FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE

Wednesday, December 5, 2018
8:45 am **approximate start time*
Florida International University
Modesto A. Maidique Campus
Graham Center Ballrooms

Committee Membership:
Leonard Boord, *Chair;* Rogelio Tovar, *Vice Chair;* Cesar L. Alvarez; Dean C. Colson; Natasha Lowell; Joerg Reinhold; Marc D. Sarnoff

AGENDA

1.	**Call to Order and Chair's Remarks**	**Leonard Boord**
2.	**Approval of Minutes**	**Leonard Boord**
3.	**Follow-up to Item from Previous Meeting**	**Leonard Boord**
4.	**Action Items**	
FF1.	**FIU Direct Support Organizations Financial Audits FY 2017-2018**	**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.	**Approval of Carryforward Expenditures**	**Kenneth A. Jessell**
5.	**Discussion Item** *(No Action Required)*	
5.1	**Financial Performance Review – First Quarter FY 2018-19**	**Kenneth A. Jessell**
6.	**Reports** *(For Information Only)*	
6.1	**Athletics Update**	**Pete Garcia**
6.2	**Business Services Report**	**Aime Martinez**

6. Reports *(Continued…)*

6.3	**Emergency Management Status Report**	**Ruben D. Almaguer**
6.4	**Facilities and Construction Update**	**John Cal**
6.5	**Foundation Report**	**Andre L. Teixeira**
6.6	**Safety and Environmental Compliance Report**	**Ruben D. Almaguer**
6.7	**Treasury Report**	**Benjamin Jarrell**

7. New Business *(If Any)* **Leonard Boord**

8. Concluding Remarks and Adjournment **Leonard Boord**

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 5, 2018

Subject: Approval of Minutes of Meeting held September 5, 2018

Proposed Committee Action:

Approval of Minutes of the Finance and Facilities Committee meeting held on Wednesday, September 5, 2018 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms.

Background Information:

Committee members will review and approve the Minutes of the Finance and Facilities Committee meeting held on Wednesday, September 5, 2018 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms.

Supporting Documentation: Minutes: Finance and Facilities Committee Meeting, September 5, 2018

Facilitator/Presenter: Leonard Boord, *Finance and Facilities Committee Chair*

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FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MINUTES
SEPTEMBER 5, 2018

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 8:44 am on Wednesday, September 5, 2018, at the Modesto A. Maidique Campus, Graham Center Ballrooms.

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

General Counsel Carlos B. Castillo conducted roll call of the Finance and Facilities Committee members and verified a quorum. Present were Trustees Leonard Boord, *Chair;* Rogelio Tovar, *Vice Chair*; Dean C. Colson; Natasha Lowell; Joerg Reinhold; and Marc D. Sarnoff. Trustee Cesar L. Alvarez arrived after roll call, during the presentation of FF1.

Board Chair Claudia Puig, Trustees Gerald C. Grant, Jr., Justo L. Pozo, and Jose L. Sirven, III, and University President Mark B. Rosenberg also were in attendance.

2. Approval of Minutes

Committee Chair Boord asked that the Committee approve the Minutes of the meetings held on May 23, 2018 and June 6, 2018. A motion was made and unanimously passed to approve the Minutes of the Finance and Facilities Committee Meetings held on Wednesday, May 23, 2018 and Wednesday, June 6, 2018.

3. Follow-up from Previous Meeting

Committee Chair Boord explained that multiple documents related to the follow-up items from the Board's April Retreat were provided at the June 6, 2018 meeting and that a prioritization schedule and timeline pertaining to the remaining items were provided to BOT members this morning.

There were no questions from the Committee members in terms of the approved critical investment allocations and State University System comparative analysis, which are provided today in response to Trustee requests from the Committee's June meeting.

4. Action Items

FF1. Approval of a Student Housing Agreement between the Florida International University Board of Trustees and University Bridge, LLC

Trustee Natasha Lowell disclosed that the matter before the Board of Trustees inured to the special gain or loss of a family member, and noted that as a result, she would abstain from any ensuing discussion and voting. Trustee Lowell, prior to this meeting, filed with the Board of Trustees Office a Form 8A Memorandum of Voting Conflict for State Officers regarding her voting conflict.

Prior to Trustee Cesar L. Alvarez joining the meeting and at the request of Committee Chair Boord, General Counsel Castillo read from the Form 8A Memorandum of Voting Conflict for State Officers filed by Trustee Alvarez prior to the meeting with the Board of Trustees Office. General Counsel Castillo read from the Form 8A, which provides, in pertinent part, that Trustee Alvarez's law firm, "Greenberg Traurig, where [he is] Chair, a Shareholder and Employee, is the Bond Counsel for this transaction" and that "if this transaction is completed with bond financing, we would receive customary fees for our professional representation. As such, Trustee Alvarez "determin[ed] that [he has] a voting conflict and therefore [he] will not vote or participate in any discussions in this matter."

Senior Vice President and Chief Financial Officer Kenneth A. Jessell presented the request to approve a Student Housing Agreement between the Florida International University Board of Trustees and University Bridge, LLC (UB) for Committee review. He provided an overview of the Project benefits and risks and highlighted key changes to the Agreement that occurred subsequent to Board of Trustees review in July, noting that an independent assessment of financial assumptions, potential Project risks, and value for FIU was completed by Brailsford and Dunlavey (BD). He stated that representatives from BD will be presenting their assessment later in the meeting.

Sr. VP and CFO Jessell explained that UB is constructing an Arquitectonica-designed 20 story, 886 unit, 1244 bed residential rental housing Project located at SW 8 Street and SW 109 Avenue in the City of Sweetwater to house FIU students, faculty, and staff. He added that Project construction started in June 2018 and that completion is targeted for August 2020. He stated that the Project will cost approximately $220 million and will be partially funded with a proposed 40-year tax-exempt financing in the amount of $200 million. He noted that to date, the Project has been funded with approximately $30M of private funding and that in order to quality for tax-exempt financing as well as a possible ad valorem property tax exemption, and to provide financial benefits to FIU, a Student Housing Agreement between FIU and UB is necessary to define structures, roles, and responsibilities between the parties.

Sr. VP and CFO Jessell presented Project renderings and noted that, under the terms of the Agreement, FIU will not have any obligations or responsibilities related to the financing, design, development, construction, maintenance and/or operation of the Project, but indicated that the University will have the right to have a representative present at construction meetings and to receive copies of all monthly progress reports. He explained that since the Project will serve FIU students, faculty, and staff, the Owner will have access to advertise to FIU students on FIU's off-campus housing website and that the University may display materials for the Project and make student referrals to the Project once FIU's on-campus housing is full. He commented that the Owner will not lease, advertise, or market the Project to FIU undergraduate first-year freshmen students.

Sr. VP and CFO Jessell further noted that each year, FIU will receive a minimum of 20 housing scholarships and explained that FIU will receive $200,000 in annual scholarship/academic support, subject to payment of operating expenses, debt service, and City of Sweetwater payment for taxes, but prior to payment of asset management fees. He indicated that FIU may also receive additional scholarship/academic support funds, initially Projected at $800,000 and growing over June, if net cash flows are available.

Sr. VP and CFO Jessell stated that the University will provide a candidate or list of candidates for selection as a member of the Board of Managers for the Project. He mentioned that a Land Restoration Fund will be established with $500,000 initial funding and increased annually from net cash flows to cover future demolition costs in the event FIU requires the demolition of improvements. He further noted that the University will benefit from 15 percent minimum/up to 50 percent of net cash flows from UB, otherwise available to Atlantic Housing Foundation, Inc. (AHF), an entity organized under Section 501(c)(3) of the Federal Tax Code and sole member of UB, for charitable activities mutually beneficial to FIU and AHF.

Sr. VP and CFO Jessell explained that FIU approval is required for any refinancing or additional financing for the Project, that FIU has no restriction on building, operating or otherwise supporting any new competing on or off-campus housing facility, and that Project financing has been designed so that it will have no impact on the balance sheet or credit capacity of FIU. He added that the Florida Division of Bond Finance has indicated that they do not believe the Student Housing Agreement will have any ratings implications for FIU housing bonds. He further noted that FIU has limited termination rights under the SHA due to the owner's financing arrangement, but may terminate if UB defaults under the financing documents and the lender moves to foreclose.

Sr. VP and CFO Jessell indicated that the City of Sweetwater and Owner have entered into a Payment in Lieu of Taxes (PILOT) Agreement to ensure that the City will receive an annual payment greater than foregone City property taxes in the event the Project is exempt from ad valorem taxes. He noted that the City of Sweetwater is supportive of the Agreement, as is reflected in the August 16, 2018 letter from City Mayor Orlando Lopez.

Sr. VP and CFO Jessell provided an overview of the benefits to UB, noting that UB will be able to issue tax-exempt debt at a lower cost than traditional taxable financing, UB may save approximately $2.7M in annual property taxes net of the City of Sweetwater PILOT Agreement if the Owner is successful in its petition to Miami-Dade County Property Appraiser to be exempt from ad valorem taxes, and that UB Developer, Global City, will earn a developer profit and fee of $16 million over the next two years and may earn $145M over the 40 year financing period.

Members of the BD team, Cassia Sookhoo and Brad Noyes, presented key considerations for the Project in terms of benefits for the University, noting that these included housing located near campus for FIU students seeking off-campus residency, cash flows for scholarships/academic initiatives, and housing scholarships. The team explained that the Project requires minimal involvement from the University and creates favorable opportunities to capture cash flows and other benefits through participation in the waterfall.

The BD team also provided an overview of potential risks that could impact the benefits to the University, noting that these included Project occupancy, housing demand, construction quality and advertising. The team indicated that the market is dynamic with additional new student housing coming online in the next two-three years, that FIU students traditionally commute to campus and are price sensitive, and that the Project is priced higher than existing on-campus housing and comparable or slightly higher than competitive off-campus properties.

In response to Trustee Roger Tovar's questions, the BD team stated that their opinion was that the Agreement was a positive one for the University. Sr. VP and CFO Jessell, in response to an additional question from Trustee Tovar, explained that if safety issues were identified, the Project would likely not be in compliance with City of Sweetwater or Miami-Dade County housing codes and that the University would be able to refer the issues of non-compliance to the appropriate authorities. In response to Trustee Tovar's question, Global City Development principal, Brian Pearl, noted that FIU's Division of Information Technology has been involved with the design of the Project and was engaged in order to install cameras and panic buttons throughout the Project.

In response to Trustee Tovar's inquiry regarding the process for obtaining tax-exempt status and the possible risks associated with not achieving said status, Mr. Pearl noted that once the property is open and operational, an application for tax-exemption would be submitted to Miami-Dade County and that the risk lies solely with Global City Development. Mr. Pearl noted that while the professional advice they have received has deemed that tax-exemption is likely, if tax-exemption status is not secured, it will affect the cash-flows and any subsequent waterfall to FIU.

In response to Trustee Dean C. Colson's inquiry regarding the training of front desk personnel, Landmark Property Vice President of Business Development and Consulting Services, Jonathan Bove, commented that an integral component of staff training will consist of resident assistance and University-specific safety regulations.

In response to Trustee Joerg Reinhold's inquiries, Sr. VP and CFO Jessell noted that the occupancy rate of Bayview Student Living at the Biscayne Bay Campus was 90%. In terms of parking for the proposed Project, Mr. Pearl explained that 648 parking spots are being planned in order to serve the needs of the residents.

In response to Trustee Jose L. Sirven, III's inquiry, Mr. Bove stated that as part of their focus on customer service, data acquired from quarterly surveys is used to determine overall resident satisfaction. In addition, he noted that property management teams are eligible to receive quarterly bonuses based on resident satisfaction, also indicating that current resident surveys report 98% satisfaction rates. In response to Trustee Sirven's inquiry on how data on student academic performance and student retention correlates to students living off-campus, Mr. Bove explained that research reflects that the more connected students are to campus, the more likely they are to be successful and discussed efforts to connect students living off-campus to on-campus activities and student organizations and groups. Senior Vice President of Academic and Student Affairs Elizabeth M. Bejar explained that further research will be conducted to analyze data on academic performance in terms of students living in off-campus housing that is within close proximity to the campus.

Trustee Tovar stated that he is in support of the Project.

Board Chair Claudia Puig and Trustee Gerald C. Grant, Jr. concurred that the Project addresses the need for quality off-campus housing.

As Trustee Alvarez joined the meeting after the discussion of the voting conflict, General Counsel Castillo noted for the record that Trustee Alvarez had filed the Form 8A. Trustee Alvarez explained that he would abstain from the discussion and vote.

A motion was made and unanimously passed, with Trustees Alvarez and Lowell abstaining from the vote, that the FIU Board of Trustees Finance and Facilities Committee recommend that the Florida International University Board of Trustees approve (1) a Student Housing Agreement with University Bridge, LLC; and (2) delegate authority to the University President, or designee, to execute the Agreement on behalf of the Florida International University Board of Trustees.

FF2. School of International and Public Affairs Phase II Building (SIPA-II)—Amendment to Prior Budget Approval

Sr. VP and CFO Jessell presented the amendment to the prior budget approval for the School of International and Public Affairs Phase II Building (SIPA-II) for Committee review. He explained that the original program and construction budget for SIPA-II, as presented to the Board of Governors on October 8, 2014, and initially approved by the Board of Trustees on June 3, 2015, was $30 million. He stated that planned funding for the facility was a $15 million gift from the Steven J. Green, Dorothea Green, and Kimberly Green Family Foundation received on March 16, 2015, and $15 million in Public Education Capital Outlay (PECO). He added that the 2017-18 Florida Legislature appropriated $12,701,439, for a total combined available funding of $27,701,439 and that the budget deficiency is the result of higher construction and program costs ($3.89 million) and reduced PECO funding ($2.3 million).

Sr. VP and CFO Jessell presented conceptual renderings of Phase II, as the Project is not in the design stages. He indicated that the FIU School of International and Public Affairs (SIPA) serves over 5,000 students with nearly 200 full-time faculty members through eight departments and 20 interdisciplinary centers and institutes and awards approximately 2,000 baccalaureate, masters and research doctoral degrees annually, in addition to almost 200 undergraduate and graduate certificates.

Sr. VP and CFO Jessell stated that the Dean of SIPA, John F. Stack, Jr., is developing an aggressive fundraising campaign for the additional funds, which will not be needed until early 2021, and that to mitigate the risk of a funding gap, the construction program will allow for unfinished shell space that will be built-out and completed in the future as funding becomes available. Sr. VP and CFO Jessell further stated that by 2025, is it expected that approximately 50 percent of student enrollments will be online, up from 32 percent today and that in order to accommodate the growth in online enrollments and provide online students with resources for success, FIU Online needs additional space for technology services, instructional media, student tech support, success coaches, a contact center, and a computer lab.

Sr. VP and CFO Jessell explained that the Distance Learning Fee of $30.00 per credit hour includes $2.25 per credit hour to support online facility needs, which generates approximately $1.2M per year and that currently, $2.5M in funding is available, and this amount is projected to be $6M by 2021 when the funds will be needed.

A motion was made and unanimously passed that the FIU Board of Trustees Finance and Facilities Committee recommend to the Florida International University Board of Trustees approval of the request to expand the size and budget of the School of International and Public Affairs Phase II Building from the currently approved budget of $27.7 million to $39.42 million to accommodate increases in construction and program costs, reduced PECO funding, and new programming space for FIU Online.

