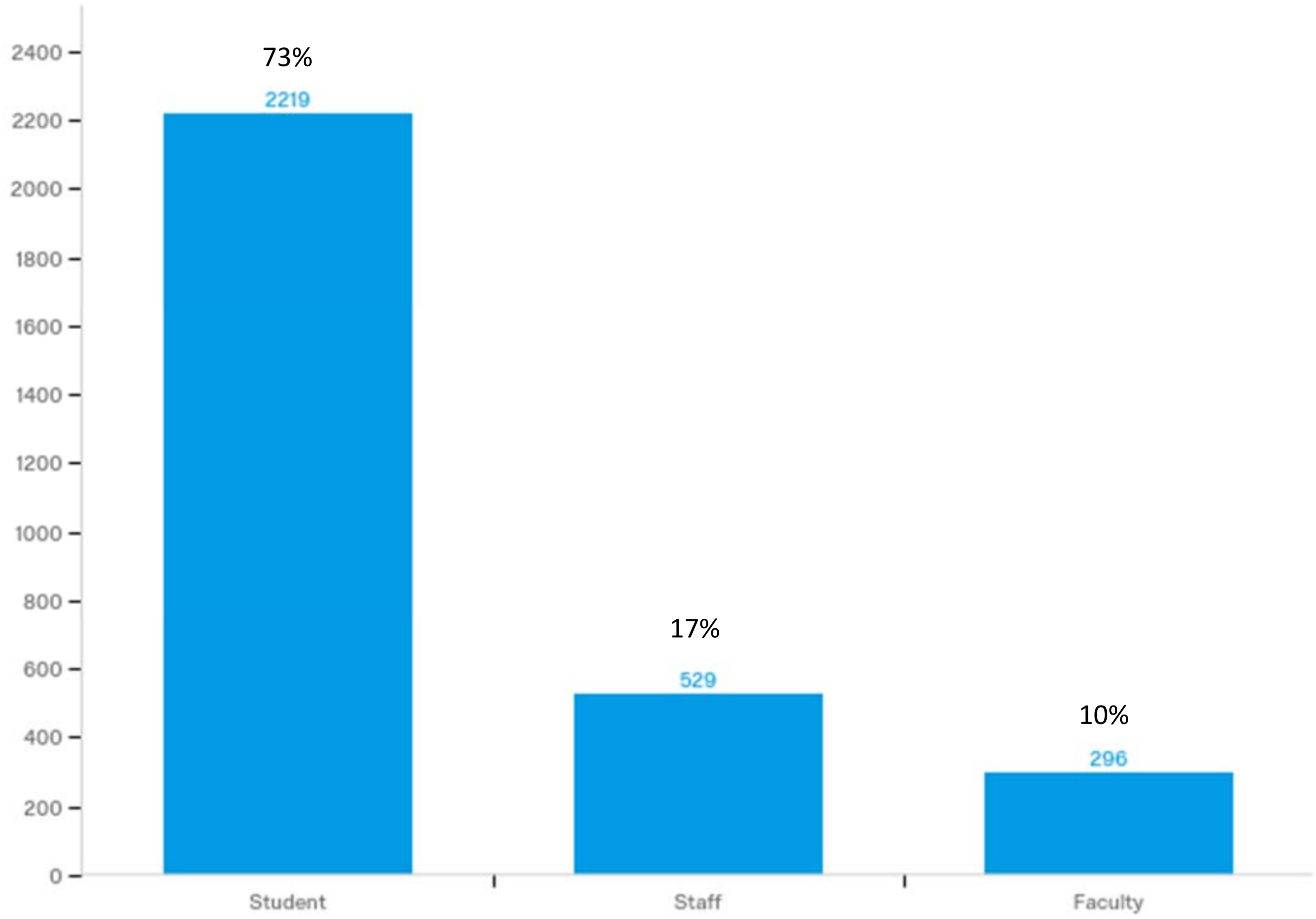
Summary

Systems used for initiating FIU Alerts functioned correctly and provided timely notifications.

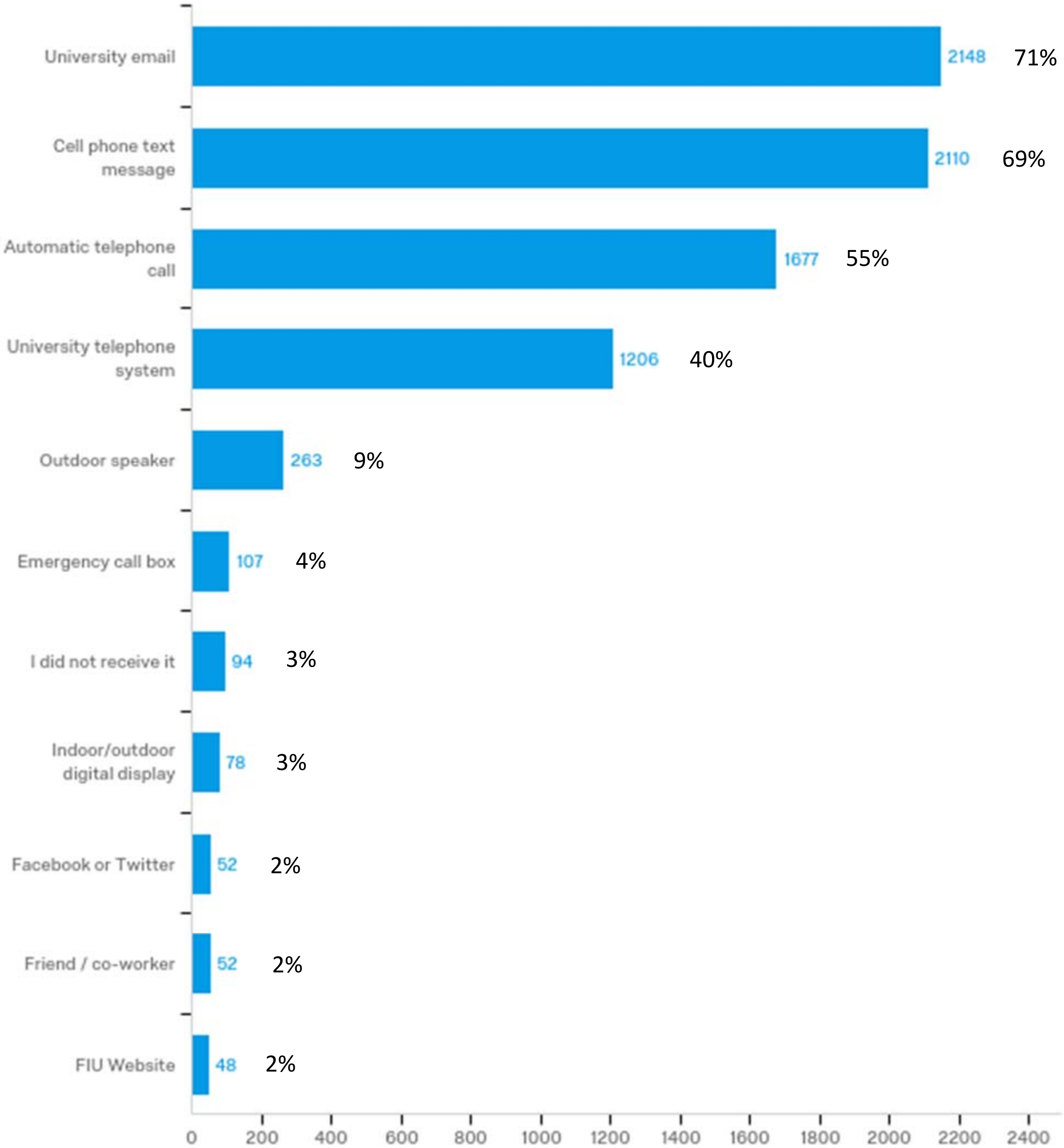
Survey Results

Total respondents to survey: 3,044

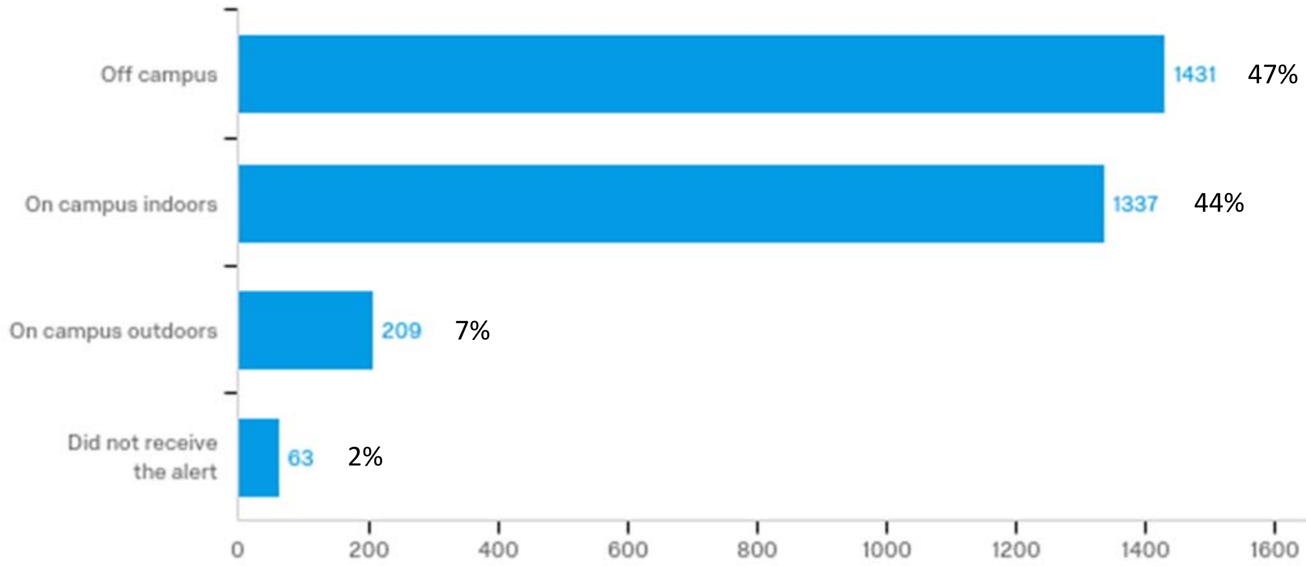
1 - What best describes your affiliation to Florida International University?



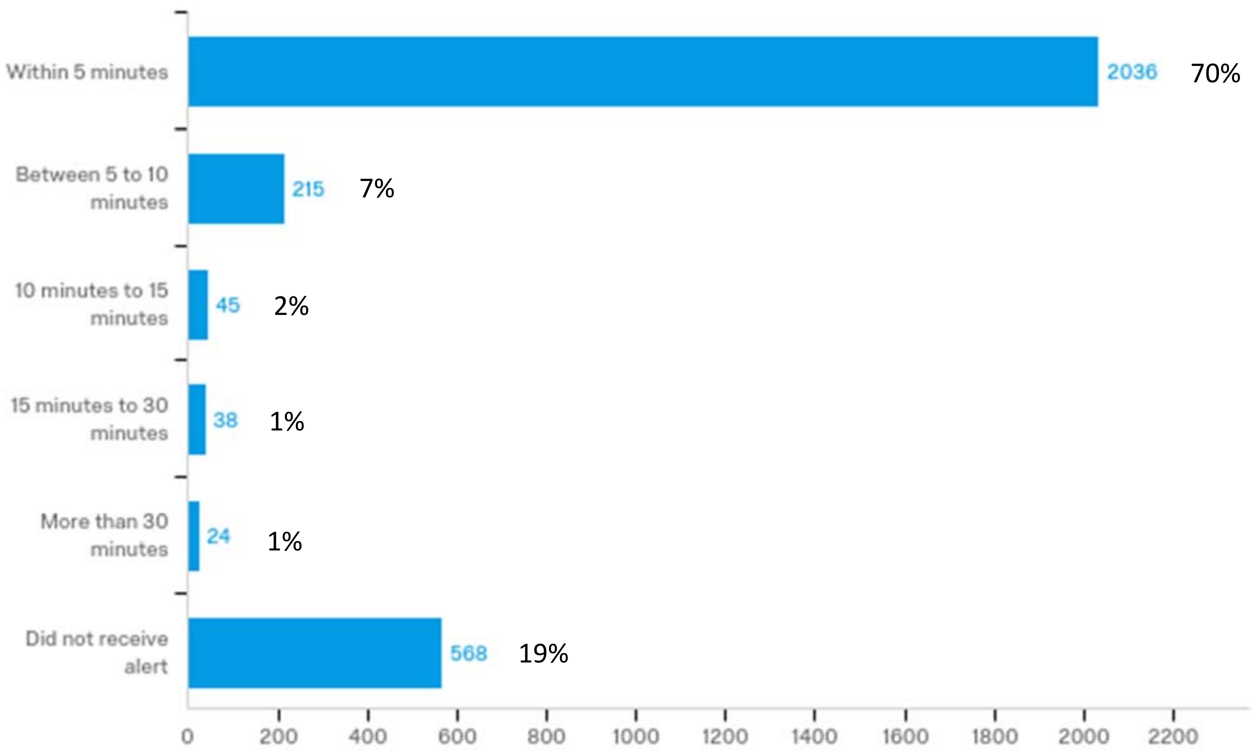
2 - How did you receive the test message? (Mark all that apply)



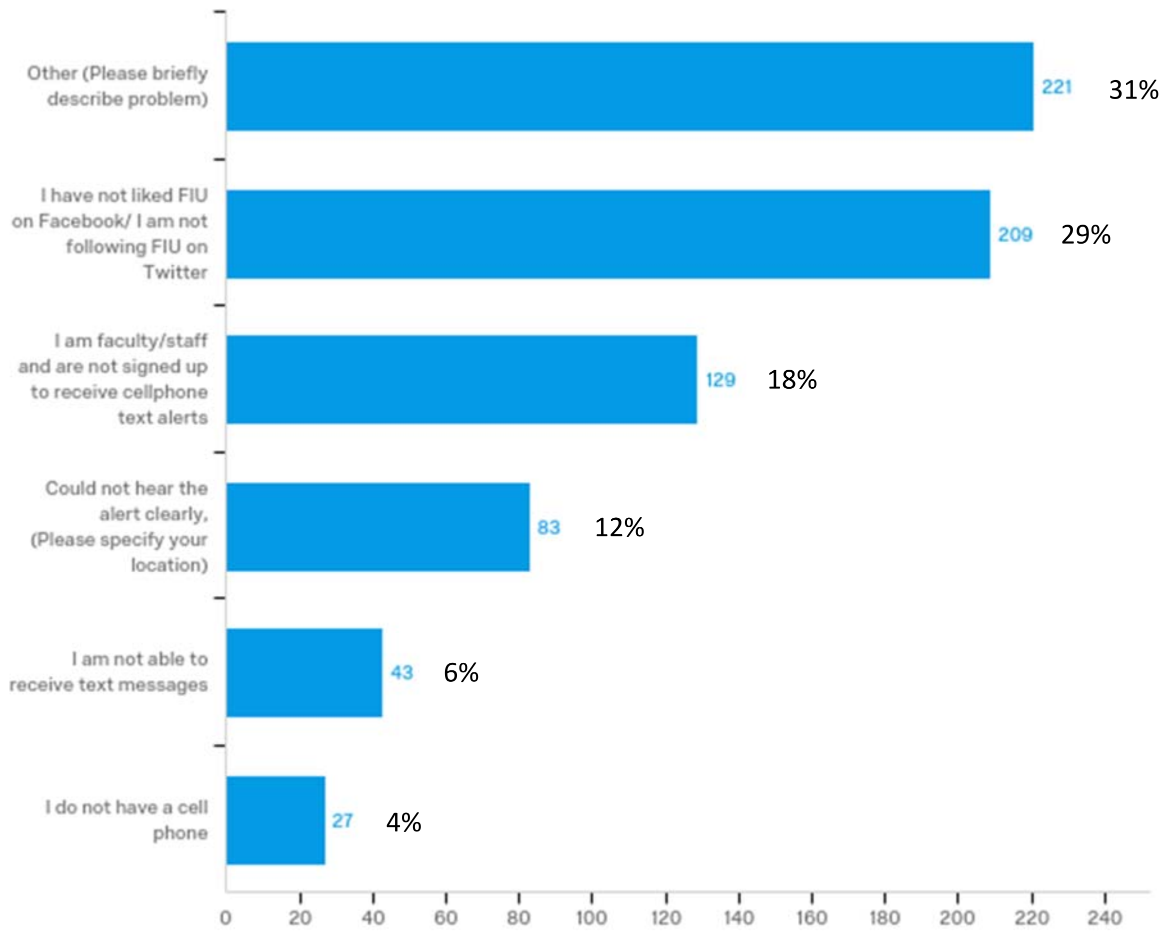
3 - On September 5th, 2017 at 10:30 a.m., the University conducted a University-wide test of the FIU Alert emergency notification system. Where were you located when the test alert was sent out?