5. Discussion Items
5.1 Marketing and Public Relations Report
Senior Vice President for External Relations Sandra B. Gonzalez-Levy stated that the University spent $19.8M in the current year in total marketing expenditures, which she explained represented an increase of 11 percent over the last three years. She presented an overview of marketing expenditures by unit, adding that the central unit represents 17% of marketing expenditures and the remaining top ten units' expenditures align with areas of strategic focus. She also delineated data related to media buys, largest media buy vendors, and marketing personnel expenditures. She concluded by commenting that marketing and public relations efforts within the University are decentralized but there are opportunities where efficiencies can be gained in order to achieve greater alignment.

In response to Committee Chair Boord's request, Sr. VP and CFO Jessell indicated that the marketing and public relations review has been beneficial and has led to the identification of areas for improvement in terms of increasing efficiencies and return on investment.

Trustee Tovar stressed the importance of sharing the FIU story. In response to Trustee Colson's inquiry, Sr. VP Gonzalez-Levy explained that private universities spend between 14%-20% of their total budget on marketing expenditures, while public universities spend between 1.5% - 6%.

In anticipation of the follow-up presentation at the regularly scheduled December Board meetings, Trustee Lowell encouraged Sr. VP Gonzalez-Levy to seek out the expertise of the Board of Trustees members. Committee Chair Boord added that a reorganization plan should be included as part of the December strategy presentation.

5.2 Financial Performance Review FY 2017-18
Sr. VP and CFO Jessell presented the Financial Performance Review for the fourth quarter of 2017-18 and provided a summary of University revenues and expenditures. He reported that the University and direct support organizations' operating revenues were above estimates by $77.5M (or 7 percent), which can be primarily attributed to higher research grants, higher external contract revenues, and higher auxiliary and student fees revenues. He explained that operating expenses were above estimates by $20.2M (or 2 percent), primarily due to higher sponsored research and unit research support expenses associated with additional grants and higher DSO expenses mainly due to

higher than budgeted contribution to Athletics capital improvement Projects by the FIU Foundation, Inc. He added that these were offset by lower Educational & General expenses mainly due to vacant positions and operating expense savings.

6. Reports
There were no questions from the Committee members in regards to the reports included as part of the agenda materials: Athletics Update; Business Services Report; Emergency Management Status Report; Facilities and Construction Update; Foundation Report; Safety and Environmental Compliance Report; and Treasury Report.

7. New Business
No new business was raised.

8. 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 Wednesday, September 5, 2018 at 10:23 am.

There were no Trustee requests.

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Finance and Facilities Committee Meeting

FIU | Board of Trustees

December 5, 2018

Differences Between Fundraising and Financial Reporting

FIU | Board of Trustees

December 5, 2018

Objective

FIU | Board of Trustees

What standards are used?

What are the differences between Fundraising and Financial Reporting?

Fundraising Standard

Board of Trustees

Council for Advancement and Support of Education (CASE) – generally used by Universities and National Association of Charitable Gift Planners (CGP) – for gift planning professionals across all industries

Focus

- A standard for counting gifts toward a goal, such as a capital campaign
- To strengthen philanthropy

Financial Reporting Standard

Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards Board (FASB)

*Governmental Accounting Standards Board (GASB) Starting Fiscal Year Ended June 30, 2019

Focus

- Summarize the financial position of the entity
- Promote consistency

Areas of Differences

Gift Type	Fundraising Reporting	Financial Reporting FASB/GASB*
Outright Gifts of Cash	✓	✓
Unconditional Pledges	✓	✓ at Present Value; Payments reduce pledge receivables
Planned Gifts • Revocable • Life Insurance (Foundation As Owner And Beneficiary)	✓	Not included Cash surrender value is recorded as an asset; Revenue is not recorded until death benefit is realized
Gifts In Kind	✓	Are recorded as an asset to Foundation

* Endowment pledges are excluded under GASB

Finance and Facilities Committee Meeting

FIU Board of Trustees

December 5, 2018

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee

December 5, 2018

Subject: Florida International University Foundation Inc., Financial Audit, 2017-18

Proposed Committee Action:

Recommend acceptance by the Florida International University Board of Trustees of the Florida International University Foundation, Inc. Financial Audit for the 2017-18 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 2017-18 was approved by the Florida International University Foundation, Inc. Board of Directors on October 20, 2018, 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, 2017-18

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, 2018 AND 2017

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
TABLE OF CONTENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2018 and 2017, 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 29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, 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 19, 2018

CONSOLIDATED FINANCIAL STATEMENTS

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 17,580,203	$ 23,200,815
Contributions receivable, net	64,009,445	70,073,417
Investments	272,740,094	249,300,348
Other assets	418,458	431,802
Fixed assets, net	17,424,279	15,696,458
Total Assets	$ 372,172,479	$ 358,702,840
Liabilities		
Accounts payable and other liabilities	182,694	107,497
Deferred revenue	214,807	273,586
Due to Florida International University	3,151,789	2,206,451
Due to FIU Athletics Finance Corporation	205,000	95,000
Split-interest obligations	697,127	746,137
Funds held for others	5,789,900	3,622,400
Note payable, net	3,762,228	4,574,758
Total Liabilities	14,003,545	11,625,829
Net Assets		
Unrestricted	31,675,690	32,466,034
Temporarily restricted	109,058,945	101,704,424
Permanently restricted	217,434,299	212,906,553
Total Net Assets	358,168,934	347,077,011
Total Liabilities and Net Assets	$ 372,172,479	$ 358,702,840

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
WITH COMPARATIVE TOTALS FOR JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Revenue, Gains and Other Support					
Contributions	$ 3,664,282	$ 18,255,333	$ 5,237,912	$ 27,157,527	$ 27,241,869
Rental income	1,923,319	4,333	-	1,927,652	2,196,020
Administrative fees	2,529,411	-	-	2,529,411	2,373,002
Contributed services	988,019	-	-	988,019	1,050,859
Dues	250,880	110,662	-	361,542	360,092
Royalty income	83,591	-	-	83,591	85,105
Special events revenue, net of direct donor benefits of $62,953 and $104,013	-	63,324	-	63,324	21,994
Other	78,000	185,395	-	263,395	106,918
Net investment income	2,162,443	5,649,680	-	7,812,123	6,002,785
Net unrealized investment gain	3,195,841	8,900,595		12,096,436	23,546,143
	14,875,786	33,169,322	5,237,912	53,283,020	62,984,787
Net assets released from restrictions	25,673,912	(25,085,716)	(588,196)	-	-
Total Revenue, Gains and Other Support	40,549,698	8,083,606	4,649,716	53,283,020	62,984,787
Expenses					
Program services	31,059,644	-	-	31,059,644	26,067,301
General and administrative	3,945,251	-	-	3,945,251	3,967,717
Fundraising	6,302,716	-	-	6,302,716	4,565,119
Total Expenses	41,307,611	-	-	41,307,611	34,600,137
Change in Net Assets From Current Operations	(757,913)	8,083,606	4,649,716	11,975,409	28,384,650
Other Changes					
Change in value of split-interest obligations	(32,431)	-	-	(32,431)	(34,887)
Provision for uncollectible promises to give	-	(729,085)	(121,970)	(851,055)	(6,361,538)
Gain on sale of fixed asset	-	-	-	-	559,688
Change in Net Assets	(790,344)	7,354,521	4,527,746	11,091,923	22,547,913
Net Assets, beginning of year	32,466,034	101,704,424	212,906,553	347,077,011	324,529,098
Net Assets, end of year	$ 31,675,690	$ 109,058,945	$ 217,434,299	$ 358,168,934	$ 347,077,011

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Contributions	$ 3,955,238	$ 18,025,050	$ 5,261,581	$ 27,241,869
Rental income	2,193,895	2,125	-	2,196,020
Administrative fees	2,373,002	-	-	2,373,002
Contributed services	1,050,859	-	-	1,050,859
Dues	240,635	118,788	669	360,092
Royalty income	85,105	-	-	85,105
Special events revenue, net of direct donor benefits of $104,013 and $251,042	-	21,994	-	21,994
Other	44,045	62,873	-	106,918
Net investment income	1,556,999	4,445,786	-	6,002,785
Net unrealized investment gain	5,771,831	17,774,312	-	23,546,143
	17,271,609	40,450,928	5,262,250	62,984,787
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
Expenses				
Program services	26,067,301	-	-	26,067,301
General and administrative	3,967,717	-	-	3,967,717
Fundraising	4,565,119	-	-	4,565,119
Total Expenses	34,600,137	-	-	34,600,137
Change in Net Assets From Current Operations	4,971,578	18,043,830	5,369,242	28,384,650
Other Changes				
Change in value of split-interest obligations	(34,887)	-	-	(34,887)
Provision for uncollectible promises to give	(40,000)	(4,194,257)	(2,127,281)	(6,361,538)
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
Net Assets, beginning of year	27,009,655	87,854,851	209,664,592	324,529,098
Net Assets, end of year	$ 32,466,034	$ 101,704,424	$ 212,906,553	$ 347,077,011

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 11,091,923	$ 22,547,913
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	691,492	703,865
Provision for uncollectible promises to give	851,055	6,361,538
Net unrealized investment gain	(12,096,436)	(23,546,143)
Gain on sale of fixed asset	-	(559,688)
Changes in value of split-interest obligations	32,431	34,887
Contributions restricted for long-term investment	(15,746,481)	(11,103,009)
Net investment income restricted for long-term reinvestment	(5,739,184)	(4,445,786)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	5,212,917	3,213,992
Other assets	13,344	873,542
Increase (decrease) in:		
Accounts payable and other liabilities	75,197	(309,709)
Split-interest obligations	2,559	(86,765)
Due to Florida International University	945,338	(332,966)
Funds held for others	2,167,500	1,660,160
Due to FIU Athletics Finance Corporation	110,000	95,000
Deferred revenue	(58,779)	18,586
Total adjustments	(23,539,047)	(27,422,496)
Net cash used in operating activities	(12,447,124)	(4,874,583)
Cash Flows from Investing Activities		
Proceeds from sale of fixed asset	-	1,800,000
Purchases of property and equipment	(2,406,843)	(61,731)
Purchases of investments	(166,331,818)	(106,783,464)
Sales of investments	154,988,508	110,102,724
Net cash provided by (used in) investing activities	(13,750,153)	5,057,529
Cash Flows from Financing Activities		
Principal repayments on note payable	(825,000)	(785,000)
Payments on split-interest obligations	(84,000)	(84,000)
Proceeds from contributions restricted for long-term investment	15,746,481	11,103,009
Net investment income restricted for long-term reinvestment	5,739,184	4,445,786
Net cash provided by financing activities	20,576,665	14,679,795
Net Increase (Decrease) in Cash and Cash Equivalents	(5,620,612)	14,862,741
Cash and Cash Equivalents, beginning of year	23,200,815	8,338,074
Cash and Cash Equivalents, end of year	$ 17,580,203	$ 23,200,815
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 126,130	$ 117,775

The accompanying notes are an integral part
of these consolidated 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 of 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 consolidated financial statements of the Foundation and its subsidiaries for the years ended June 30, 2018 and 2017, include the accounts of the Foundation, the Wolfsonian, Inc., Foundation Enterprise Holdings I, LLC ("FEH I"), Foundation Enterprise Holdings II, LLC ("FEH II"), Foundation Enterprise Holdings III, LLC ("FEH III"), Foundation Enterprise Holdings IV, LLC ("FEH IV"), and Foundation Enterprise Holdings V, LLC ("FEH V"). All significant intercompany accounts and transactions have been eliminated in consolidation.

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.

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.

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.

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

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 in the prior year.

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 V is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On October 27, 2017, FEH V became the owner of 62.5 acres of vacant land located at 11800 NW 41st Street, Miami, Florida ("Doral Property"). The Doral Property was purchased for $1,008,153 and is valued at $1,410,000 (see Note 12).

FEH I, FEH II, FEH III, FEH IV, and FEH V 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, FEH IV, and FEH V 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) **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.

(c) **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.

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

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

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

Quasi-endowments are those purpose-restricted gifts designated by the Board of Directors to function as an endowment.

(d) **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.

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

(f) **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.

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

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

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

The consolidated statements of activities include services received from University personnel and these services are measured at the cost recognized by the University. For the years ended June 30, 2018 and 2017, the contributed services total $988,019 and $1,050,859, respectively.

(i) **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.

(j) **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, 2018 and 2017, in determining the fair value of the Foundation's investments.

(k) **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.

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

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

(l) **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, 2018 and 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.

For the fiscal years ended June 30, 2018 and 2017, the Foundation has a prepaid lease payment in the amount of $59,807 and $118,586, respectively. The payment covers the rent for the next fiscal year; rental income will be recognized as earned in the next fiscal year.

(m) **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.

(n) **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 $1,900,000 in June of 2016 and $1,710,000 in April of 2017 to the Foundation to be held as a term endowment. The University transferred an additional $2,090,000 to the Foundation during fiscal year ended June 30, 2018. 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 $89,900 and $12,400 as of June 30, 2018 and 2017, respectively.

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

(o) **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.

(p) **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, 2018, 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 2015.

(q) **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, 2018 and 2017, approximately $287,000,000 and $266,000,000 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.

(r) **Recent accounting pronouncements**—On March 11, 2018, several changes were made to section 1004.28, Florida Statues, which addresses university DSOs. These changes will require entities that follow the accounting framework prescribed by the FASB to convert to the accounting framework prescribed by the Governmental Accounting Standards Board (GASB) for the fiscal year ending June 30, 2019. While there are numerous differences in the financial reporting requirements under GASB vs. FASB, the following are some of the more significant differences affecting the

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

Foundation: endowment pledges that are recognized as permanently restricted net assets under FASB will not be recognized under GASB; management's discussion and analysis is a required element of the financial statement for entities following GASB and is not required under FASB; and other differences impacting the statement of cash flows. Management is still evaluating the impact of these changes on the Foundation's financial statements, but they will be significant.

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.

(s) **Subsequent events**—The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 19, 2018, the date which the consolidated financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(2) **Gift Agreements:**

On July 1, 1997, the Foundation entered into a gift agreement (the "Agreement") with Mitchell Wolfson, Jr., the Wolfsonian, Inc. and the University, whereby Mitchell Wolfson, Jr. agreed to donate all rights, title and interest in and to all objects constituting The Mitchell Wolfson, Jr. Collection of Decorative and Propaganda Arts (the "Collection") to the 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.

(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:

	2018	2017
Receivable in less than one year	$ 14,781,322	$ 19,343,104
Receivable in one to five years	48,912,793	38,937,634
Receivable in more than five years	13,028,060	24,822,973
	76,722,175	83,103,711
Less allowance for doubtful accounts	(3,737,571)	(5,766,926)
Less discount to present value	(8,975,159)	(7,263,368)
Contributions receivable, net	$ 64,009,445	$ 70,073,417

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 2-3%.

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.