4 - If you did receive the cellphone text message, how long after 10:30 a.m. did you receive the message?



5 - If you had difficulties receiving the alert, which best describes why? (Mark all that apply)



THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 7, 2017

FACILITIES AND CONSTRUCTION UPDATE AS OF OCTOBER 31, 2017

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

Projects Completed

- None during this reporting period.

Projects under Construction

- **Recreation Center Expansion (BT-903)** - $26.7M 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 expansion more than doubles the current capacity of 50,765 gsf. Site work and landscaping, interior finish work and exercise equipment installation are finishing while punch list development has begun. $2.6M in additional funding was provided in May to renovate and expand Tropical Smoothie and refurbish the locker rooms in the existing Rec Center. A soft-opening of the Tropical Smoothie took place on October 30th. Weather delays, including Hurricane Irma, have pushed the delivery date for the rest of the project to November 2017 with the exception of the new Tropical Smoothie exterior canopy, which is scheduled for installation in early February 2018. A ribbon-cutting ceremony is scheduled for the Rec Center Expansion on December 4, 2017.

- **University City Prosperity Project (UCPP) (BT-904) -** $14.7M 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.

Work on the south tower and main bridge superstructures are ongoing. Excavation continues along the north canal wall, while remaining south bulkhead wall piles have been driven and are being grouted in preparation for wall panel installation. The concrete for the main span deck was successfully poured on October 18, 2017, and formwork installation for the main span truss system has begun. $567.5K in Transportation Alternatives Program (TAP) funding was approved by the Metropolitan Planning Organization (MPO) and the Florida Department of Transportation (FDOT) and received for the pylon beacon, north plaza west stairway, bridge furniture, and power and data conduits for kiosks. A project design revision requested by FDOT to accommodate a future westbound lane on SW 8th Street is complete pending utilities relocation design review by the Miami-Dade Water and Sewer Department. The $1.9M amendment for Alternate 1 increasing project scope to add improved connectivity from the south plaza to the Green Library has been executed and the design is at 90% Construction Documents. The design revision and additional weather impacts has delayed the project 6 months. New target delivery date: January 2019.

- **Multi-Purpose Practice Fields (BT-916)** - $9.4M; multiple funding sources. A/E – Stantec; CM – Moss Construction. The project will construct two (2) full-sized practice fields, one natural grass and the other artificial turf, and a 3,500 gsf scalable multi-purpose field support facility. It will also include a faculty-designed wetlands expansion south of the preserve. The artificial turf field was completed and turned-over for use in late July while the grass field was completed in early July and turned-over for use in late September after successful sod establishment. Installation of the baseball stadium batter's eye and the practice field kicking nets completed on October 30th . Scoreboards and play clocks are being installed and programmed and will be operational by November 10, 2017. The installation of the faculty-approved landscaping together with the irrigation work will start in early November. The pedestrian bridge was installed and the concrete slab for the pavilion has been set. The walking track is complete pending resolution of punch list items. Construction on the support building has begun with foundation work and masonry wall erection. Target delivery date for the building is late December 2017.

- **Satellite Chiller Plant Expansion (BT-834)** - $7.7M Public Education Capital Outlay (PECO). A/E – SGM; CM – Poole & Kent. The $7.6M initial phase of construction to complete the building with two chillers and two cooling towers was completed in February 2013. The $7.7M of additional funding for Phase II will add two generators, two additional chillers, two additional cooling towers, and the supporting equipment to complete the project. Space will still be available for a fifth and final chiller/cooling tower set when that capacity is needed. Owner direct purchased equipment has been delivered and is being installed. Two 10,000 gal fuel tanks serving the generators are being fabricated offsite and are scheduled to be installed the first week of December. All electrical equipment is onsite and is being installed. Delays by FPL have pushed the connection of permanent power to the chillers and cooling towers to late November/early December 2017. Full connection to emergency power will be complete by mid-December after the fuel tanks are installed. Target completion date for the entire project is late December 2017.

Projects in Design

- **Frost Museum of Science Batchelor Environmental Center at FIU (BT-913) (Phase II) -** $1.8M privately funded project budget. A/E – MC Harry & Associates; CM – Stobbs Brothers Construction. To date, $200K has been received for Phase II design services. Combined with Phase I funding already received, $2.4M of the $5M commitment has been released to FIU. Phase II will be a classroom and lab building (approximately 3,000 gsf), with the bird rehab structure and the remaining animal holding areas to be added at a future date when additional grant funding is received by the Frost Museum. The $1.3M equipment budget for the project was reduced to increase the Phase II construction budget to $1.1M for the building only; the budget will require an additional contribution of $245,719 from the Frost Museum. Transfer of the project funding balance will be necessary once agreement is reached on the Guaranteed Maximum Price to proceed with construction. 95% Construction Documents have been submitted for review. The project is on hold pending resolution of gift agreement terms. Delivery date: TBD.

- **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 approximately 12,000 gsf facility on a site immediately adjacent to the National Tropical Botanical Garden (NTBG) property in Coconut Grove to house educational, lab, and office spaces. Programming was formally approved August 28, 2015 and the project went into design development based on the program criteria at that time. The warrant package submitted in June 2016 was revised and resubmitted on September 29, 2017 addressing all comments from the City of Miami Zoning and Planning Department. The revised submittal was accepted and approval has been placed on hold pending resolution of community concerns raised during several outreach meetings regarding building size, height, parking and site lighting. This effort is required to avoid an appeal of the warrant by the community. Subsequently, one of the neighboring property owners proposed adjustments to the building's aesthetic design as part of a gift agreement to the University. The architect and project team have determined these changes are possible within the current project budget, including the proposed additional gift. The project is back in schematic design to accommodate the changes requested as part of the proposed agreement. Completion of the warrant process, design phase, and construction start is contingent upon finalizing the gift agreement with the donor and a separate agreement with the neighbors addressing their concerns. Negotiations with all parties are ongoing. Target delivery date: TBD.

Projects in Planning Stage

- **Parkview II Housing (BT-892)** - $66.5M bond proceed and Housing Auxiliary funded project budget. A/E – TBD; CM – TBD. The project includes construction of a new 656 private bedroom style residence hall on the Modesto A. Maidique campus with a 300-car garage. The planning effort began on April 26, 2017 with a kick-off program committee meeting. Final selection and approval of the site in Parking Lot 6 was granted on July 11, 2017. Underground utility infrastructure and roadway modifications will be assessed to determine additional cost impacts. The program was approved on September 27, 2017 and the process to select the architect has begun with the A/E advertisement posting on October, 2017.

- **Hotel, Conference and Alumni Center** – Public-Private Partnership (P3) project. Developer/Operator - TBD; Architect - TBD; CM –TBD. Award to the successful Invitation to Negotiate respondent is pending Florida Board of Governors, Division of Bond Finance, and Board of Trustees of the Internal Improvement Trust Fund approval, and the conclusion of negotiations resulting in fully executed Operating and Sublease agreements.

- **School of International and Public Affairs (SIPA) Phase II (BT-887)** - $30.0M project consisting of $12,701,439 PECO funding and $15,000,000 private donation (current shortfall: $2,298,561). A/E – TBD; CM – TBD. The project includes classrooms, conference facilities, offices, language and technology labs, negotiation & mediation facilities, and experimental teaching space. PECO funding for the project was received in June with the condition that all private funds be expended before any PECO monies. The timing of the private construction donation is still pending. Options to cover the shortfall of $2,298,561 are being analyzed. The program committee is currently being formed. Programming will begin in mid-November when representatives from the Green family are available to participate.

  Engineering Building (Phase I and II) (BT-919) - $150.0M PECO and privately funded project budget. A/E – TBD; CM – TBD. The project to build a new engineering building on the Modesto A. Maidique Campus will include classrooms, teaching labs, study space, research labs, offices, and computer and instructional media spaces. $10M in PECO funding has been received to begin the initial planning effort. A program committee is currently being formed.

FIU FOUNDATION, INC.