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

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,	
	2018	**2017**
Domestic equities	$ 43,506,109	$ 38,728,821
Global equities	80,661,943	73,741,982
Real assets	11,313,643	10,422,138
Fixed income	38,681,954	32,907,800
Hedge funds	58,576,215	60,482,689
Private investments	40,000,230	33,016,918
Total investments	$ 272,740,094	$ 249,300,348

Total net investment income and net unrealized gains for the year ended June 30, 2018 totaled $7,812,123 and $12,096,436 respectively. Earnings applied to individual endowments for the year ended June 30, 2018 totaled $14,542,309. Total net investment income and net unrealized gains for the year ended June 30, 2017 totaled a gain of $29,548,928 of which $22,209,081 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, 2018 and 2017, totaled $4,041,620 and $3,164,278, respectively. Investment consultant fees totaled $746,626 and $590,087 for 2018 and 2017, 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, 2018 and 2017:

	Investments at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Fair Value Total
Investments				
Domestic equities[1]	$ 6,670,014	$ -	$ -	$ 6,670,014
Domestic equities measure at net asset value[2]				36,836,095
Total domestic equities	6,670,014	-	-	43,506,109
Global equities[1]	25,104,065	-	-	25,104,065
Global equities measured at net asset value[2]				55,557,878
Total global equities	25,104,065	-	-	80,661,943
Fixed income[1]	35,540,842	-	-	35,540,842
Fixed income measured at net asset value[2]				3,141,112
Total fixed income	35,540,842	-	-	38,681,954
Real assets[1]	7,439,797	-	-	7,439,797
Real assets measured at net asset value[2]				3,873,846
Total real assets	7,439,797	-	-	11,313,643
Hedge funds measured at net asset value[2]				58,576,215
Private investments measured at net asset value[2]				40,000,230
Total investments at fair value	$ 74,754,718	$ -	$ -	$ 272,740,094

[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, 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)

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, 2018 and 2017:

	Investments Measured at Net Asset Value as of June 30, 2018			
	Total Fair Value	**Unfunded Commitments**	**Exit Frequency**	**Days Notice**
Equities				
Domestic equities (a)	$ 36,836,095	$ -	Monthly – Quarterly	5 – 45 days
Global equities (b)	46,410,356	-	Monthly – Quarterly	6 – 60 days
Emerging markets (c)	9,147,522	-	Monthly	7 – 30 days
Fixed income				
Domestic fixed income (d)	3,139,912	-	Daily	2 days
Global bonds (e)	1,200	-	Monthly	10 days
Real assets				
Natural resource equities (f)	3,873,846	-	Monthly	30 days
Hedge funds				
Fund of funds (g)	30,200	-	Quarterly	90 days
Long/short equity (h)	34,525,093	-	Quarterly – Every 3 Years *	30 – 180 days
Event driven/open mandate (i)	16,147,072	-	Quarterly – Annually*	30 – 90 days
Global macro (j)	7,873,850	-	Monthly	3 – 14 days
Private investments				
Private equity (k)	22,454,969	14,358,081	Illiquid	N/A
Venture capital (l)	17,545,261	2,494,428	Illiquid	N/A
	$197,985,376	$ 16,852,509		

* 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, 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.

(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:**

	2018	2017
Management and Research Center (MARC) Building	$ 13,325,539	$ 13,325,539
Construction in progress – MARC 1st Floor	-	61,731
Construction in progress – JMOF Roof	16,800	-
Infrastructure & other improvements – MARC Building	3,536,204	2,570,980
FEH I Building	2,100,000	2,100,000
FEH II Building	3,007,000	3,007,000
FEH V Land	1,411,550	-
Furniture and equipment	984,054	926,465
	24,381,147	21,991,715
Less: Accumulated depreciation	(6,956,868)	(6,295,257)
Property and equipment, net	$ 17,424,279	$ 15,696,458

Depreciation expense was $679,022 and $691,395 for the years ended June 30, 2018 and 2017, respectively.

(7) Other Assets:

Other assets include the cash surrender value of life insurance policies in the amount of $247,104 and $220,849 at June 30, 2018 and 2017, respectively. The net benefit value of the underlying life insurance in force at June 30, 2018 and 2017, was approximately $6,784,543 and $5,534,543, respectively. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner.

(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, was synthetically fixed at 4.63 percent by way of an interest rate swap agreement with a commercial bank and expired on February 1, 2015. The bond proceeds were used to acquire, construct and equip the Management and Advanced Research Center (MARC), a multi-function support complex located on the University campus in Miami-Dade County and to pay issuance costs. As of June 30, 2018 and 2017, the outstanding principal balance due under this note payable amounted to $3,810,000 and $4,635,000, respectively. For the years ended June 30, 2018 and 2017, total interest incurred and paid was $126,130 and $117,775, 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% (3.66% at June 30, 2018). The bond maturity date of May 1, 2022 remains unchanged. The Foundation paid $52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments and therefore, all remains unchanged.

The aggregate maturities of the note payable as of June 30, 2018 are as follows:

For the Year Ending June 30	Amount
2019	$ 865,000
2020	910,000
2021	960,000
2022	1,075,000
Total	$ 3,810,000

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

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 the note payable on the accompanying statements of financial position.

	2018	2017
Bond issuance costs	$ 230,985	$ 230,985
Less: Accumulated amortization	(183,213)	(170,743)
Bond issuance costs, net	$ 47,772	$ 60,242

Amortization expense was $12,470 and $12,469 for the years ended June 30, 2018 and 2017, respectively.

	2018	2017
Reconciliation of the Consolidated Statements of Net Position to the Note payable, net:		
Notes payable	$ 3,810,000	$ 4,635,000
Bond issuance costs, net	(47,772)	(60,242)
Note payable, net	$ 3,762,228	$ 4,574,758

(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.

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.

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

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	$ 597,057	$ 1,502,943

The Foundation has received, as of June 30, 2018 and 2017, $155,000 in gifts under charitable remainder annuity trust agreements. The Foundation recognized the contributions received as revenue during the period that the trust was established. The amount of the contribution was the fair value of the trust assets less the fair value of the estimated annuity payments to be paid annually over the expected life of the annuities. The Foundation recorded the present value of the annuities, as required by Florida Statute Section 627.481, as the liability of annuities payable totaling $100,070 and $97,511 at June 30, 2018 and 2017, respectively.

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

Temporarily restricted net assets of $109,058,945 and $101,704,424, which includes $33,902,307 and $27,688,946 of undistributed earnings related to endowment funds, at June 30, 2018 and 2017, respectively, represent gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. Temporarily restricted amounts also include earnings on permanently restricted endowments that have not yet been appropriated for expenditure by the Foundation.

Permanently restricted net assets of $217,434,299 and $212,906,553 at June 30, 2018 and 2017, 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, 2018 and 2017 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.

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

During the years ended June 30, 2018 and 2017, the Foundation received $6,043,687 and $3,128,230 from donors to support numerous construction projects, as follows:

	As of June 30,	
	2018	2017
Academic Health Learning Center	$ -	$ 230
Alumni Center Building	30,225	62,659
Baseball Stadium Expansion	10,000	20,000
CBA Building Complex	486	350
Chapel Initiative Construction	-	7,500
Football Stadium Expansion	-	30,025
Founders Park	1,578	25
Ruth Shepard Broad Auditorium	-	21
SIPA Bricks and Mortar Building	995	7,110
SIPA Phase II Building	6,000,000	3,000,000
Stocker Astrophysics Center Building	403	310
Total Contributions to University Building Program	$ 6,043,687	$ 3,128,230

(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. On February 3, 2018 Florida International University gave notice of an event of default ("Notice of Default") to the Graduate Association of Phi Gamma Delta under the Sublease Agreement, as it alleged that the Graduate Association of Phi Gamma Delta failed to comply with a material covenant of the Sublease. 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, 2018 and 2017 was $84,721 and $152,888, respectively.

In December of 2017, the Foundation Board authorized and approved to guarantee low-interest loans, up to $1,000,000, to qualifying Florida International University employees, who are members of the University Credit Union, for purposes of hurricane relief as a result of Hurricane Irma. A total of $989,800 was issued to qualifying employees with maturity dates through January 2023. The outstanding loan amount as of June 30, 2018 was $866,759.

Doral Property

In October of 2017, FEH V purchased the Doral Property, which requires environmental remediation. FEH V has received the approval from the Division of Environmental Resources Management (DERM) on a Corrective Action Plan (CAP) for the remediation. As part of the CAP, an environmental consultant has been engaged to provide construction oversight and monitoring and will report to DERM on a monthly basis.

(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 MARC 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 $1,635,027 and $1,689,602 for the years ended June 30, 2018 and 2017, 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 MARC complex to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 8, 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 MARC complex, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the MARC 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 $8,092,388 at June 30, 2018. Minimum future rentals as of June 30, 2018 are approximately as follows:

For the Year Ending June 30	Amount
2019	$ 1,418,000
2020	1,418,000
2021	1,418,000
2022	1,418,000
Total	$ 5,672,000

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 and funds designated by the Board of Directors to function as an endowment ("quasi-endowment"). 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.

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

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, 2018, endowment net assets consisted of the following:

	Temporarily Restricted*	Permanently Restricted	Total
Endowment net assets, July 1, 2017	$ 27,688,946	$ 212,906,553	$ 240,595,499
Endowment investment return:			
Interest, dividends and realized gains	5,638,799	-	5,638,799
Unrealized gains	8,903,510	-	8,903,510
Total endowment investment returns	14,542,309	-	14,542,309
Contributions and other revenues	2,090,000	5,237,912	7,327,912
Appropriation of endowment assets for expenditure	(7,619,102)	-	(7,619,102)
Appropriation for administrative fee	(2,529,411)	-	(2,529,411)
Provision for uncollectible promises to give	-	(121,970)	(121,970)
Release of JMOF endowment	(270,435)	(588,196)	(858,631)
Endowment net assets, June 30, 2018	$ 33,902,307	$ 217,434,299	$ 251,336,606

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

* 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.

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

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.

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, 2018 and 2017, the amount included in the endowment's temporarily restricted balance and approved for future spending on program services was $7,619,102 and $7,144,954, respectively.

SUPPLEMENTAL INFORMATION

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A DIRECT SUPPORT ORGANIZATION)
CONSOLIDATED SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

Project Name	Program Services	General and Administrative	Fundraising	2018	2017
Academic Affairs	$ 1,617,202	$ -	$ 8,099	$ 1,625,301	$ 842,425
Administrative Reserve	-	134,735	-	134,735	120,787
Advancement operations	-	-	947,750	947,750	911,121
Athletics Fund - Golden Panthers	3,580,382	-	-	3,580,382	1,536,670
Banking fees	-	17,445	-	17,445	23,584
Business office operations	-	484,442	-	484,442	410,616
Capital Campaign	-	-	5,093,796	5,093,796	3,431,797
College of Communication, Architecture & the Arts	1,287,744	-	-	1,287,744	836,640
College of Arts, Sciences & Education	2,017,768	-	-	2,017,768	1,713,580
College of Business Administration	2,062,664	-	-	2,062,664	2,012,229
College of Engineering & Computing	1,772,784	-	-	1,772,784	1,840,634
College of Law	766,280	-	-	766,280	991,362
College of Medicine	6,228,419	-	151,699	6,380,118	5,975,492
College of Nursing & Health Sciences	1,123,973	-	-	1,123,973	903,421
Contributions to University Building Program	408,253	-	-	408,253	315,998
Depreciation & amortization	-	691,492	-	691,492	703,865
Division of Research	969,625	-	-	969,625	808,087
External Relations	23,535	-	-	23,535	28,194
FIU Alumni Association	176,416	-	101,372	277,788	408,416
FIU Libraries	65,887	-	-	65,887	82,163
FIU Vice President's allowance	-	10,584	-	10,584	9,728
Florida Board of Governor's assessment	-	36,151	-	36,151	36,151
Foundation Enterprise Holdings I, LLC	172,448	-	-	172,448	163,361
Foundation Enterprise Holdings II, LLC	59,177	-	-	59,177	56,498
Foundation Enterprise Holdings III, LLC	755	-	-	755	327,654
Foundation Enterprise Holdings IV, LLC	16,516	-	-	16,516	21,351
Foundation Enterprise Holdings V, LLC	-	17,375	-	17,375	-
Frost Art Museum	363,286	-	-	363,286	421,011
General Reserve	-	-	-	-	2,820
Government Relations	52,314	-	-	52,314	84,338
Green School of International & Public Affairs	808,123	-	-	808,123	649,550
Honors College	107,680	-	-	107,680	99,709
Human Resources	21,714	-	-	21,714	25,568
Insurance	10,625	58,865	-	69,490	103,291
Interest	-	126,130	-	126,130	117,775
Office of Engagement	139,002	-	-	139,002	76,634
President's Allowance	-	87,294	-	87,294	79,760
President's compensation	-	633,191	-	633,191	628,416
President's Office	22,455	-	-	22,455	-
Professional fees	-	325,287	-	325,287	354,350
School of Computing & Information Sciences	443,101	-	-	443,101	409,261
School of Hospitality Management	1,363,745	-	-	1,363,745	1,142,474
Stempel School of Public Health	919,427	-	-	919,427	414,417
Student Access and Success	547,118	-	-	547,118	795,107
Student Affairs	174,956	-	-	174,956	164,617
University Advancement	60,327	-	-	60,327	20,703
University College	3,800	-	-	3,800	42,491
University Support	-	-	-	-	48,309
University Wide Scholarships and Programs	2,197,603	988,019	-	3,185,622	2,318,646
Utilities and Maintenance	-	333,686	-	333,686	304,930
Wolfsonian Museum	1,474,540	-	-	1,474,540	1,763,461
Wolfsonian, Inc. Expenses	-	555	-	555	20,675
Total Expenses	$ 31,059,644	$ 3,945,251	$ 6,302,716	$ 41,307,611	$ 34,600,137

See accompanying notes to consolidated financial statements.

COMPLIANCE REPORT

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, 2018, 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 19, 2018.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 19, 2018

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 5, 2018

Subject: Florida International University Research Foundation Inc., Financial Audit, 2017-18

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 2017-18 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 2017-18 was approved by the Florida International University Research Foundation, Inc. Board of Directors on October 5, 2018, 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, 2017-18
Facilitator/Presenter:	Kenneth A. Jessell

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

FINANCIAL STATEMENTS

JUNE 30, 2018

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
TABLE OF CONTENTS
JUNE 30, 2018

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 year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Research Foundation as of June 30, 2018, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 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 5, 2018, 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, 2018

MANAGEMENT’S DISCUSSION AND ANALYSIS

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, 2018 and 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.

FINANCIAL HIGHLIGHTS

The Research Foundation's assets totaled $151,986 at June 30, 2018. This balance decreased by approximately $182,000, or 54.5% from the 2017 fiscal year, entirely resulting from a decrease in cash. While assets decreased, liabilities also decreased by approximately $175,000, or 86.3%. As a result, the Research Foundation's net position increased by approximately $7,300 reaching a year-end balance of $123,823.

The Research Foundation had operating revenues of $10,000 for the 2018 fiscal year. There were no transfers from Florida International University (FIU) for the 2018 fiscal year. Operating expenses totaled approximately $17,000 for the 2018 fiscal year, representing a decrease of 16.3% from the 2017 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

The Statement of Net Position

The statement of net position reflects the assets and liabilities of the Research Foundation, using the accrual basis of accounting, and present the financial position of the Research Foundation at a specified time. The difference between total assets and total liabilities, which is known as 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

	2018	2017
Assets		
Current assets	$ 151,986	$ 333,928
Total assets	151,986	333,928
Liabilities		
Current liabilities	28,163	192,833
Noncurrent liabilities	-	10,000
Total liabilities	28,163	202,833
Net position		
Unrestricted	123,823	131,095
Total net position	$ 123,823	$ 131,095

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 $182,000, or 54.5%, while total liabilities decreased by approximately $175,000, or 86.3%. As a result, the net position balance at June 30, 2018, had an unfavorable decrease of approximately $7,300, or 5.6%.

For more detailed information, see the statement of net position on page 7 of the financial statements.

The Statement of Revenues, Expenses and Changes in Net Position

The statement 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 2018 and 2017 fiscal years:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2018	2017
Operating revenues	$ 10,000	$ 10,000
Operating expenses	17,272	20,645
Operating loss	(7,272)	(10,645)
Transfers from Florida International University	-	59,485
Changes in net position	(7,272)	48,840
Net position - beginning of year	131,095	82,255
Net position - end of year	$ 123,823	$ 131,095

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 2018 and 2017 fiscal year, related to the development of a transit stop inventory system. Research Foundation will recognize a total of $10,000 of unearned revenue in next fiscal year. See Note 4 for additional information.

	2018	2017
Operating revenues	$ 10,000	$ 10,000
Total operating revenues	$ 10,000	$ 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 statement of revenues, expenses, and changes in net position.

The following summarizes the operating expenses by natural classifications for the 2018 and 2017 fiscal years:

Operating Expenses

	2018	2017
Audit and tax fees	$ 16,000	$ 15,600
Professional services	1,065	4,306
Other operating expenses	207	739
Total operating expenses	$ 17,272	$ 20,645

Operating expenses totaled approximately $17,000 for the 2018 fiscal year. This represents a 16.3% decrease over the 2017 fiscal year.

TRANSFERS

In prior years, the University has transferred funds to the Research Foundation to support its operating expenses. There were no transfers for the June 30, 2018 fiscal year. Transfers for the June 30, 2017 fiscal year totaled approximately $59,000.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The FIU Research Foundation served as an agent with respect to the USAID Tanzania and Burkina Faso grants awarded to the University. This activity and the entire amount of the grants were recognized by FIU in the Sponsored Research Development Trust Fund. Both international locations have since closed, with the iWash program office in Tanzania being closed in February 2016, and the Wa/Wash program office in Burkina Faso being closed in December 2017. The iWash entity is in the process of being dissolved.

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)
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

Current assets	
Cash	$ 151,986

LIABILITIES

Current liabilities	
Accounts payable	2,000
Due to Florida International University	16,163
Unearned revenue	10,000
Total current liabilities	28,163

NET POSITION

Net position	
Unrestricted	$ 123,823

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

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

Operating revenues	$ 10,000
Operating expenses	
Audit and tax fees	16,000
Professional services	1,065
Other operating expenses	207
Total operating expenses	17,272
Operating loss	(7,272)
Change in net position	(7,272)
Net position, beginning of year	131,095
Net position, end of year	$ 123,823

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

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC.
(A DIRECT SUPPORT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities		
Cash paid to Florida International University	$	(164,670)
Cash used in program activities		(17,272)
Net cash used in operating activities		(181,942)
Net decrease in cash		(181,942)
Cash, beginning of year		333,928
Cash, end of year	$	151,986
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(7,272)
Change in assets and liabilities:		
Decrease in unearned revenue		(10,000)
Decrease in due to Florida International University		(164,670)
Net cash used in operating activities	$	(181,942)

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

(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. The iWASH program ended in 2017, and final steps are being taken in Tanzania to properly dissolve the entity.

(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.

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

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

(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 year ended June 30, 2018.

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, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Research Foundation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. Management believes the Organization is no longer subject to income tax examinations for years prior to 2015.

(h) **Transfers**—For the year ended June 30, 2018, there were no transfers from the University to support the operating expenses of the Research Foundation.

(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.

(2) **Deposits:** (Continued)

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 $16,163 as of June 30, 2018 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 $16,163 as of June 30, 2018 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 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 was 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, 2018, the Research Foundation reported $10,000 as unearned revenue related to the subsequent accounting periods.

REPORTING SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida International University Research Foundation, Inc. (the Research Foundation), as of and for the year ended June 30, 2018, 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, 2018.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 5, 2018

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THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Facilities Committee

December 5, 2018

Subject: Florida International University Athletics Finance Corporation Financial Audit, 2017-18

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 2017-18 Fiscal Year and authorize the Executive Director of the Florida International University Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Athletics Finance Corporation Financial Audit for 2017-18 was approved by the Florida International University Athletics Finance Corporation Board of Directors on October 16, 2018, 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, 2017-18
Facilitator/Presenter:	Kenneth A. Jessell

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
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JUNE 30, 2018 AND 2017

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2018 and 2017, 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 16, 2018, 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 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

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, 2018 and 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.

OVERVIEW OF FINANCIAL STATEMENTS

The Athletics Finance Corporation's financial report includes three basic sets of 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 reflect the assets, liabilities and deferred outflows (inflows) of resources of the Athletics Finance Corporation, using the accrual basis of accounting, and present 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, amount to net position which 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:

Statements of Net Position

	June 30,		
	2018	**2017**	**2016**
Assets			
Current assets	$ 2,956,845	$ 2,873,015	$ 3,206,542
Noncurrent assets	20,934,535	22,237,286	24,465,488
Total Assets	23,891,380	25,110,301	27,672,030
Deferred Outflow of Resources	1,476,330	2,503,057	3,989,674
Liabilities			
Current liabilities	1,763,105	1,802,376	1,425,916
Noncurrent liabilities	30,800,531	33,234,086	35,980,459
Total Liabilities	32,563,636	35,036,462	37,406,375
Total Net Position	$ (7,195,926)	$ (7,423,104)	$ (5,744,671)

The statements of net position reflect a decrease in the net deficit position of the Athletics Finance Corporation. Current assets mainly depict cash and cash equivalents, current prepaid rent, investments and receivables. The current asset increase is principally a result of increased naming rights receivable. 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 $23,891,380 as of June 30, 2018. This balance reflects a decrease of approximately $1,219,000 or 4.9% when compared to prior year. Total liabilities were $32,563,636 as of June 30, 2018. This balance reflects a decrease of approximately $2,473,000 or 7.1% when compared to prior year. As a result, the net position increased by approximately $227,000 or 3.1% at June 30, 2018.

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:

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

	June 30, 2018	June 30, 2017	June 30, 2016
Operating revenues	$ 4,053,083	$ 4,030,559	$ 3,524,461
Operating expenses	2,340,827	2,421,095	2,252,946
Operating Income	1,712,256	1,609,464	1,271,515
Net non-operating expenses	(1,185,078)	(1,448,942)	(1,270,766)
Transfers to Florida International University	300,000	1,838,955	750,000
Change in Net Position	227,178	(1,678,433)	(749,251)
Net Position – beginning of year	(7,423,104)	(5,744,671)	(4,995,420)
Net Position – end of year	$ (7,195,926)	$ (7,423,104)	$ (5,744,671)

The statements of revenues, expenses, and changes in net position reflect higher operating revenues, lower operating expenses and lower 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,		
	2018	**2017**	**2016**
Athletic support	$ 1,018,088	$ 1,000,000	$ 870,000
NCAA and conference payments	700,000	700,000	600,000
Ticket sales	671,793	723,901	607,890
Suite revenues	420,500	303,640	402,950
Other operating revenues	400,384	398,913	375,059
Rental income	244,187	331,696	493,670
Event revenues	198,131	216,309	88,792
Stadium naming rights	195,000	261,100	86,100
Contribution	205,000	95,000	-
Total Operating Revenues	$ 4,053,083	$ 4,030,559	$ 3,524,461

Operating revenues were $4,053,083 for the fiscal year ended June 30, 2018, representing a 0.6% increase over prior year. This was mainly due to an increase of approximately $227,000 in suite revenues and contributions, offset with a decrease of approximately $206,000 in ticket sales, rental income and stadium naming rights 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, 2018	2017	2016
Amortization of prepaid rent	$ 1,304,083	$ 1,304,083	$ 1,304,083
Gameday/Event day contractors and repairs	643,879	786,901	692,203
Other operating expenses	210,704	170,501	135,685
Utilities	182,161	159,610	120,975
Total Operating Expenses	$ 2,340,827	$ 2,421,095	$ 2,252,946

Operating expenses were $2,340,827 for the fiscal year ended June 30, 2018, representing a 3.3% decrease from prior year. The decrease in operating expenses is due to a decrease in event revenues, which resulted in a decrease of event day contractor expenses. In addition, there were football stadium repairs in the prior year.

Non-Operating Revenues and Expenses

Non-operating expenses consist of interest expense and bond modification charges. 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, 2018	2017	2016
Interest income	$ 38,966	$ 8,506	$ 69,426
Interest expense and fiscal charges	(1,224,044)	(1,292,498)	(1,340,192)
Bond modification charges	-	(164,950)	-
Net Non-operating Revenues (Expenses)	$ (1,185,078)	$ (1,448,942)	$ (1,270,766)

Non-operating expenses were $1,185,078 for the fiscal year ended June 30, 2018 which represents a decrease of 18.2 % over prior year, mainly due to a bond modification charge in the prior year.

TRANSFERS TO FLORIDA INTERNATIONAL UNIVERSITY

Transfers to Florida International University represent approximately $300,000 in the statements of revenues, expenses and changes in net position for the fiscal year ended June 30, 2018. The transfers were attributable to surplus funds transferred back to Florida International University. During the fiscal year ended June 30, 2017 and 2016, transfers to Florida International University represented approximately $1,839,000 and $750,000, respectively.

DEBT ADMINISTRATION

As of June 30, 2018, the Athletics Finance Corporation had $28,590,000 in outstanding bonds payable, representing a decrease of approximately $1,150,000 or 3.9% when compared to prior year.

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 15-19.

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, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 17,936	$ 35,697
Investments	662,747	742,744
Suites and ticket sales receivable	299,888	387,644
Naming rights receivable	370,000	175,000
Due from Florida International University	93,105	131,354
Due from FIU Foundation	205,000	95,000
Prepaid rent and other	1,308,169	1,305,576
Total current assets	2,956,845	2,873,015
Noncurrent assets		
Restricted investments	2,716,694	2,693,462
Prepaid rent	18,148,491	19,452,574
Leasehold improvement, net	69,350	91,250
Total noncurrent assets	20,934,535	22,237,286
Total assets	23,891,380	25,110,301
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	1,254,826	2,266,536
Deferred amount on debt refundings	221,504	236,521
Total deferred outflows of resources	1,476,330	2,503,057
LIABILITIES		
Current liabilities		
Accounts payable	18,839	179,714
Accrued interest payable	107,741	110,617
Due to Florida International University	6,239	62,945
Bonds payable	1,325,000	1,150,000
Unearned revenue	305,286	299,100
Total current liabilities	1,763,105	1,802,376
Noncurrent liabilities		
Due to Florida International University	852,241	852,241
Derivative liability	2,683,290	3,791,845
Bonds payable	27,265,000	28,590,000
Total noncurrent assets	30,800,531	33,234,086
Total liabilities	32,563,636	35,036,462
NET POSITION		
Net position		
Net investment in capital assets	69,350	91,250
Unrestricted	(7,265,276)	(7,514,354)
Total Net Position	$ (7,195,926)	$ (7,423,104)

The accompanying notes to the 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, 2018 AND 2017

	2018	2017
Operating revenues		
Athletic support	$ 1,018,088	$ 1,000,000
NCAA and conference payments	700,000	700,000
Ticket sales	671,793	723,901
Suite revenues	420,500	303,640
Sponsorship revenues	300,000	300,000
Rental income	244,187	331,696
Contributions	205,000	95,000
Stadium naming rights	195,000	261,100
Event revenues	198,131	216,309
General concessions and vending commissions	58,066	58,580
Merchandise royalties	42,318	40,333
Total operating revenues	4,053,083	4,030,559
Operating expenses		
Amortization of prepaid rent	1,304,083	1,304,083
Gameday contractors	498,355	482,467
Utilities	182,161	159,610
Materials and supplies	137,153	96,875
Event day contractors	106,904	149,207
Repairs and maintenance	38,620	155,227
Audit and tax professional fees	21,700	22,100
Depreciation	21,900	18,250
Banking fees	16,930	17,736
Other operating expenses	13,021	15,540
Total operating expenses	2,340,827	2,421,095
Operating income	1,712,256	1,609,464
Nonoperating revenues (expenses)		
Interest income	38,966	8,506
Interest expense and fiscal charges	(1,224,044)	(1,292,498)
Bond modification charges	-	(164,950)
Total nonoperating revenues (expenses)	(1,185,078)	(1,448,942)
Transfers to Florida International University	300,000	1,838,955
Increase (decrease) in net position	227,178	(1,678,433)
Net position, beginning of year	(7,423,104)	(5,744,671)
Net position, end of year	$ (7,195,926)	$ (7,423,104)

The accompanying notes to the 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, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Operating receipts	$ 3,880,274	$ 3,613,147
Payments to vendors	(1,232,425)	(901,303)
Net cash provided by operating activities	2,647,849	2,711,844
Cash flows from capital and related financing activities		
Payments and transfers to Florida International University	(300,000)	(1,986,714)
Purchase of leasehold improvement	-	(109,500)
Principal payments on bonds	(1,150,000)	(978,608)
Payment of bond modification charges	-	(164,950)
Interest paid	(1,308,748)	(1,373,373)
Net cash used in capital and related financing activities	(2,758,748)	(4,613,145)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	5,879,094	7,812,984
Purchase of investments	(5,822,329)	(6,921,409)
Interest income received	36,373	7,056
Net cash provided by investing activities	93,138	898,631
Net decrease in cash and cash equivalents	(17,761)	(1,002,670)
Cash and cash equivalents, beginning of year	35,697	1,038,367
Cash and cash equivalents, end of year	$ 17,936	$ 35,697
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,712,256	$ 1,609,464
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	21,900	18,250
Change in assets and liabilities:		
(Increase) decrease in:		
Suites and ticket sales receivable	87,756	(232,204)
Naming Rights Receivable	(195,000)	(175,000)
Prepaid rent and other	1,304,083	1,304,083
Due from Florida International University	38,249	(41,695)
Due from FIU Foundation	(110,000)	(95,000)
Increase (decrease) in:		
Accounts payable	(160,875)	140,240
Unearned revenue	6,186	126,486
Due to Florida International University	(56,706)	57,220
Total adjustments	935,593	1,102,380
Net cash provided by operating activities	$ 2,647,849	$ 2,711,844
Non-cash investing and financing activities		
Change in fair value derivative liability	$ 1,011,710	$ 1,463,198
Change in deferred amount on debt refunding	$ 15,017	$ 23,419
Amortization of derivative liability	$ 96,845	$ 96,845

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

(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) **Net position**—The Athletic Finance Corporation's net position is classified as follows:

(i) **Net investment in capital assets**—Represents the Athletic Finance Corporation's total investment in capital assets. There is no debt obligation related to those capital assets.

(ii) **Unrestricted**—Represents assets that are not restricted for any purpose and are available for current operations.

(d) **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.

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

(e) **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.

(f) **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.

(g) **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.

(h) **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, 2018 and 2017.

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, 2018, 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 2015.

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

(i) **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.

(j) **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.

(k) **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.

(l) **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).

(m) **Revenue recognition**—Revenues from sponsorship naming rights are recognized ratably over the term of the sponsorship agreement. Premium seating and commission revenues are recognized as revenue at the time the event takes place.