FINANCIAL STATEMENTS RECAP & INVESTMENT SUMMARIES

September 30, 2017

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FIU FOUNDATION, INC.
Recap of Statement of Activities *
For the Period Ended September 30, 2017
(In Thousands of Dollars)

	2017-18 3-Month Budget	2017-18 3-Month Actuals	Budget to Actual 3-Month Variance		2017-18 Annual Budget	2016-17 3-Month Actuals	Current Year to Previous Year Variance
REVENUES:							
Cash Contributions	$ 5,087	$ 3,969	$ (1,118)	[1]	$ 30,407	$ 3,949	$ 20
MARC Building	$ 410	$ 435	$ 25		$ 1,687	$ 447	$ (12)
Foundation Subsidiaries	$ 58	$ 60	$ 2		$ 294	$ 279	$ (219)
Estimated Investment Returns, Net of Fees	$ 272	$ 7,025	$ 6,753	[2]	$ 11,968	$ 7,442	$ (417)
TOTAL REVENUES	**$ 5,827**	**$ 11,489**	**$ 5,662**		**$ 44,356**	**$ 12,117**	**$ (628)**
EXPENSES:							
University Programs:							
Scholarships & Programs	$ 5,303	$ 4,373	$ 930	[3]	$ 21,611	$ 2,058	$ (2,315)
Building Funds	$ 338	$ 348	$ (10)		$ 1,750	$ 52	$ (296)
Unrestricted Annual Expenses	$ 722	$ 412	$ 310		$ 2,208	$ 338	$ (74)
TOTAL UNIVERSITY PROGRAMS EXPENSES	$ 6,363	$ 5,133	$ 1,230		$ 25,569	$ 2,448	$ (2,685)
Operational:							
MARC Building	$ 130	$ 145	$ (15)		$ 471	$ 126	$ (19)
Foundation Subsidiaries	$ 40	$ 17	$ 23		$ 266	$ 124	$ 107
Administrative & Fund-Raising	$ 1,617	$ 995	$ 622	[4]	$ 7,055	$ 996	$ 1
TOTAL OPERATIONAL EXPENSES	$ 1,787	$ 1,157	$ 630		$ 7,792	$ 1,246	$ 89
TOTAL EXPENSES	**$ 8,150**	**$ 6,290**	**$ 1,860**		**$ 33,361**	**$ 3,694**	**$ (2,596)**
EXCESS REVENUES OVER EXPENSES	**$ (2,323)**	**$ 5,199**	**$ 7,522**		**$ 10,995**	**$ 8,423**	**$ (3,224)**

**These financial statements recaps reflect expenses on an accrual basis and receipts on a cash basis, with the exception of investment returns.*

***Please refer to Appendix A for detailed variance notes.*

Florida International University Foundation
Preliminary Performance Summary
As of September 30, 2017