(n) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2017 amounts have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net position.

(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.

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

At June 30, 2018 and 2017, $3,379,441 and $3,436,206, respectively, were held in these accounts. The Athletics Finance Corporation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(3) **Investments:**

Investments are made in accordance with the trust indenture. The Organization invests in the Fidelity Institutional Money Market Government Portfolio – Class III Fund (Fidelity Money Market Fund). This is a money market fund seeking to provide current income consistent with stability of principal by investing in a portfolio of short-term, U.S. treasury and government securities. These investments include repurchase agreements collateralized fully by U.S Treasury and government securities. The Fund limits its investment to those that would enable it to qualify as a permissible investment for federally chartered credit unions. Investments are made in accordance with the Trust Indenture dated as of December 1, 2009 (the "Trust Indenture") between the Miami-Dade County Industrial Development Authority and Regions Bank, as trustee. This transaction is further described in Note 5. The investments were reported at amortized cost of $3,379,441 and $3,436,206 as of June 30, 2018 and 2017, 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, 2018 and 2017, the money market mutual fund investments were rated AAAm by Standard & Poor's.

(b) **Concentration credit risk—**All of the investments at June 30, 2018 and 2017 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, 2018 and 2017 was 26 days, while the weighted average life (WAL) was 83 and 95 days at June 30, 2018 and 2017, respectively.

(4) **Leasehold Improvements:**

Leasehold improvement activity for the years ended June 30, 2018 and 2017, is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Leasehold Improvements	$ 109,500	$ -	$ -	$ 109,500
Less: Accumulated Depreciation	(18,250)	(21,900)	-	(40,150)
	$ 91,250	$ (21,900)	$ -	$ 69,350

	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

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

The debt activity for the years ended June 30, 2018 and 2017 is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
June 30, 2018					
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	$29,740,000	$ -	$1,150,000	$ 28,590,000	$ 1,325,000
	$29,740,000	$ -	$ 1,150,000	$ 28,590,000	$ 1,325,000

	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

(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, 2018 and 2017, was $28,590,000 and $29,740,000, 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 $2,716,694 and $2,693,462 as of June 30, 2018 and 2017, 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, 2018 are as follows:

For the Year Ending June 30,	Principal	Interest	Total Principal and Interest
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	1,645,000	996,845	2,641,845
2024 – 2028	9,520,000	3,834,954	13,354,954
2029 – 2032	11,570,000	1,454,692	13,024,692
Total	$ 28,590,000	$ 10,936,824	$ 39,526,824

(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 $2,683,290 and $3,791,845 at June 30, 2018 and 2017, 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, 2018 and 2017.

As of June 30, 2018 and 2017, the fair value of the Series 2007A ineffective interest rate swap was $1,428,464 and $1,525,309, 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 $1,428,464 of the ineffective Series 2007A interest rate swap at June 30, 2018, 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 $1,254,826 and $2,266,536 at June 30, 2018 and 2017, respectively.

(d) **Credit risk**—As of June 30, 2018 and 2017, 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, A- 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, 2018, 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
2019	$ 950,000	$ 672,021	$ 333,250	$ 1,955,271
2020	995,000	639,826	319,907	1,954,733
2021	1,040,000	606,107	300,563	1,946,670
2022	1,090,000	570,862	283,086	1,943,948
2023	1,135,000	533,923	264,768	1,933,691
2024 – 2028	6,500,000	2,056,052	1,022,934	9,578,986
2029 – 2033	8,120,000	849,939	331,976	9,301,915
Total	$ 19,830,000	$ 5,928,730	$ 2,856,484	$ 28,615,214

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,	Principal
2019	$ 237,160
2020	225,000
2021	160,000
Total	$ 622,160

(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, 2018 and 2017, 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 $4,053,083 and $4,030,559 in 2018 and 2017, respectively. As of June 30, 2018 and 2017, the Athletics Finance Corporation had amounts due from FIU related to these revenues of approximately $93,000 and $131,000, 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,	Principal
2019	$ 1,304,083
2020	1,304,083
2021	1,304,083
2022	1,304,083
2023	1,304,083
2024 – 2028	6,520,416
2029 – 2033	6,411,743
Total	$ 19,452,574

	2018	2017
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	18,148,491	19,452,574
Total prepaid rent	19,452,574	20,756,657
Other assets	4,086	1,493
	$ 19,456,660	$ 20,758,150

As of June 30, 2018 and 2017, construction draws amounting to $31,937,211 have been paid by the University to various contractors. The prepaid rent has been amortized by $1,304,083 in both years.

REPORTING SECTION

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

To the Board of Directors of
FIU Athletics Finance Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the year ended June 30, 2018 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 16, 2018.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 16, 2018

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 5, 2018

Subject: Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit, 2017-18

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 2017-18 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 Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (FIU HCN) Financial Audit for the 2017-18 Fiscal Year was approved by the FIU HCN Board of Directors on October 30, 2018, 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, 2017-18

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, 2018 AND 2017

THE FLORIDA INTERNATIONAL UNIVERSITY ACADEMIC HEALTH CENTER HEALTH CARE NETWORK FACULTY GROUP PRACTICE, INC.
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JUNE 30, 2018 AND 2017

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 years ended June 30, 2018 and 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FIU HCN as of June 30, 2018 and 2017, 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 management's discussion and analysis on pages 3 – 11 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 30, 2018, 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 30, 2018

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 years ended June 30, 2018 and 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) serving different stakeholders across FIU. 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 and Pharmacy, Embrace, CCF credentialing 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 as a "pass-through" under the respective line of business; Clinics and OIA.

The operating expenses of the HWCOM clinics are billed to and reimbursed by HWCOM. This expense reimbursement is reported under the clinic's line of business as "Other Revenue" thus bringing the net income to zero under the clinic's line of business in order to reflect it is a pass through on the books of HCN. The management fees received from the HWCOM to manage the clinics are reported as "Management Fees" under the HCN MSO line of business.

For the OIA program, their revenues and expenses are captured under the OIA line of business. During each fiscal quarter, HWCOM receives up to the forecasted net profits of the OIA program. Any surplus net profits from the OIA line of business are transferred to HWCOM after the HCN audit takes place.

FINANCIAL HIGHLIGHTS – CURRENT YEAR

The FIU HCN assets totaled approximately $6.9 million at June 30, 2018. This balance reflects an approximate increase of $1.6 million from June 30, 2017, resulting primarily from the increase in cash and receivables deriving from management fees, OIA education program receivable and the pass-through of the sales tax receivable from Miami Children's Hospital as part of their rent. Approximately $2.1 million under total assets are reserved for the operations of the OIA program.

The liabilities represent the debt due to the Florida International University (FIU or FIU proper), accounts payable, accruals for the operating expenses and the unearned revenue related to the pre-paid rotations under the OIA program. Liabilities totaled approximately $10.5 million at June 30, 2018. This balance reflects an increase of approximately $229 thousand over prior fiscal year. The increase in liabilities is driven by the fund balance due to HWCOM from the OIA programmatic revenues. Also included in the liabilities is the pass-through of the sales tax liability and common area maintenance (CAM) paid by Miami Children's Hospital as part of their rent. Approximately $1.6 million of total liabilities is related to the OIA program operations.

The FIU HCN's operating revenues totaled approximately $8.4 million for the 2018 fiscal year, an approximate increase of $176 thousand from the 2017 fiscal year. This amount was comprised of management fee revenue (approximately $2.5 million), OIA program revenue (approximately $4.1 million), Clinics expense pass-through reimbursement (approximately 1.3 million) as well as rental income and other revenue (approximately $0.49 million). In this fiscal year 2017-2018 the cost for operating the clinical sites is reimbursed by HWCOM and recorded as Other Revenue under the Clinics line of business on the books of HCN. This cost reimbursement comprised of $1.3 million reflects savings of $105 thousand to HWCOM as compared to budget.

Operating expenses totaled approximately $5.4 million for the 2018 fiscal year representing an increase of approximately $0.6 million over the 2017 fiscal year. This is driven by the increase in contracted services deriving from the increase in OIA preceptor rotations and the reclassification of the OIA management fee expense in fiscal year 2018 to contracted expense under the OIA line of business.

Non-operating expenses include the interest expense on the debt payments to FIU proper totaling approximately $161 thousand and the transfers going to HWCOM related to the net profits of the OIA program for the fiscal year totaling approximately $1.4 million.

FINANCIAL HIGHLIGHTS – PRIOR 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 including $2.0 million reimbursement for clinic operating expenses), 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 reimbursement (recorded as management fee under fiscal year 2017) comprised of $2.0 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 $2.0 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 – FISCAL YEAR 2016

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 statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows.

Statements of Net Position

The statements 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)

	2018	2017	2016
Assets			
Current assets	$ 6,662	$ 5,031	$ 3,659
Noncurrent assets	214	283	354
Total Assets	$ 6,876	$ 5,314	$ 4,013
Liabilities			
Current liabilities	$ 3,121	$ 2,564	$ 1,666
Noncurrent liabilities	7,388	7,716	8,032
Total Liabilities	$ 10,509	$ 10,280	$ 9,698
Net Position			
Investment in capital assets	$ 214	$ 283	$ 354
Unrestricted	(3,847)	(5,249)	(6,039)
Total Net Position	$ (3,633)	$ (4,966)	$ (5,685)

The statements of net position reflect the FIU HCN's realignment of operations and change in financial model which began in FY 2015-2016 when the HCN revenue source changed from a clinical revenue model to a management fee service revenue model. In this model the assets and liabilities of the HCN also include the assets and liabilities of the OIA line of business. Current assets mainly depict cash and receivables of the MSO and the OIA line of business.

In fiscal year 2018, total assets increased by approximately $1.6 million. This includes non-current capital assets net of depreciation which decreased in fiscal year 2018 by approximately $70 thousand due to depreciation expense. Total liabilities increased by approximately $229 thousand driven by Current Liabilities under the OIA program deriving from the net income balance at the end of the fiscal year 2018 payable to HWCOM. The FIU HCN's total net position balance went from ($5.0) million to ($3.6) million at June 30, 2018 showing an improvement of approximately $1.3 million in the MSO line of business. Approximately $522 thousand under Total Net Position is related to the operations of the OIA program.

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.

Statements of Revenues, Expenses and Changes in Net Position

The statements 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 fee service 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)

	2018	2017	2016
Operating revenues	$ 8,372	$ 8,195	$ 5,591
Operating expenses	5,431	4,866	3,276
Operating Gain	2,941	3,329	2,315
Non-operating expenses	(161)	(167)	(207)
Transfers to the University	(1,447)	(2,443)	-
Change in Net Position	1,333	719	2,108
Net Position, beginning of year	(4,966)	(5,685)	(7,793)
Net Position, end of year	$ (3,633)	$ (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)

	2018	2017	2016
Management Fees	$ 2,519	$ 2,284	$ 2,464
Educational Program	3,713	3,394	2,584
Rental revenue	486	483	-
Net patient service revenue	-	-	57
Other revenues	1,654	2,034	487
Total Operating Revenues	$ 8,372	$ 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 its other programs, the other international programs with global affiliates, the Student Health Clinics and pharmacy and Embrace. For fiscal year 2018 the clinical services provided by the faculty physicians consisted of Family Medicine, Internal Medicine, Gynecology, Dermatology, clinical Oncology, 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 (FM1/IM1), the graduate certificate program (core 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 under 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)

	2018	2017	2016
Contractual personnel services	$ 2,207	$ 2,127	$ 1,170
Contracted professional and consulting	2,390	1,939	1,477
Rentals and leases	102	72	27
Other operating	431	389	385
Depreciation	69	70	85
Supplies - medical	103	127	22
Utilities	39	37	6
Repairs and maintenance	6	23	35
Advertising and promotion	32	29	13
Insurance	23	23	22
Supplies - other	29	30	34
Total Operating Expenses	$ 5,431	$ 4,866	$ 3,276

Operating expenses for the fiscal year 2018 totaled approximately $5.4 million. This represents an increase of approximately $565 thousand from the fiscal year 2017 primarily due to: (a) the hiring of a position under OIA added in the latter part of the previous fiscal year and the increase in personnel benefits. (b) The increase in the OIA contracted services for preceptor rotations brought by the increase in the volume of rotations under the OIA line of business and the reclassification of the OIA management fee to contracted expense. (c) The increase in rental expense for the Broward clinic effective in March 2018 and the reclassifying of equipment lease from repairs and maintenance expense to rentals and leases expense. (d) Increase in other operating deriving from the event for the IMAMU seminar and the firewall expense for the ACC clinic.

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.

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

Non-Operating Revenues (Expenses) (In Thousands)

	2018	2017	2016
Interest Expense	$ (161)	$ (167)	$ (173)
Loss on disposal of capital asset	-	-	(34)
Non-Operating Expenses	$ (161)	$ (167)	$ (207)

There was no non-operating income for 2018, 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 2018-2019, FIU HCN revenues will continue to derive from management fees related to HWCOM clinics, the AUA graduate certificate program, the AUA FM1/IM1 program, the AUA Electives program, the International Visiting Medical Student (IVMS) program, the Student Health clinics and pharmacy, Embrace, and the leases from Miami Children's Hospital and Gastro Health.

Under the international program (OIA), the existing five year agreement with AUA was renewed to a ten year agreement effect in October 2018 and expiring in 2028. This will bring an increase in programmatic revenues to the HWCOM. In addition, this agreement negotiated by the FIU HCN shifts the management fee expense from two programs under AUA (FM1/IM1 and Electives) away from the HWCOM to AUA with an established volume thresholds. HWCOM will continue to be responsible for the 15% of programmatic MSO fees of the International Visiting Medical Student (IVMS) program. The agreement negotiation is a testimony of one of the objectives of the FIU HCN; to seek out revenue generating opportunities and cost savings for the benefit of its stakeholders.

In fiscal year 2019 the management service revenue from HWCOM to manage the clinics will continue to be a flat MSO fee reported as management revenue under the MSO line of business. The cost reimbursement from HWCOM for the clinic's operating expenses will continue to be reported as Other Revenue in order to offset the expenses under the Clinics line of business thus bringing it to a net income of zero to represent the pass-through on the books of the FIU HCN. The operating expenses of 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. All cash collections related to patient services provided since July 1, 2015 will continue to be the revenue and receivables of the HWCOM and it will continue to be reported under the books of the HWCOM; outside of the HCN entity books.

In the new fiscal year 2019 the HCN MSO continues as a self-sustained financial model absorbing the expenses aligned to the MSO operations. The ten year expanded agreement negotiated with the University of Antigua will benefit the FIU HCN entity with an increase in management fee revenue and expanded programs.