Asset Class/Manager	Market Value ($000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Trailing 3-Months	Fiscal Year to Date	Calendar Year to Date	Trailing 1-Year	Trailing 2-Years	Ann. Trailing 3-Years	Ann. Trailing 5-Years	Ann. Trailing 10-Years	Ann. Since Inception
GMO Global Equity Asset Allocation	6,285	2.4%			1.4	5.1	5.1	19.4	19.4	15.2	5.9	---	---	6.0
Indus Markor Master Fund	3,301	1.3%			3.0	7.7	7.7	23.9	14.6	4.7	9.3	---	---	5.8
Kiltearn Global Equity Fund	11,876	4.6%			3.4	2.8	2.8	12.6	19.7	17.7	7.1	---	---	4.9
Maverick Long Fund, Ltd	9,784	3.8%			0.1	1.4	1.4	12.7	10.8	9.4	8.7	---	---	8.5
Vanguard Total World Stock Index	5,383	2.1%			2.1	5.3	5.3	17.8	19.0	15.7	8.0	---	---	7.4
Global Public Equity	**36,630**	**14.1%**	**11.5%**	**5.0%-25.0%**	**1.9**	**3.7**	**3.7**	**15.6**	**16.7**	**13.0**	**7.8**	**---**	**---**	**7.0**
D.E. Shaw Core Alpha Extension	11,965	4.6%			2.4	7.0	7.0	17.3	21.6	19.0	12.8	---	---	11.9
First Eagle U.S. Equity Fund	3,257	1.3%			3.0	5.0	5.0	15.2	14.8	15.8	10.4	---	---	10.3
Sirios Focus Fund	10,486	4.0%			3.9	4.4	4.4	16.4	21.1	12.9	9.2	---	---	8.4
HHR Titan Offshore	5,686	2.2%			1.7	-0.0	-0.0	18.8	12.3	8.3	4.4	---	---	4.4
U.S. Public Equity	**31,394**	**12.1%**	**13.5%**	**6.0%-35.0%**	**2.8**	**4.6**	**4.6**	**16.5**	**17.9**	**14.7**	**9.7**	**12.7**	**6.0**	**5.2**
Vanguard FTSE Dev. Markets	979	0.4%			2.5	5.5	5.5	21.1	19.3	13.5	5.9	---	---	4.9
AKO European Master Fund	10,270	4.0%			1.5	3.7	3.7	19.6	23.3	17.6	14.4	---	---	12.1
Cevian Capital II	5,208	2.0%			5.2	0.1	0.1	10.7	17.0	17.0	8.0	---	---	7.3
Buena Vista Asian Opp. Fund	5,903	2.3%			3.7	5.8	5.8	24.2	7.2	11.8	3.4	---	---	5.1
Kabouter International Opps. Fund II	5,995	2.3%			2.3	7.6	7.6	27.5	22.7	19.1	13.8	---	---	14.2
Non-U.S. Developed Public Equity	**28,355**	**10.9%**	**8.5%**	**4.0%-25.0%**	**2.8**	**4.3**	**4.3**	**20.3**	**18.1**	**16.4**	**10.3**	**11.1**	**1.7**	**3.4**
DFA Emerging Markets Value	7,814	3.0%			-2.2	5.6	5.6	24.0	22.8	21.3	4.2	---	---	4.3
Somerset Emerging Markets	4,212	1.6%			-0.9	4.8	4.8	25.3	21.9	18.6	5.2	---	---	5.6
Polunin Developing Countries Fund	5,279	2.0%			-2.5	7.0	7.0	26.8	27.4	23.9	7.8	---	---	5.5
Emerging Markets Public Equity	**17,304**	**6.7%**	**4.0%**	**0.0%-15.0%**	**-2.0**	**5.8**	**5.8**	**25.2**	**23.9**	**21.4**	**5.5**	**---**	**---**	**5.7**
Total Public Long Equity	**113,683**	**43.8%**	**37.5%**	**18.0%-70.0%**	**1.8**	**4.4**	**4.4**	**18.2**	**18.4**	**15.4**	**8.7**	**11.5**	**4.5**	**4.7**
Global Private Equity	*26,906*	*10.4%*	*20.0%*	*0.0%-34.0%*	---	---	---	---	---	*-0.9*	---	---	---	---
Total Long Public and Private Equity	**140,589**	**54.2%**	**57.5%**	**45.0%-70.0%**	**1.4**	**3.5**	**3.5**	**16.1**	**17.5**	**14.6**	**9.4**	**12.2**	**5.0**	**4.9**
Valinor Capital Partners	3,150	1.2%			-1.2	3.0	3.0	13.0	14.0	3.8	2.3	---	---	4.9
Blue Harbour Strategic Value	3,621	1.4%			2.8	3.4	3.4	0.9	6.6	5.4	2.9	---	---	2.9
Roystone Master Fund	3,440	1.3%			-0.1	0.6	0.6	19.3	22.2	3.7	3.1	---	---	3.5
Fir Tree	3,429	1.3%			0.5	0.4	0.4	0.8	3.6	-0.9	-2.9	---	---	-2.6
Pelham Long/Short Fund Ltd	4,238	1.6%			2.1	4.9	4.9	17.0	14.9	10.5	---	---	---	8.0
Highfields Capital	4,146	1.6%			1.3	-2.7	-2.7	-1.8	-2.3	6.5	---	---	---	1.6
Matrix Capital Offshore Fund Ltd	2,722	1.0%			-1.8	4.6	4.6	8.9	---	---	---	---	---	8.9
Hedge Funds (Growth Objective)	**26,747**	**9.5%**	**---**	**0.0%-15.0%**	**0.7**	**1.8**	**1.8**	**7.6**	**9.1**	**4.8**	**3.1**	**---**	**---**	**3.7**
Brahman Capital Partners	2,962	1.1%			-3.4	2.3	2.3	13.0	10.7	-6.9	0.4	---	---	-2.4
Naya Offshore Fund	3,620	1.4%			1.2	4.0	4.0	12.5	15.0	7.0	6.5	---	---	5.8
Janchor Partners	3,797	1.5%			3.4	7.3	7.3	19.1	21.1	---	---	---	---	15.2
Kensico Offshore II	4,309	1.7%			-0.1	2.1	2.1	4.9	7.7	---	---	---	---	7.7
Pennant Windward Fund Ltd	3,200	1.2%			---	---	---	---	---	---	---	---	---	---
Indus Asia Pacific Sidepocket	121	0.0%			-0.6	-0.4	-0.4	21.7	24.4	1.4	---	---	---	-11.4
Hedge Funds (Blended Objective)	**18,010**	**6.9%**	**---**	**0.0%-15.0%**	**0.4**	**3.9**	**3.9**	**11.9**	**13.4**	**3.8**	**5.4**	**5.8**	**2.8**	**4.9**
Davidson Kempner	3,901	1.5%			0.5	1.2	1.2	5.3	6.8	6.4	4.1	---	---	4.9
Kynikos Opportunity Fund	0	0.0%			0.7	3.2	3.2	0.6	-3.5	-11.2	-4.4	---	---	-4.6
Kynikos Opportunity Fund - Holdback	254	0.1%			---	---	---	---	---	---	---	---	---	---
Scopia PX Funds	3,302	1.3%			2.1	8.2	8.2	4.9	9.0	2.1	---	---	---	2.8
GMO Systematic Global Macro Fund	3,539	1.4%			-0.1	1.7	1.7	5.7	-0.6	5.3	---	---	---	5.3
ISAM Systematic Trend	1,983	0.8%			-5.1	0.1	0.1	-7.7	---	---	---	---	---	-13.1
FORT Global Contrarian	2,000	0.8%			---	---	---	---	---	---	---	---	---	---
Luxor Capital Partners - SPV	446	0.2%			7.2	14.8	14.8	36.1	30.2	---	---	---	---	20.7
Luxor - Holdback	25	0.0%			---	---	---	---	---	---	---	---	---	---
Hedge Funds (Diversifying Objective)	**13,449**	**5.9%**	**---**	**0.0%-15.0%**	**0.1**	**3.2**	**3.2**	**3.9**	**2.7**	**0.2**	**-0.9**	**---**	**---**	**0.0**
Total Hedge Funds	**58,206**	**22.4%**	**17.5%**	**10.0%-30.0%**	**0.4**	**2.8**	**2.8**	**7.5**	**8.0**	**3.1**	**2.2**	**4.6**	**2.2**	**4.5**
Parametric Global Defensive Equity	1,306	0.5%			1.0	3.0	3.0	10.0	11.4	10.2	---	---	---	9.8
Renaissance RIEF	3,708	1.4%			-0.6	2.3	2.3	10.3	18.6	---	---	---	---	16.1
Other Diversifying Investments	**5,013**	**1.9%**	**---**	**0.0%-30.0%**	**-0.2**	**2.5**	**2.5**	**10.2**	**14.7**	**11.4**	**7.3**	**7.8**	**---**	**8.3**
Total Diversified Growth	**63,219**	**24.4%**	**17.5%**	**10.0%-40.0%**	**0.4**	**2.7**	**2.7**	**7.7**	**8.8**	**3.8**	**2.5**	**4.7**	**2.3**	**4.5**
Van Eck Global Hard Assets	2,101	0.8%			6.0	8.5	8.5	-9.1	-5.9	10.4	-11.4	---	---	-9.6
SPDR Gold ETF	5,301	2.0%			-3.4	3.0	3.0	10.9	-3.2	6.7	1.5	---	---	1.5
Harvest MLP Income Fund	3,254	1.3%			0.4	-2.3	-2.3	-5.7	-4.2	3.6	-9.6	---	---	-2.5
Public Inflation Sensitive	**10,656**	**4.1%**	**2.0%**	**0.0%-12.5%**	**-0.5**	**2.3**	**2.3**	**1.0**	**-3.0**	**7.9**	**-5.8**	**-1.7**	**---**	**-1.9**
Private Inflation Sensitive	*8,353*	*3.2%*	*8.0%*	*0.0%-20.0%*	---	---	---	---	---	*3.2*	---	---	---	---
Total Inflation Sensitive	**19,009**	**7.3%**	**10.0%**	**5.0-20.0%**	**0.4**	**1.5**	**1.5**	**2.6**	**2.4**	**11.1**	**-2.6**	**0.7**	**---**	**-0.6**
Fidelity Interm Treasury Bond Index Fund	28,037	10.8%			-1.2	0.4	0.4	2.6	-2.3	---	---	---	---	-0.6
StoneCastle C|A Managed	5,008	1.9%			0.1	---	---	---	---	---	---	---	---	0.2
Cash Pending	2,379	0.9%			---	---	---	---	---	---	---	---	---	---
SunTrust Cash	1,024	0.4%			0.1	0.3	0.3	0.6	0.7	0.5	0.3	---	---	0.3
Total Deflation Sensitive	**36,447**	**14.1%**	**15.0%**	**9.0%-30.0%**	**-0.9**	**0.4**	**0.4**	**2.2**	**-1.2**	**1.4**	**1.0**	**1.2**	**4.9**	**5.3**
Total Managed Assets Net of CA Fees	**259,265**	**100.0%**	**100.0%**	**---**	**0.8**	**2.7**	**2.7**	**11.0**	**11.5**	**9.8**	**5.6**	**8.0**	**4.4**	**4.6**
Foundation Enterprise Holdings I	574	---			---	---	---	---	---	---	---	---	---	1.2
Student Managed Investment Fund	316	---			2.4	6.1	6.1	15.2	19.5	11.2	2.1	7.0	---	5.4
SunTrust Balanced Annuity Account	160	---			0.9	1.8	1.8	6.3	6.2	4.1	-0.7	0.2	2.3	3.6
StoneCastle FICA Program	5,042	---			0.1	0.2	0.2	0.6	0.6	0.5	0.4	---	---	0.4
IVA Worldwide Fund	1,215	---			1.3	---	---	---	---	---	---	---	---	1.3
IR&M Short Fund	4,936	---			-0.1	0.3	0.3	1.1	0.7	1.1	1.2	---	---	1.1
Archstone Offshore	762	---			-0.5	0.9	0.9	4.3	5.7	3.2	0.8	4.3	---	3.5
State of Florida Treasury Fund	1,235	---			---	0.1	0.1	0.4	0.4	0.2	---	---	---	0.2
Cash Pending - Other Alternatives	282	---			---	---	---	---	---	---	---	---	---	---
Other Alternatives	**14,522**	**---**			**0.4**	**0.6**	**0.6**	**1.9**	**2.1**	**1.7**	**1.1**	**2.0**	**2.4**	**3.7**
Total Assets Net of CA Fees	**273,787**	---			**0.7**	**2.6**	**2.6**	**10.5**	**11.1**	**9.4**	**5.4**	**7.9**	**4.3**	**4.6**

Notes:
1. Funds available for investment in the Wells Fargo operating account have been deployed to the investment portfolio as of December 31, 2013.
2. Private Investments' trailing performance represents time-weighted quarterly returns. Data represents NAVs and performance through June 30, 2017, updated with cashflows through the most recent period.