There are other potential stakeholders that can use FIU HCN for their management services. The goal for FIU HCN FY 2018-2019 is continued OIA programmatic growth through increasing global partners, expand FIU college partners participating in international programs, enhancing programmatic offerings and expanding clinical sites. We will focus on enhanced clinical services at all clinical sites inclusive of developing a comprehensive telehealth program at Student Health clinics to expand access, and focus on operation process improvement. We will also continue to focus to increase clinical revenue for HWCOM by aligning physician productivity, increase patient service offerings, focus on operational efficiencies, expand 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

THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,020,727	$ 4,542,485
Management fee receivable	258,582	407,381
Education program receivable	229,564	9,867
Sales tax receivable	143,854	-
Rent receivable	1,136	42,281
Prepaid expenses	7,691	28,391
Total current assets	6,661,554	5,030,405
Noncurrent assets		
Depreciable capital assets, net	214,550	283,279
Total assets	$ 6,876,104	$ 5,313,684
LIABILITIES		
Current liabilities		
Accounts payable	$ 1,966,103	$ 1,263,848
Due to Florida International University	327,991	316,878
Unearned revenue	827,155	983,778
Total current liabilities	3,121,249	2,564,504
Noncurrent liabilities		
Due to Florida International University	7,387,623	7,715,614
Total liabilities	$ 10,508,872	$ 10,280,118
NET POSITION		
Net position		
Net investment in capital assets	$ 214,550	$ 283,279
Unrestricted	(3,847,318)	(5,249,713)
Total net position	$ (3,632,768)	$ (4,966,434)

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

THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Operating revenues		
Management fee revenue	$ 2,519,409	$ 2,284,409
Educational program	3,713,072	3,393,880
Rental revenue	485,465	483,283
Other revenue	1,653,711	2,033,719
Total operating revenues	8,371,657	8,195,291
Operating expenses		
Contractual personnel services	2,206,864	2,127,228
Contracted professional consulting services	2,390,301	1,939,458
Rentals and leases	101,997	72,215
Other operating	430,615	388,298
Depreciation	68,729	70,122
Supplies - medical	103,138	126,757
Utilities	39,163	36,632
Repairs and maintenance	5,945	23,368
Advertising and promotion	32,081	29,253
Insurance	23,291	23,248
Supplies - other	28,495	29,935
Total operating expenses	5,430,619	4,866,514
Operating gain	2,941,038	3,328,777
Nonoperating expenses		
Interest expense	(160,650)	(166,770)
Gain before transfers	2,780,388	3,162,007
Transfers		
Transfers to Florida International University	(1,446,722)	(2,442,982)
Change in net position	1,333,666	719,025
Net position, beginning of year	(4,966,434)	(5,685,459)
Net position, end of year	$ (3,632,768)	$ (4,966,434)

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

THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities		
Receipts from management fee revenue	$ 2,668,208	$ 4,112,348
Receipts from educational program revenue	3,336,752	3,730,472
Receipts from rent and other revenue	2,036,467	530,968
Payments to suppliers for goods and services	(4,638,935)	(4,228,054)
Net cash and cash equivalents provided by operations	3,402,492	4,145,734
Cash flows from noncapital financing activities		
Transfer to Florida International University	(1,763,600)	(2,749,012)
Interest paid to Florida International University	(160,650)	(166,770)
Net cash and cash equivalents used in noncapital financing	(1,924,250)	(2,915,782)
Net change in cash and cash equivalents	1,478,242	1,229,952
Cash and cash equivalents, beginning of year	4,542,485	3,312,533
Cash and cash equivalents, end of year	$ 6,020,727	$ 4,542,485
Reconciliation of operating gain to net cash and cash equivalents provided by operations:		
Operating gain	$ 2,941,038	$ 3,328,777
Depreciation	68,729	70,122
Adjustments to reconcile operating gain to net cash and cash equivalents provided by operating activities:		
Decrease in rent receivables	41,145	39,773
(Increase) decrease in management fee receivables	148,799	(197,868)
(Increase) decrease in education program receivable	(219,697)	45,333
Increase in sales tax receivable	(143,854)	-
Decrease (increase) in other current assets	20,700	(28,391)
Increase in accounts payable	702,255	596,729
(Decrease) increase in unearned revenue	(156,623)	291,259
Net cash and cash equivalents provided by operating activities	$ 3,402,492	$ 4,145,734

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

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

(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, CCS, 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) **Sales tax receivable**—This receivable relates to the sublease described at Note 5 and has a corresponding liability included with accounts payable at June 30, 2018 due to the State of Florida.

(f) **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.

(g) **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.

(h) **Operating revenue and expenses**—The FIU HCN's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing management services to HWCOM, Student Health Clinics, Embrace, the management of the educational program for the OIA which are earned under the terms of the agreement with the American University in Antigua (AUA), CCS credentialing services, 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. Additionally, operating expenses also include programmatic services and other expenses that are passed through to stake holders.

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

(j) **Income taxes**—The FIU HCN is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, except for unrelated business income. There were no income taxes resulting from unrelated business income during the years ended June 30, 2018 and 2017.

(i) **Reclassifications**—Certain balances from the 2017 financial statements have been reclassified for comparative purposes to conform to the 2018 presentation. Such reclassifications have had no effect on 2017 net position.

(k) **Pronouncements issued**—GASB issued Statement No. 87, *Leases*, in June 2017. GASB No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB No. 87 are effective for periods beginning after December 15, 2019.

(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, 2018 and 2017, the unearned amount was approximately $55,000 and $148,000, respectively, and was included in unearned revenue as a liability on the statements of net position.

For the year ended June 30, 2018, total revenues earned under the terms of this agreement approximated $3,629,000, composed of $1,280,000 in management fee revenue and $2,349,000 in educational program revenue. 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:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Medical equipment	$ 551,669	$ -	$ -	$ 551,669
Accumulated depreciation	(268,390)	(68,729)		(337,119)
Depreciable capital assets, net	$ 283,279	$ (68,729)	$	$ 214,550

	Balance July 1, 2016	Additions	Disposals	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 $65,391 and $93,382 of net depreciable capital assets that were idle during the years ended June 30, 2018 and 2017, respectively.

(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, 2018, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
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	375,202	126,685	501,887
2024-2028	2,069,966	515,763	2,585,729
2029-2033	2,422,636	94,991	2,717,627
2034-2036	1,466,439	55,826	1,522,265
Total	$ 7,715,614	$ 1,570,238	$ 9,285,855

In addition, at June 30, 2018 and 2017 respectively, $893,167 and $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 management fee receivable on the statements of net position at June 30, 2018 and 2017 totaled $150,384 and $407,381, respectively.

(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 years ended June 30, 2018 and 2017, rent expense under this agreement amounted to $1. Furthermore, certain space within this facility was subleased with rental income of $485,465 and $483,283 for the years ended June 30, 2018 and 2017, respectively.

The FIU HCN leases equipment and building occupancy on a month-to-month basis. Total rental expense for the years ended June 30, 2018 and 2017 was $101,997 and 72,215, respectively.

(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

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2018.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 30, 2018

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 5, 2018

Subject: Approval of Carryforward Funds

Proposed Committee Action:

Recommend to The Florida International University Board of Trustees (the BOT) approval of the Florida International University (FIU) expenditure plan for carryforward funds in accordance with guidelines adopted by the State University System of Florida Board of Governors (BOG) on November 8, 2018; submit the BOT-approved expenditure plan to the BOG for approval at its January 2019 meetings.

Background Information:

Beginning in 1985, State University System (SUS) institutions received statutory authority to carry forward unexpended funds in the current year operating budget and include these funds in the operating budget the following year. While current statute does not restrict carryforward expenditures, the BOG and SUS institutions have continued to follow the allowed uses defined in F.S. 240.272 (repealed). Specifically, carryforward funds are expended for:

- *building an escrow account for major equipment purchases*
- *scientific, technical, or other equipment*
- *matching challenge grant programs*
- *library resources*
- *minor repairs, renovations, or maintenance*
- *major studies or planning processes*
- *maintaining access to course offerings in the event of a revenue shortfall*
- *expanding access to course offerings*

Additionally, F.S. 1011.40(2) places a floor on unencumbered balances equal to five percent of the approved operating budget, generally referred to as the "5 percent statutory reserve."

At its November 2018 meetings, the BOG approved a proposal to require each University Board of Trustees to approve the expenditure plan for unencumbered and unexpended balances (carryforward fund balances) at their institution and to submit the approved plan to the BOG for consideration and approval at its January 2019 meetings. As of November 8, 2018, FIU's carryforward fund balance was $55,720,499 (excluding Herbert Wertheim College of Medicine [HWCOM]). The carryforward fund balance for HWCOM was $6,796,640 as of November 8, 2018. Each of these balances includes the five percent statutory reserve.

Supporting Documentation: Proposed Carryforward Expenditure Plans

Facilitator/Presenter: Kenneth A. Jessell

Florida International University
Strategic Deployment of University Carryforward Funds

University

Fund Balance as of November 8, 2018:		**$ 55,720,499**
Statutory Reserve (5 percent)		**26,546,224**
Restricted by Legislative Appropriations		**6,646,994**
Medical Initiative	15,861	
Information Technology Performance Funds	418,675	
FIUnique	1,015,426	
World Class Faculty and Scholar Program	4,550,328	
Professional and Graduate Degree Excellence Program	607,483	
Other (Economic Development Study, Frost Science, UPLIFT)	39,221	
FIU Board of Trustees Reserve for Initiatives		**3,195,952**
Reserve	1,400,000	
Hurricane Irma Recovery Expenses	1,514,637	
Bridge Collapse Expenses	281,315	
Professional Development Training for Compliance and General Counsel		**6,028**
Campus Safety/Security/Emergency Operations--window, roof, door, HVAC, and IT protection		**2,313,345**
Public Safety--Equipment for Police Officers		**104,963**
Capital Campaign--Increase endowments for Student Scholarships		**1,002,784**
Student Services--Professional development for advisors, expansion of student enrichment programs		**274,390**
Student Financial Aid--Undergraduate merit scholarship programs		**3,412,116**
Instruction--Faculty instructional costs associated with additional courses and other faculty and support costs		**1,223,333**
Research--Promote research excellence through support for technology management and commercialization, faculty research, and start-up costs		**1,570,109**
Library Resources--support for library operations		**45,895**
Infrastructure--Safer environment through improved traffic flow and roadway lighting; repair building envelopes, roofs, and buildings		**1,715,919**
Facilities projects (SIPA II and pedestrian connection between buildings)		**1,100,138**
Facilities Renovations and Repairs--classrooms and teaching labs; reconfiguration of faculty and staff work areas; electrical & plumbing; fume hood monitors		**5,963,933**
Plant Operations and Maintenance (PO&M) in the absence of new PO&M funding from the legislature		**233,273**
Facilities custodial and grounds contracts		**259,607**
Completion of term redesign project		**105,495**
Total Fund Balance as of November 8, 2018:		**$ 55,720,499**

Florida International University
Strategic Deployment of University Carryforward Funds

Medical School

Fund Balance as of November 8, 2018:		**$ 6,796,640**
Statutory Reserve (5 percent)		**2,527,618**
Restricted by Legislative Appropriations		**2,962,776**
Primary Care Residency Program	2,962,776	
Student Financial Aid--Spring semester scholarships		**872,841**
Research--Start-up packages for researchers		**433,405**
Total Fund Balance as of November 8, 2018:		**$ 6,796,640**

Florida International University
Education and General
2018-19 Operating Budget - Beginning Carryforward Fund Balance Composition
November 2018

		University	Medical School
A.	**Beginning E&G Carryforward Fund Balance - July 1, 2018 :**		
	Cash	$ 77,521,181	$ 11,695,830
	Investments	$ -	$ -
	Accounts Receivable	$ 10,351,260	$ 5,770
	Less: Accounts Payable	$ 7,446,943	$ 770,280
	Less: Deferred Fees	$ 1,164,187	$ 14,400
	Beginning E&G Fund Balance Before Encumbrances :	$ 79,261,311	$ 10,916,920
B.	**Expenditures as of August 21, 2018 :**	$ 2,918,593	$ 1,186,075
C.	**Encumbrances as of August 21, 2018 :**	$ 15,426,487	$ 1,432,987
D.	**E&G Carryforward Fund Balance - as of August 21, 2018 :**	$ 60,916,231	$ 8,297,858
	Additional Expenditures and Encumbrances since August 21, 2018	$ 5,195,732	$ 1,501,218
D.	**E&G Carryforward Fund Balance - as of November 8, 2018 :**	**$ 55,720,499**	**$ 6,796,640**
E.	**Restricted / Contractual Obligations**		
	5% Statutory Reserve Requirement	$ 26,546,224	$ 2,527,618
	Restricted By Appropriations	$ 6,646,994	$ 2,962,776
	University Board of Trustees Reserve Requirement	$ 3,195,952	$ -
	Restricted by Contractual Obligations:	$ -	$ -
	Compliance Program Enhancements	$ -	$ -
	Audit Program Enhancements	$ -	$ -
	Campus Security and Safety Enhancements	$ -	$ -
	Student Services, Enrollment, and Retention Efforts	$ 691,921	$ -
	Student Financial Aid	$ -	$ 872,841
	Faculty / Staff Instructional and Advising Support and Start-Up Funding	$ 302,480	$ -
	Faculty Research and Public Service Support and Start-Up Funding	$ 312,394	$ 433,405
	Library Resources	$ 45,895	$ -
	Infrastructure, Capital Renewal, Roofs	$ 546,879	$ -
	Facilities Renovation and Repair	$ 4,970,979	$ -
	Utilities	$ -	$ -
	Information Technology (ERP, Equipment, etc.)	$ -	$ -
	Total Restricted Funds :	$ 43,259,719	$ 6,796,640
F.	**Commitments**		
	Compliance, Audit, and Security		
	Compliance Program Enhancements	$ 6,028	$ -
	Audit Program Enhancements	$ -	$ -
	Campus Security and Safety Enhancements	$ 2,418,307	$ -
	Academic and Student Affairs		
	Student Services, Enrollment, and Retention Efforts	$ 585,253	$ -
	Student Financial Aid	$ 3,412,116	$ -
	Faculty / Staff Instructional and Advising Support and Start-Up Funding	$ 920,853	$ -
	Faculty Research and Public Service Support and Start-Up Funding	$ 1,257,715	$ -
	Library Resources	$ -	$ -
	Facilities, Infrastructure, and Information Technology		
	Infrastructure, Capital Renewal, Roofs	$ 1,169,040	$ -
	Facilities Renovation and Repair	$ 2,585,973	$ -
	Utilities	$ -	$ -
	Information Technology (ERP, Equipment, etc.)	$ 105,495	$ -
	Total Commitments :	$ 12,460,780	$ -
G.	**Available E&G Carryforward Balance as of November 8, 2018 :**	$ -	$ -

Florida International University
FY 2018-19 Education and General Carryforward Plan - Available Balances as of November 8, 2018
University

5% Statutory Reserve Requirement: in compliance with 1011.40(2), Florida Statutes. Each university reserves an amount equal to 5 percent of its unencumbered balance in the education and general fund. Each institution shall provide a written notification to the Board of Governors if, at any time, the unencumbered balance in the education and general fund of the university board of trustees approved operating budget goes below 5 percent.

	Restricted	Committed	Total
5% Statutory Reserve Requirement	**$ 26,546,224**	**$ -**	**$ 26,546,224**

Restricted by Appropriations: funds appropriated by the Legislature for a specific purpose as identified by law or through legislative work papers.