Florida International University Foundation
Preliminary Performance Summary
As of September 30, 2017

Asset Class/Composite	Market Value ($000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Calendar Year to Date	Fiscal Year to Date	Trailing 1-Year	Ann. Trailing 3-Years	Ann. Trailing 5-Years	Ann. Trailing 10-Years	Ann. Since Inception
Global Public Equity	36,630	14.1%	12.5%	5.0%-25.0%	1.9	15.6	3.7	16.7	7.8	---	---	7.0
U.S. Public Equity	31,394	12.1%	15.0%	7.5%-35.0%	2.8	16.5	4.6	17.9	9.7	12.7	6.0	5.2
Non-U.S. Developed Public Equity	28,355	10.9%	10.0%	5.0%-25.0%	2.8	20.3	4.3	18.1	10.3	11.1	1.7	3.4
Emerging Markets Public Equity	17,304	6.7%	5.0%	0.0%-15.0%	-2.0	25.2	5.8	23.9	5.5	---	---	5.7
Total Public Long Equity	**113,683**	**43.8%**	**37.5%**	**---**	**1.8**	**18.2**	**4.4**	**18.4**	**8.7**	**11.5**	**4.5**	**4.7**
Global Private Equity	26,906	10.4%	15.0%	0.0%-25.0%	---	---	---	-0.9	---	---	---	---
Total Long Public Equity and Private Investments	**140,589**	**54.2%**	**57.5%**	**45.0%-70.0%**	**1.4**	**16.1**	**3.5**	**17.5**	**9.4**	**12.2**	**5.0**	**4.9**
Total Hedge Funds	58,206	22.5%	17.5%	10.0%-30.0%	0.4	7.5	2.8	8.0	2.2	4.6	2.2	4.5
Other Diversifying Investments	5,013	1.9%	---	0.0%-30.0%	-0.2	10.2	2.5	14.7	7.3	7.8	---	8.3
Total Diversified Growth	**63,219**	**24.4%**	**17.5%**	**10.0%-40.0%**	**0.4**	**7.7**	**2.7**	**8.8**	**2.5**	**4.7**	**2.3**	**4.5**
Total Inflation Sensitive	**19,009**	**7.3%**	**10.0%**	**5.0%-20.0%**	**0.4**	**2.6**	**1.5**	**2.4**	**-2.6**	**0.7**	**---**	**-0.6**
Total Deflation Sensitive	**36,447**	**14.1%**	**15.0%**	**9.0%-30.0%**	**-0.9**	**2.2**	**0.4**	**-1.2**	**1.0**	**1.2**	**4.9**	**5.3**
Total Managed Assets Net of CA Fees	**259,265**	**100.0%**	**100.0%**	**---**	**0.8**	**11.0**	**2.7**	**11.5**	**5.6**	**8.0**	**4.4**	**4.6**
Total Assets Net of CA Fees	**273,787**	**---**	**---**	**---**	**0.7**	**10.5**	**2.6**	**11.1**	**5.4**	**7.9**	**4.3**	**4.6**

Appendix A

Variance Notes:

[1] The unfavorable variance of $1.1 million in cash contributions were mainly from the timing of gifts for the benefit of the College of Medicine, Wolfsonian Museum, and JMOF-FIU.

[2] The favorable variance of $6.8 million in investment returns is based on a budgeted return for the fiscal year of 5% and an actual return fiscal year-to-date of 2.6%.

[3] The favorable variance of $930 thousand in scholarship and program expenses is mainly due to the timing of budgeted expenses.

[4] The favorable variance of $622 thousand in administrative & fund-raising is mainly attributable to salary savings on unfilled development positions in the first quarter.

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee

December 7, 2017

SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT AS OF OCTOBER 25, 2017

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

Issue #1: Regulatory Inspection for X-Ray Equipment Compliance
Agency: Bureau of Radiation Control, Florida Department of Health (FDOH)
Status: On September 21, 2017, the Bureau of Radiation Control, Florida Dept. of Health, performed an inspection of the FIU X-ray registrations for the Modesto A. Maidique Campus and the Engineering Center. A total of 10 X-ray machines are currently registered with FDOH for research. **Findings:** No violations were observed during the time of the inspection. Results were forwarded to the Radiation Control Committee.

Issue #2: Indoor Air Quality Concerns – Academic Health Center 2 (Ongoing)
Agency: Florida Department of Health, Epidemiology Division
Status: As of July 24, 2017 complaints regarding the Indoor Air quality in various areas of the Herbert Wertheim College of Medicine (COM) AHC2 building were received by FIU's Department of Environmental Health & Safety (EH&S). Immediately upon initial investigation by EH&S, a third party consultant was contracted to perform a mechanical HVAC evaluation, a boroscope evaluation, and surface and air sampling for mold. Findings inside the air duct indicated the presence of mold, though the indoor air continues to be fit for occupancy. A large project was launched to address the maintenance and improvement to the ventilation system and a similar effort is now launched in AHC1. Complaints continued to escalate, therefore EH&S engaged the support of the Department of Health in conducting an investigation. **Findings:** As of October 12, 2017, EH&S continues to work with COM, College of Arts, Sciences & Education, the Division of Human Resources, Facilities Management and the Florida Department of Health to address the identified concerns and issues.

Issue #3: Storage Tank Inspection – Engineering Center
Agency: Department of Regulatory and Economic Resources (RER)
Status: On August 30, 2017, an inspection was conducted by Miami RER of the Engineering Center Diesel storage tank. The tank was inspected for condition, registration, operability, monthly inspection documentation, and certificate of insurance. FIU EH&S updated the permit registration to reflect changes in the points of contact. **Findings:** No violations were observed during the time of inspection.

Issue #4 : Post Hurricane Irma IAQ Issues – Bayview Student Living at FIU Biscayne Bay Campus
Agency: N/A
Status: Sep 15, 2017 Mold remediation actions were taken due to the hurricane damage. A contractor was contacted to dry materials (drywall, carpeted areas, and others), cut and discard "hard to dry wet surfaces" and to purify the air. Numerous indoor air quality tests were performed in order to certify the fit for occupancy status and to return the building to the occupants. **Findings**: No findings. Building was fitted for occupancy by CIH environmental.

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Facilities Committee

December 7, 2017

TREASURY REPORT *(For quarter ending September 30, 2017)*

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

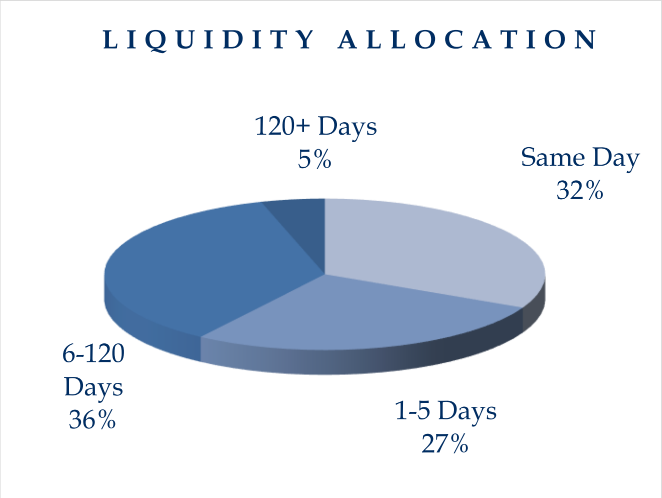
OVERVIEW

The University's total liquidity position of $381.9 million was 2.5 times the University's debt position of $155.6 million at the end of FY 2018 1Q. Including direct support organization ("DSO") debt, the liquidity to total debt ratio was 2.0 times. These results are better compared to the end of FY 2017 1Q, where the liquidity to University debt and the liquidity to total debt ratios were 2.3 times and 1.8 times, respectively.

LIQUIDITY

Real Days Payable

At the end of FY 2018 1Q, $227.2 million, or 59.5 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FYTD 2018 1Q, the University had 49 real days payable[1] ("RDP") versus 47 RDP at the end of FYTD 2017 1Q. The increase in RDP was due to equity returns in the University's most liquid investments and higher state inflows.



Sources

The University started the fiscal year with $98.6 million in cash balances[2]. Total FYTD 2018 1Q inflows (state and operational) were $346.9 million as compared to $353.0 Million for FYTD 2017 1Q. On average, $5.3 million flowed into the University each business day in FYTD 2018 1Q and $5.3 million in FYTD 2017 1Q.

[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.

Uses

FYTD 2018 1Q, the University used $302.0 million as compared to $303.1 million in the same period last fiscal year. The FYTD 2018 1Q velocity cash outflow was $4.6 million per day and $4.6 million in FYTD 2017 1Q. The University ended FY 2018 1Q with $143.5 million in cash balances.

Stress Tests/Performance Simulations

The University 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 FYTD 2018 1Q ending balance) could have unrealized losses of up to $19.9 million and one percent probability of up to $34.9 million of unrealized losses within a twelve-month period.

At the end of FY 2018 1Q, the Monte Carlo analysis, generated by a bottom decile performance for fixed income investments, translated into median 1.8 percent, or $6.7 million, in unrealized losses. Liquidity, as measured by 5-day accessibility, would drop to 55.4 percent, or $211.7 million, of the total current available cash and investment balances. RDP would fall to 46 days based on current fiscal year outflows.

The scenario with the bottom decile equity performance generates a median 3.2 percent, or $12.2 million, in unrealized losses. Liquidity, as measured by 5-days accessibility, would drop to $223.1 million or 58.4 percent of the total current available cash and investment balances. RDP would drop slightly to 48 days based on fiscal year outflows in this stress scenario.

Bottom decile of overall portfolio performance represents a 4.3 percent loss, or $16.6 million, and a projected drop in liquidity to $200.8 million or 52.6 percent of the total current available balances. Furthermore, RDP would drop to 43 days.

Forecast and Budget

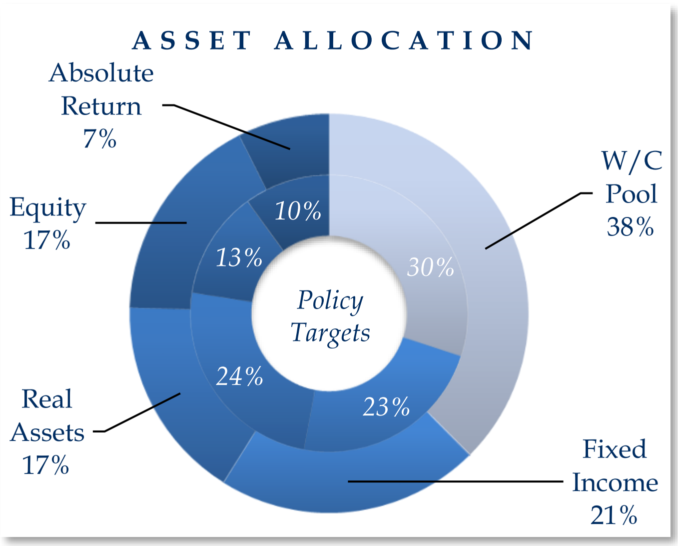
Actual balances at the end of FY 2018 1Q were 4.8 percent higher than the rolling forecast, 9.2 percent higher than the budget, and 4.6 percent higher than prior year. For the next quarter, the University should experience a decrease in the cash and investment balances lasting through the end of the second quarter of FY 2018.

INVESTMENTS

Composition

Asset allocations at the end of FY 2018 1Q remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).

At the end of FY 2018 1Q, the market value of the University's operating funds portfolio and cash was $381.9 million. This balance reflects a increase of $50.4 million or 15.2 percent, from the previous quarter. The increase reflects the quarter-to-quarter seasonal increase in cash flows in addition to the quarterly investment returns. The total portfolio market value was $17.2 million higher than the market value at the end

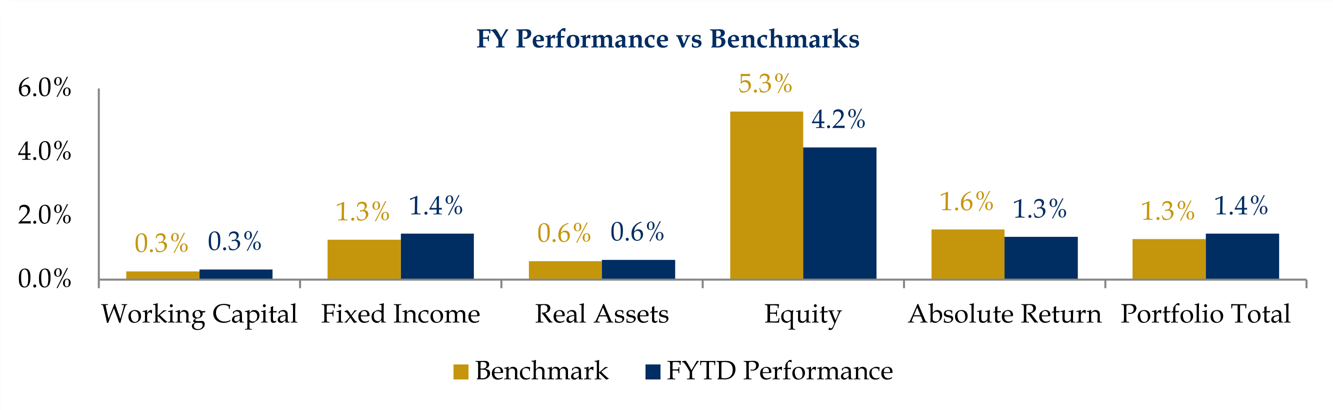


of FY 2017 1Q. The increase was largely due to strong investment performance in the Strategic and Reserve Pool.

Performance

FIU's operating portfolio continues to outperform the State Treasury investment pool ("SPIA"), returning 4.1 percent since inception versus the SPIA's 2.5 percent for the same period. At the end of FY 2018 1Q, the portfolio returned 1.4 percent. This compares unfavorably to a 1.6 percent return at the end of FY 2017 1Q. The Strategic Capital and Reserve Pools returned 1.9 percent while the Working Capital Pool gained 0.3 percent. Returns from the SPIA totaled 0.5 percent at the end of FY 2018 1Q (see *FY Performance vs. Benchmarks* chart for additional performance detail by asset class).

The Working Capital Pool exceeded the benchmark by 0.1 percent and the Strategic and Reserve Pool exceed the benchmark by 0.3 percent. Equities and Absolute Return positions were lower than their



benchmarks. Equities had a return of 4.2 percent (vs 5.3 percent benchmark) and Absolute Return returned 1.3 percent (vs. 1.6 percent benchmark). All other asset classes met or exceeded their benchmarks.

DEBT

Total Outstanding

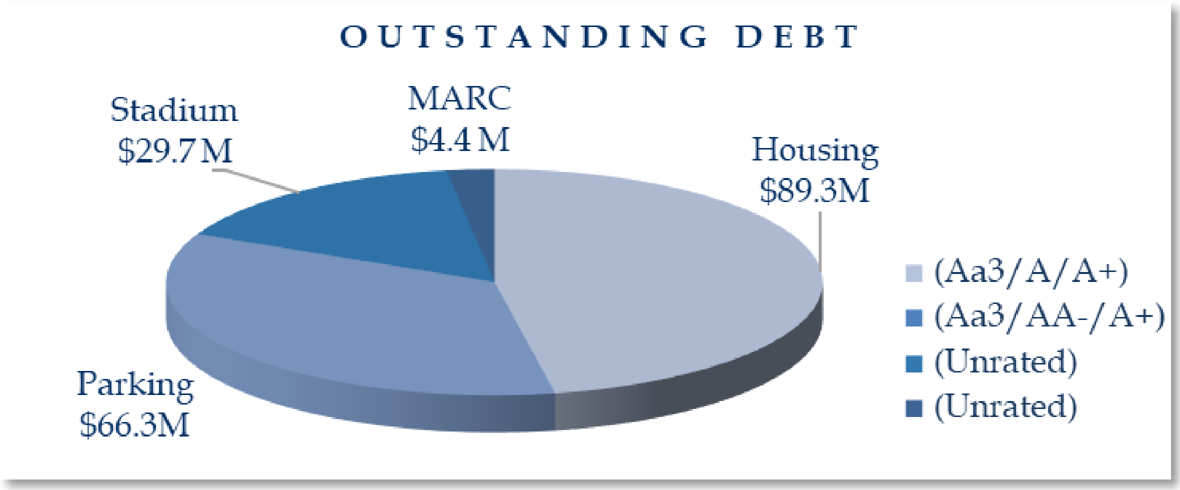
The University and DSOs ended FY 2018 1Q with $189.8M million in outstanding debt versus $197.7M million at the end of FY 2017 1Q. The weighted average interest rate for the University and DSO issuances was 4.2% percent. At the end of the quarter, all of the University and DSO outstanding debt was fixed rate.