	Restricted	Committed	Total
Medical Initiative	$ 15,861	$ -	$ 15,861
Information Technology Performance Funds (1011.905) *funds awarded for attainment of performance expectations in the areas of computer and information science, computer engineering, information systems technology, information technology, and management information systems*	$ 418,675	$ -	$ 418,675
FIUnique *brings together various cross-disciplinary programs across the University that service South Florida's unique and at-risk populations, including students and adults with intellectual disabilities, Autism, ADHD, mental health issues and homeless and foster students. The funds are used to cover operating expenses of the following programs: Panther LIFE, Fostering Panther Pride, EMBRACE, and Center for Children and Families.*	$ 1,015,426	$ -	$ 1,015,426
Economic Development Study	$ 1,716	$ -	$ 1,716
Frost Museum of Science	$ 23	$ -	$ 23
UP:LIFT	$ 37,482	$ -	$ 37,482
World Class Faculty & Scholar Program (1004.6497(4)(b)) *to elevate national competitiveness through success in recruiting research faculty, 4-year undergraduate graduation rate, number of undergraduate courses offered with fewer than 50 students, and increase in national academic standing of targeted programs* : renovating and refurbishing classrooms and labs, combining existing space to make larger active learning classrooms, creating study ("sticky") spaces,	$ 4,550,328	$ -	$ 4,550,328
Professional & Graduate Degree Excellence Program (1004.6498(4)(b) *to elevate the national and global prominence of the state university medicine, law, and graduate-level business programs* : funds in the College of Business to be used for student financial aid, faculty hires, rankings, and branding	$ 607,483	$ -	$ 607,483
Total Restricted by Appropriations	**$ 6,646,994**	**$ -**	**$ 6,646,994**

University Board of Trustees Reserve Requirement: the amount of unrestricted funds set aside by the University Board of Trustees to address critical, unforeseen, or non-discretionary items that require immediate funding.

	Restricted	Committed	Total
Reserve for critical, unforeseen, or non-discretionary items that require immediate funding	$ 1,400,000	$ -	$ 1,400,000
Hurricane Irma recovery expenses	$ 1,514,637	$ -	$ 1,514,637
Bridge collapse expenses (legal fees, etc.)	$ 281,315	$ -	$ 281,315
Total University Board of Trustees Reserve Requirement	**$ 3,195,952**	**$ -**	**$ 3,195,952**

COMPLIANCE, AUDIT, AND SECURITY

<u>Compliance Program Enhancements:</u> Initiatives associated with being in compliance with federal law, state law, BOG Regulations or any other entity with which the University must comply.

	Restricted	Committed	Total
Professional development for attorneys	$ -	$ 6,028	$ 6,028
Total Compliance Program Enhancements	**$ -**	**$ 6,028**	**$ 6,028**

<u>Audit Program Enhancements:</u> Initiatives associated with programs supporting audit programs of the institution

<u>Campus Security and Safety Enhancements</u> – Safety Issues: the support of campus security and/or safety issues, such as the recruitment of police officers, vehicles, and equipment. This issue may also include mental health counseling and services

	Restricted	Committed	Total
Emergency Operations Center infrastructure hardening such as expansion of emergency operations center, emergency generators, hardening of vulnerable windows and doors, roof protection for satellite chiller plant, HVAC protection for university data center, and improving communications infrastructure	$ -	$ 2,313,345	$ 2,313,345
Equipment for police officers	$ -	$ 104,963	$ 104,963
Total Campus Security and Safety Enhancements	**$ -**	**$ 2,418,307**	**$ 2,418,307**

ACADEMIC AND STUDENT AFFAIRS

<u>Student Services, Enrollment and Retention:</u> funds to support student services programs, address enrollment and assist with retention efforts to support timely graduation

	Restricted	Committed	Total
Professional development for advisors, expansion of student enrichment programs, and support for other student programs	$ -	$ 274,390	$ 274,390
Capital campaign to increase endowments for scholarships	$ 691,921	$ 310,863	$ 1,002,784
Total Student Services, Enrollment and Retention	**$ 691,921**	**$ 585,253**	**$ 1,277,173**

<u>Student Financial Aid:</u> funds aimed to reduce student costs and provide opportunity for higher education

	Restricted	Committed	Total
Student Financial Aid in support of undergraduate merit scholarship programs, e.g. Gold and Blue scholarships, raise.me	$ -	$ 3,412,116	$ 3,412,116
Total Student Financial Aid	**$ -**	**$ 3,412,116**	**$ 3,412,116**

<u>Faculty/Staff Instructional and Advising Support and Start Up Funding:</u> funds identified to support instructional and advising activities, and/or start- up packages for new faculty. Start up packages are often expended over a multi-year period.

	Restricted	Committed	Total
Faculty instructional costs associated with additional courses to promote on-time student graduation, and other faculty and support costs	$ 302,480	$ 920,853	$ 1,223,333
Total Faculty/Staff Instructional and Advising Support and Start Up Funding	**$ 302,480**	**$ 920,853**	**$ 1,223,333**

<u>Faculty Research and Public Service Support and Start Up Funding:</u> funds identified to support research and public service, and the start up funding required. Start up packages are often expended over a multi-year period.

	Restricted	Committed	Total
Promote research excellence through support for technology management and commercialization, faculty research, and start-up costs	$ 312,394	$ 1,257,715	$ 1,570,109
Total Faculty Research and Public Service Support and Start Up Funding	**$ 312,394**	**$ 1,257,715**	**$ 1,570,109**

<u>Library Resources:</u> materials and database access required to support programs of study and research.

	Restricted	Committed	Total
Support for library operations	$ 45,895	$ -	$ 45,895
Total Library Resources	**$ 45,895**	**$ -**	**$ 45,895**

FACILITIES, INFRASTRUCTURE, AND INFORMATION TECHNOLOGY

<u>Infrastructure, Capital Renewal, Roofs:</u> funds to support the maintenance of university building infrastructures. Such costs may include the following: preventive maintenance, replacement of parts, systems or components; and other activities needed to preserve or maintain the asset.

	Restricted	Committed	Total
Improve traffic flow through the university to enhance pedestrian safety (SW 107th Avenue and SW 10th Street entrance, SW 107th Avenue traffic circle, Recreation Center road, and other roadway projects); provide safer environment by improving lighting on SW 14th Street; repair building envelopes, roofs, and windows	$ 546,879	$ 1,169,040	$ 1,715,919
Total Infrastructure, Capital Renewal, Roofs	**$ 546,879**	**$ 1,169,040**	**$ 1,715,919**

<u>Facility Renovation and Repair:</u> funds set aside to renovate and/or repair campus facilities as needed

	Restricted	Committed	Total
Facilities projects (salaries for construction services for SIPA II building, pedestrian connection between MANGO, Law, and Parking Garage 3 buildings)	$ 1,039,726	$ 60,412	$ 1,100,138
Renovations and Repairs such as classrooms and teaching labs in Engineering and Computer Science, Owa Ehan); reconfiguration of faculty and staff work areas; Academic Health Center 5 electrical & plumbing, install fume hood monitors to be in compliance with industry requirements	$ 3,671,646	$ 2,292,287	$ 5,963,933
Plant Operations and Maintenance (PO&M) in the absence of new PO&M funding from the legislature	$ -	$ 233,273	$ 233,273
Facilities custodial and grounds contracts	$ 259,607	$ -	$ 259,607
Total Facility Renovation and Repair	**$ 4,970,979**	**$ 2,585,973**	**$ 7,556,952**

<u>Utility Costs:</u> the support of utility costs throughout the university.

<u>Information Technology (ERP, Equipment, etc.):</u>funds to improve operational productivity, educational improvements, and technological innovation. Also for the implementation and/or maintenance of ERP systems and technological equipment purchases.

	Restricted	Committed	Total
Completion of term redesign project	$ -	$ 105,495	$ 105,495
Total Facility Renovation and Repair	**$ -**	**$ 105,495**	**$ 105,495**
E&G Carryforward Fund Balance - as of November 8, 2018 :	**$ 43,259,719**	**$ 12,460,780**	**$ 55,720,499**

Florida International University
FY 2018-19 Education and General Carryforward Plan - Available Balances as of November 8, 2018
College of Medicine

5% Statutory Reserve Requirement: in compliance with 1011.40(2), Florida Statutes. Each university reserves an amount equal to 5 percent of its unencumbered balance in the education and general fund. Each institution shall provide a written notification to the Board of Governors if, at any time, the unencumbered balance in the education and general fund of the university board of trustees approved operating budget goes below 5 percent.

	Restricted	Committed	Total
5% Statutory Reserve Requirement	**$ 2,527,618**	**$ -**	**$ 2,527,618**

Restricted by Appropriations: funds appropriated by the Legislature for a specific purpose as identified by law or through legislative work papers.

	Restricted	Committed	Total
Primary Care Residency Program	$ 2,962,776	$ -	$ 2,962,776
Total Restricted by Appropriations	**$ 2,962,776**	**$ -**	**$ 2,962,776**

ACADEMIC AND STUDENT AFFAIRS

Student Financial Aid: funds aimed to reduce student costs and provide opportunity for higher education

	Restricted	Committed	Total
Student Financial Aid in support of Spring semester scholarships	$ 872,841	$ -	$ 872,841
Total Student Financial Aid	**$ 872,841**	**$ -**	**$ 872,841**

Faculty Research and Public Service Support and Start Up Funding: funds identified to support research and public service, and the start up funding required. Start up packages are often expended over a multi-year period.

	Restricted	Committed	Total
In support of start-up packages for researchers	$ 433,405	$ -	$ 433,405
Total Faculty Research and Public Service Support and Start Up Funding	**$ 433,405**	**$ -**	**$ 433,405**

E&G Carryforward Fund Balance - as of November 8, 2018 :	**$ 6,796,640**	**$ -**	**$ 6,796,640**

Florida International University
Financial Summary Overview [1]
FY 2018-19

($ in millions)	Year To Date September 2018			
	Budget	Current Year Actual	Variance $	Variance %
Revenue / Receipts				
University				
Educational and General (net) [2]	$ 172.6	$ 173.6	$ 1.0	1%
University	157.6	158.4	0.8	1%
College of Medicine	15.0	15.2	0.2	1%
FIU Self-Insurance Program	0.1	-	(0.1)	-100%
Auxiliary Enterprises	76.0	75.7	(0.3)	0%
Intercollegiate Athletics	9.5	8.9	(0.6)	-6%
Activities and Service	8.4	8.4	-	0%
Technology Fee	4.3	4.4	0.1	2%
Board Approved Fees	0.2	0.2	-	0%
Contracts and Grants	37.7	37.8	0.1	0%
Student Financial Aid	93.5	82.5	(11.0)	-12%
Concessions	0.1	0.1	-	0%
Direct Support Organizations				
FIU Athletic Finance Corp	2.3	2.5	0.2	9%
FIU Foundation Inc.	9.4	9.5	0.1	1%
FIU Health Care Network	2.0	2.2	0.2	10%
FIU Research Foundation	-	0.0	0.0	0%
Interfund Adjustments [3]	(1.4)	(1.4)	-	0%
Total Operating Revenues	**$ 414.6**	**$ 404.4**	**(10.2)**	**-2%**
University Treasury (net)	2.9	3.1	0.2	7%
FIU Foundation Inc.	4.2	3.3	(0.9)	-21%
Total Investment Revenues	**$ 7.1**	**$ 6.4**	**(0.7)**	**-10%**
Total Revenues / Receipts	**$ 421.7**	**$ 410.8**	**(10.9)**	**-3%**
Expenses				
University				
Educational and General (net)	$ 113.7	$ 108.7	$ 5.0	4%
University	101.8	98.4	3.4	3%
College of Medicine	11.9	10.3	1.6	13%
FIU Self-Insurance Program	0.1	-	0.1	100%
Auxiliary Enterprises	54.2	49.2	5.0	9%
Intercollegiate Athletics	8.1	9.6	(1.5)	-19%
Activities and Service	4.9	4.1	0.8	16%
Technology Fee	5.4	3.3	2.1	39%
Board Approved Fees	-	-	-	0%
Contracts and Grants	36.7	39.5	(2.8)	-8%
Student Financial Aid	96.1	88.5	7.6	8%
Concessions	0.1	0.1	-	0%
Direct Support Organizations				
FIU Athletic Finance Corp	0.8	0.6	0.2	25%
FIU Foundation Inc.	9.1	7.6	1.5	16%
FIU Health Care Network	1.4	1.4	-	0%
FIU Research Foundation	0.0	0.0	0.0	13%
Interfund Adjustments [3]	(1.4)	(1.4)	-	0%
Total Expenses	**329.2**	**311.2**	**18.0**	**5%**
Principal Payment of Debt [4]	0.1	0.1	-	0%
Change in Net Assets (incl. Investments)	**$ 92.4**	**$ 99.5**	**$ 7.1**	**8%**
Change in Net Assets (excl. Investments)	**$ 85.3**	**$ 93.1**	**$ 7.8**	**9%**

Florida International University

Financial Summary Overview [1]

FY 2018-19 as of September 2018

Financial Highlights:	Real	Timing
Operations - By Fund and Direct Support Organization		
Educational and General Variance: Revenues $1M, Expenses $5M		
I. University (ex-College of Medicine) Variance: Revenues $0.8M, Expenses $3.4M		
Revenues		
State Appropriations:		
▪ Reduction in pass through distribution from the State due to lower risk management insurance premium	(1.1)	-
Tuition:		
▪ Undergraduate Base: student credit hour enrollment is below target by 249 FTE or 1.7% ; net tuition revenues are below plan mainly due to 3.3% lower resident transfer student enrollment or 312 FTE	(1.0)	0.3
▪ FIU Fully Online: student credit hour enrollment above target; higher net tuition revenues mainly due to better than planned non-resident enrollment	0.3	0.0
▪ Dual Enrolled: student credit hour enrollment is above target by 115 FTE or 17.1%; positive revenue variance from unbudgeted revenues from in-state fee for on-campus dual enrolled students - tuition for off campus, dual enrolled students is waived by statute	0.1	(0.0)
▪ Shorelight Enrollment: 42.5% or 64 FTE higher than budgeted enrollment	1.1	(0.0)
▪ Tuition Differential: slightly above target due to less Florida Prepaid plan exclusions than anticipated	0.1	-
▪ Graduate and Professional: student credit hour enrollment above target 4.6% or 94 FTE , however net tuition revenues below target due to higher than budgeted graduate assistant out-of-state fee exclusions	(0.3)	-
▪ Other: Mainly, lower graduate assistant and fellowship waivers due to less required credits for PhD students, and lower bad debt charges	1.2	0.0
Total Revenues Variance	**$ 0.5**	**$ 0.3**
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, $0.1M		
▪ Vacancies in faculty, administrative, and staff positions, $0.6M, and one-time savings due to parental, sabbatical, and medical leave paid out of fringe benefit pool, $0.8M; offset by unbudgeted positions ($2.6M) and higher than budgeted notice payouts, overtime, and shift differential, ($0.5M)	(1.6)	-
Timing:		
▪ Academic calendar moved forward by 6 days, ($0.8M)		
▪ Salary-related initiatives, budgeted centrally, occurring earlier than planned ($0.1M)	-	(0.9)
Sub-Total Position Salaries and Benefits	**(1.6)**	**(0.9)**
Other Expenses:		
Savings:		
▪ Lower risk management Insurance premium, $1.1M		
▪ Net savings in contractual expenses paid out of carry forward, $2.3M		
▪ Other in-unit savings, most of which has been reallocated to cover higher personnel costs, $1.0M	4.4	-
Timing:		
▪ Mainly, timing of general maintenance expenses, $1.2M and spending across units, $0.3M, and delayed spending on special legislative appropriations, $0.5M; offset by earlier than planned spending on World Class Faculty and Scholars and Professional and Graduate Degree Excellence programs, ($0.5M)	-	1.5
Sub-Total Other Expenses	**4.4**	**1.5**
Total Operating Expenses Variance	**$ 2.8**	**$ 0.6**