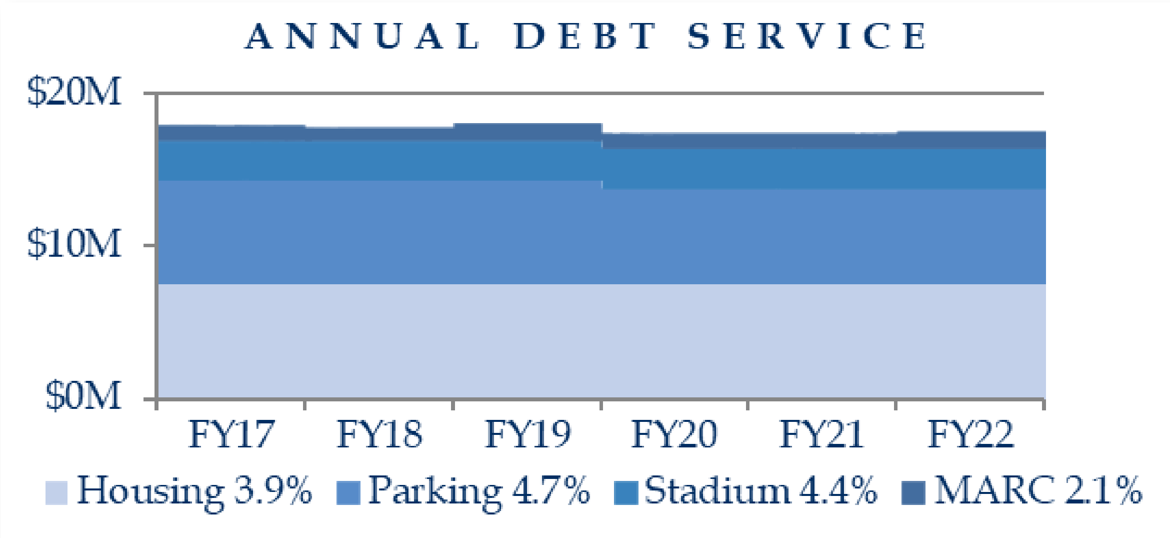
Bond Refunding

The University and the Athletics Finance Corporation (AFC), has refunded/modified all eligible outstanding bond series. The refundings/modification are projected to save the University and AFC $10.1 million in interest expense over the term of the issuances. As of September 30, 2017, $2.9 million of interest savings have been realized from the refunding/modification activities. The University and AFC are expected to save an additional $0.9 million in interest expense in Fiscal Year 2018 and $3.4 million over the next 5 years.

Housing Revenue Bond Issuance

On August 16, 2017, the Governor and Cabinet approved the issuance and the fiscal sufficiency of the University's proposed Housing revenue bonds in an amount not to exceed $63.0 million. The University is expected to issue the bonds through competitive sale in Fall 2018.


OUTSTANDING DEBT
Stadium $29.7 M
MARC $4.4 M
Housing $89.3M
Parking $66.3M
(Aa3/A/A+)
(Aa3/AA-/A+)
(Unrated)
(Unrated)


ANNUAL DEBT SERVICE
$20M
$10M
$0M
FY17
FY18
FY19
FY20
FY21
FY22
Housing 3.9%
Parking 4.7%
Stadium 4.4%
MARC 2.1%

FLORIDA INTERNATIONAL UNIVERSITY

Finance and Administration
Office of the Treasurer
Treasury Summary

Period Ending September 30, 2017 (000's)

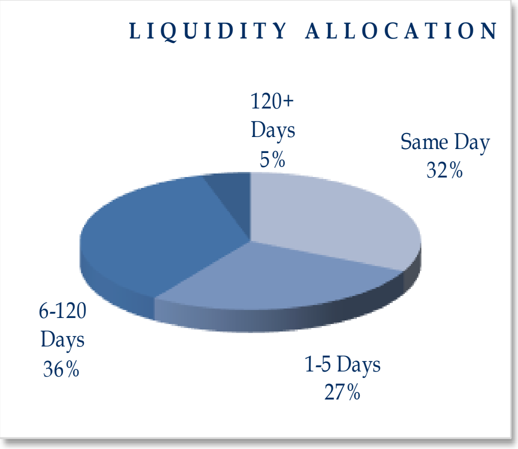
OVERVIEW

Liquidity/University Debt		**2.45**
Liquidity/Total Debt		**2.01**
Liquidity Position		
Cash + W/C Pool	$	143,536
Strategic + Reserve Pools		238,356
Total	**$**	**381,893**
Debt Position		
University Debt	$	155,590
DSO Debt		34,169
Total	**$**	**189,759**

LIQUIDITY

Availability		
Same Day	$	123,183
1-5 Days		104,056
6-120 Days		136,806
120+ Days		17,848
Total	**$**	**381,893**

Real Days Payable (<5 Days)	
MTD Outflows	**39**
QTD Outflows	**49**
YTD Outflow	**49**

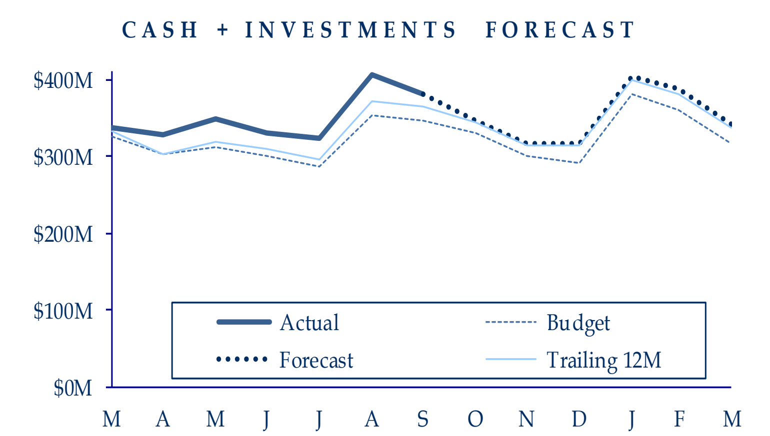


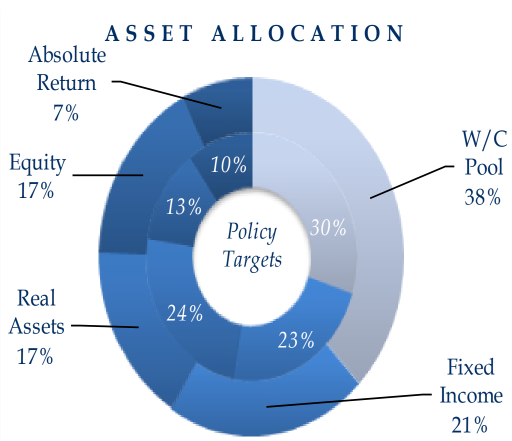
LIQUIDITY SOURCES AND USES

Sources		**MTD**		**QTD**		**YTD**
Opening W/C Pool Balance	$	167,646	$	98,050	$	98,050
Opening Cash Balance		2,197		536		536
From State		21,954		88,143		88,143
From Operations		73,935		258,799		258,799
Uses						
To Payroll		(61,452)		(151,456)		(151,456)
To Operations		(22,433)		(71,174)		(71,174)
To Students		(38,312)		(79,362)		(79,362)
Cash + W/C Pool	**$**	**143,536**	**$**	**143,536**	**$**	**143,536**

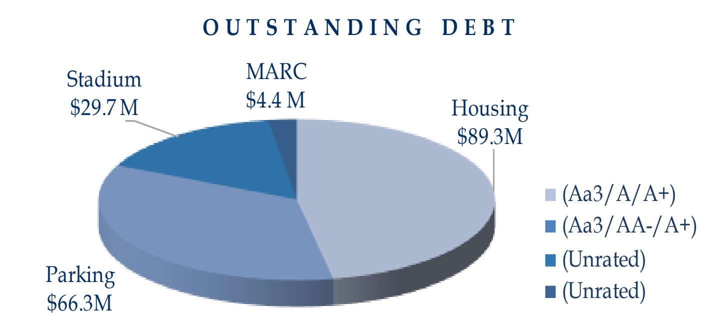
INVESTMENTS

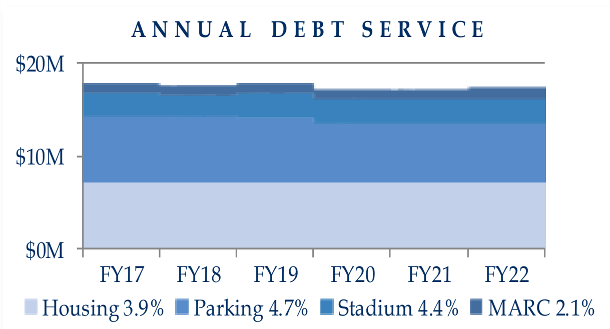
Cash + W/C Pool		**Balance**	**FYTD**	**Last 1Y**
W/C Pool	$	143,209	0.3%	1.0%
Cash		327	0.0%	0.0%
Strategic + Reserve Pools				
Fixed Income		81,305	1.4%	3.5%
Real Assets		63,387	0.6%	-0.9%
Equity		65,244	4.2%	15.7%
Absolute Return		28,421	1.3%	7.1%
Total	**$**	**381,893**	**1.9%**	**5.7%**





DEBT





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