Florida International University
Financial Summary Overview [1]
FY 2018-19 as of September 2018

Financial Highlights:	Real	Timing
II. College of Medicine Variance: Revenues $0.2M, Expenses $1.6M		
Enrollment is above target by 13 FTE or 2.8%, however the main driver of the positive net tuition revenue variance is lower bad debt expense; unfavorable non-resident mix offsets gains due to higher enrollment.	$ 0.1	$ 0.1
Expenses are below target mainly due to vacant full-time and part-time positions and timing of preceptor payments to faculty which are paid upon course completion.	$ 1.5	$ 0.2
FIU Self-Insurance Program Variance: Revenues $-0.1M, Expenses $0.1M		
Revenues are below target due to delay in transfers required to cover anticipated premium costs.	$ -	$ (0.1)
Favorable operating expense variance due to timing of receiving program administration charges.	$ -	$ 0.1
Auxiliary Enterprises Variance: Revenues $-0.3M, Expenses $5M		
Revenues are slightly below target. Lower enrollment across several colleges and schools in continuing education, study abroad, and other academic programs, lower shared services fee revenues tied to lower expenses, and timing of collections for media and network services and sponsorship revenue for the South Beach Wine and Food Festival. These are offset by higher than anticipated procurement card and other rebates, higher sales in the Panther TECH store, higher revenues in technology enterprise system services, and higher enrollment in market rate and self supporting programs.	$ 1.7	$ (2.0)
Expenses are below budget primarily due to vacant positions across several auxiliaries, lower spending in the College of Business as they continue to evaluate programs, postponement of Housing repairs and maintenance projects, delays in student health services projects, and delays in cybersecurity contract payments. These are offset by higher expenses in the Panther TECH store commensurate with higher sales and earlier than anticipated payment of network hardware maintenance and license renewals.	$ 2.7	$ 2.2
Intercollegiate Athletics Variance: Revenues $-0.6M, Expenses $-1.5M		
Revenues are below target primarily as a result of processing delays in receiving Title IX funding, timing of Conference USA and NCAA revenues, and real, lower athletic fee revenues due to lower student credit hour enrollment.	$ (0.1)	$ (0.5)
Expenses are above budget mainly due to earlier than planned replacement of athletic uniforms, computer equipment for football, and timing of game guarantees. Higher expenses due to positions and football scholarships also contribute to the unfavorable variance.	$ (0.2)	$ (1.3)
Student Activity and Service Variance: Revenues $0M, Expenses $0.8M		
Revenues are higher than target mainly due to higher activity and service fee revenue from higher than budgeted student credit hour enrollment and lower bad debt allocation.	$ 0.1	$ -
Expenses are below target primarily due to savings related to vacant positions in student centers and campus life, and lower spending across various student clubs and organizations.	$ 0.7	$ 0.2
Technology Fee: Revenues $0.1M, Expenses $2.1M		
Revenues are higher than target mainly due to higher than budgeted student credit hour enrollment and lower bad debt charges.	$ 0.1	$ -
Expenses are below target mainly due to real savings from vacant positions and delays in project timelines.	$ 0.4	$ 1.7
Board Approved Fees: Revenues $0M, Expenses $0M		
Revenues are above budget by $21K or 13%, due to more than anticipated students reaching the minimum, eligibility threshold of sixty credit hours to be assessed the Bar Test Prep Fee.	$ 0.0	$ -
Expenses are on target.	$ -	$ -

Florida International University
Financial Summary Overview [1]
FY 2018-19 as of September 2018

Financial Highlights:		Real		Timing
Contracts and Grants Variance: Revenues $0.1M, Expenses $-2.8M				
Sponsored Research:				
The favorable variance in revenues is mainly due to higher than planned private sponsored project revenues and unbudgeted expense reimbursements for the National Forensic Science and Technology Center (NSFTC), offset by lower federal and state grant project revenues.	$	3.2	$	0.9
Expenses are above budget commensurate with higher than projected revenues combined with higher than expected commitments against Facilities and Administrative (F&A) returns spent by the colleges, units, centers, and researchers.	$	(4.4)	$	(0.1)
External Contracts:				
Revenues are below plan primarily from the timing of DSO reimbursements, mainly Foundation reimbursements in support of Advancement, and incidental contract revenue in the College of Medicine.	$	0.0	$	(4.0)
Expenses are below budget and are generated mainly by timing of spending associated with DSO reimbursements across several College of Medicine programs and Advancement's capital campaign program. Salary savings in College of Medicine Clinical Affairs and a reporting change, University police activity external to FIU is now reported under the Auxiliary Enterprises fund, contribute to real savings of $0.7M.	$	0.7	$	1.0
Student Financial Aid Variance: Revenues $-11M, Expenses $7.6M				
Student financial aid revenue is lower than planned primarily due to timing of Pell, Bright Futures, Florida Student Assistance Grant (FSAG), and donor-related scholarships, offset by higher Federal Work Study reimbursements for expenses incurred in the prior year. Revenues associated with Pell awards are driven by disbursements; the unfavorable variance is due to a change in the pattern of disbursements whereby Summer Pell disbursements budgeted to occur in the beginning of the fiscal year will now occur at the end of the fiscal year, and Fall disbursements will be made during the semester due to the introduction of mini-terms. The initial Bright Futures drawdown estimate provided to the state was lower than planned while the FSAG distribution was earlier than anticipated. Lastly, the lag in reimbursement for donor-related scholarships was longer than anticipated.	$	0.4	$	(11.4)
Student financial aid expense is below target primarily due to timing of Pell as described in revenues above, institutional aid which will now be disbursed in Summer 2019, and FSAG. These are offset by higher Bright Futures disbursements as the number of students (684) receiving these awards is 16% higher than anticipated; most of the increase, 74%, is associated with Academic Scholars - students whose award covers 100% of tuition.	$	(2.4)	$	10.0
The negative change in net assets of $6.0M is $3.4M lower than anticipated and is primarily due to timing of Bright Futures awards as the higher than anticipated disbursements were not contemplated in the initial drawdown estimate provided to the state.				
Concessions Variance: Revenues $0M, Expenses $0M				
Operating revenues are $13K or 10% lower than plan due to less vending machine sales commissions resulting from generally lower demand for vending products.	$	(0.0)	$	-
Operating expenses are $35K or 31% higher than budget largely due to timing of spending on several large events which occurred earlier than budgeted, e.g. commencement, #FutureIsUs campaign.	$	0.0	$	(0.0)
FIU Athletic Finance Corp Variance: Revenues $0.2M, Expenses $0.2M				
Operating revenues are above plan due to more home games in the first quarter; three out of seven for the season.	$	-	$	0.2
Total expenses are below budget due to timing of debt service interest payments offset by greater game day expenses.	$	-	$	0.2

Florida International University

Financial Summary Overview [1]

FY 2018-19 as of September 2018

Financial Highlights:	**Real**	**Timing**
FIU Foundation Inc. Variance: Revenues $0.1M, Expenses $1.5M		
The favorable variance in operating revenues is due to higher than budgeted scholarship contributions.	$ 0.2	$ -
Foundation operating expenses are below target mainly due to timing of scholarship and Foundation subsidiary expenses.	$ -	$ 1.5
FIU Health Care Network Variance: Revenues $0.2M, Expenses $0M		
Operating revenues are higher than budget due to more enrolled students and resulting higher fee income from the international student programs.	$ 0.2	$ -
Expenses are on target.	$ 0.0	$ -
FIU Research Foundation Variance: Revenues $0M, Expenses $0M		
Operating revenues of $10K are derived from royalties from the Triangle Transit Authority (TTA) agreement that were received earlier than budgeted.	$ -	$ 0.0
Expenses are on target.	$ 0.0	$ -

Net Investment Returns: $-0.7M

University Treasury investment fiscal year-to-date returns are 0.9% or $3.4M. The $3.1M of net investment revenues are $0.2M above plan and comprised of $1.2M of investment income and $2.2M of unrealized gains offset by $0.3M of investment fees and Treasury operating expenses.

Foundation investments fiscal year-to-date gains are 1.1% or $3.3M, generating a negative variance of $0.9M. Investment returns for the full fiscal year were budgeted at 6.0%, or $16.8M.

Principal Payments of Debt: $0M

	Real	**Timing**
Principal payment of debt expenses are on target.	$ -	$ -

Notes:

1 *The financials presented above reflect the state budgeting methodology which differs from full accrual financial statements. The following have the most significant impact:*

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

▪ *Unrealized gains and losses: The investment gains / losses are recognized as revenues in the budget however GASB accounting principles require that it be recorded as a non-operating revenue / expense.*

2 *E&G revenues include State Funding and Tuition and are net of waivers, uncollectible amounts and 30% Financial Aid need-based amounts per Florida Board of Governors (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 5, 2018

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, 2018 (in thousands)

	Budget	Actual	Variance
Revenues	$231	$224	($7)

- Minimal variance to budget, unfavorable due to timing of gift collections.

Athletics Finance Corporation

FIU Athletics Finance Corporation
Unaudited Preliminary Recap
Through the Period Ended September 30, 2018 (in thousands)

	Budget	Actual	Variance
Revenues	$2,552	$2,529	($23)
Expenses	$381	$302	$79

- Year-to-date Net Income excluding debt service was $2,227.
  - Primary drivers include:
    - Unfavorable revenue variance due to timing and collection of football ticket sales and premium seating.
    - Favorable expense variance due to timing of expenses for home football games.
- The debt coverage covenant requirement is forecasted to be met for the period ending June 30, 2019.

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES
Finance and Facilities Committee
December 5, 2018

BUSINESS SERVICES REPORT AS OF SEPTEMBER 30, 2018

NEW SERVICES AND HIGHLIGHTS

Chartwells – New Dining Vendor

FIU Office of Business Services recently completed a competitive solicitation (ITN) for Food Services on the Modesto A. Maidique campus (MMC) and Biscayne Bay campus (BBC). The award was given to Chartwells Higher Education, a division of Compass Group. Chartwells, a nationwide organization, is the leader in customized on-site dining in the state of Florida with 14 higher education accounts. Many changes are coming to both MMC and BBC. Chartwells commenced full operations on August 17, 2018 after having only one month to transition services. The opening of full operations included the installation of new POS systems for all locations as well as hiring over 450 employees. Roughly 300 employees transitioned from the previous vendor, Aramark. It's important to note that all Aramark employees were offered positions.

Graham Center Food Hall

The food hall formerly known as the Fresh Food Company, now **8th Street Campus Kitchen,** received a facelift with some new colors and branding. More importantly, changes including improved food quality and dining experience were very well received by incoming students, faculty and staff, and athletes. Further renovations will take place next year.

Faculty Club

The venue opened with a revised menu as well as individual table service. The food and service were very well received by patrons.

BBC

Dining received a small refresh and switched out Grille Works for Burger 305, which expanded hours to include breakfast. Students, faculty and staff still enjoy Starbucks, Moe's, and Subway.

Stadium

Chartwells has brought major changes to the stadium experience. In addition to catering the Suites and Stadium Club, they have acquired the rights to all concession sales. Chartwells opened the 2018 season with a more diverse offering than previously provided. This includes, Nathan's Hot Dogs, Dippin Dots, Pita Hut, a BBQ stand, and Gyros. Additionally, individual vendors are now walking through the stands selling directly to fans.

Looking Ahead

MMC will have many new food concepts and venues including a major renovation of the Graham Center food courts. Brands under consideration that will be coming in the next two fiscal years are: Panera Bread, Chipotle, Pincho Factory, American Taproom, Neapolitan Express (Pizza), and Halal Guys.

The BBC food court will be refreshed in 2019 to add The Egg Shoppe and Wolfe Sandwich Shoppe (replacing Subway). BBC will also receive the first of its kind Chick-Fil-A food truck. The truck will also be at MMC for home sporting events.

Chartwells will be building a catering kitchen directly inside the Riccardo Silva Stadium. The kitchen will be used for catering to the Suites and Stadium Club and will provide a training table for Athletics to use year-round. This will enhance the quality of food and level of service, not only to the suites but service to the athletes.

FIU Vehicle Services was recently awarded as being one of the top 100 Fleets in America at number 66. Vehicle Services received the same award last year coming in at number 82. This award represents all fleets not just those unique to universities. Among university fleets nationwide, FIU ranked number two.

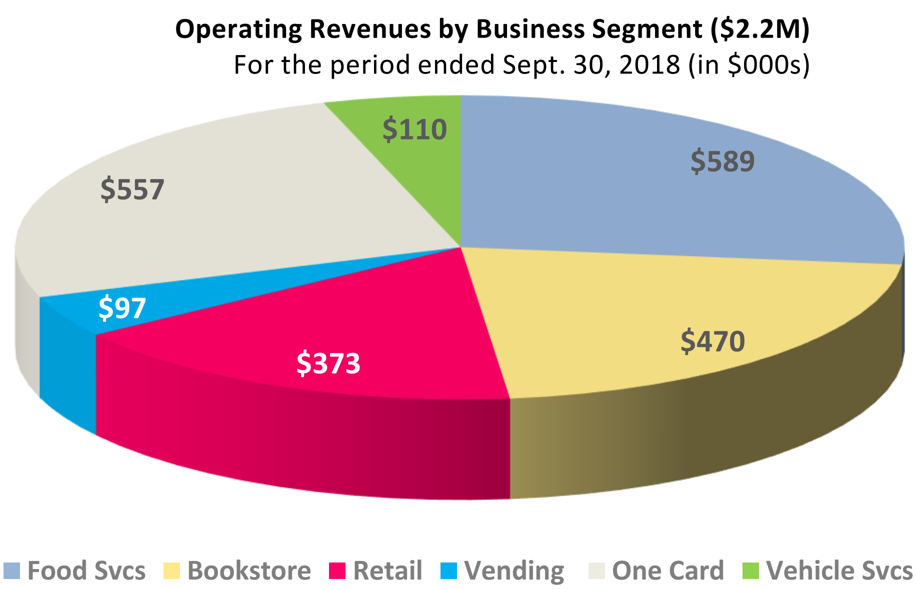
FIU has recently launched a Central Reservation System allowing anyone to book space on all available venues on campus. This encompasses all venues, large or small and is open to anyone inside or outside of FIU. As part of the offerings, OBS has 19 venues that it controls and makes available for rental. Capacity ranges from as small as 7 people (WUC Entry into Bistro) up to 244 people (MANGO Southeast Commons). All the OBS venues may be previewed at shop.fiu.edu through shopVenues, and a complete list of space campus-wide at reservespace.fiu.edu.

QUICK FACTS

Business Services operates 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 may be found at shop.fiu.edu and on the FIU Mobile App under the "Places" link.

Revenue: For the first quarter ended September 30, 2018, Business Services managed sales of $10M from operations, representing $2.2M in operating revenue to FIU.

Investments: During FY 18-19, 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. Our commitment also extends to contribute towards funding University initiatives, providing scholarships, underwriting student services and supporting FIU facilities.



FOOD SERVICES

Through the first quarter ended September 30, 2018, $2.2M in Food Services sales generated revenue of $585K, up 1% as compared to the prior year. August 3, 2018 marked the transition of food service operations at FIU from Aramark to Chartwells.

chartwells where hungry minds gather

Chartwells
Year to date sales of $4.5M since August 2018, translated to $416K of commissions for the first quarter of FY 18-19. Combined with Aramark's July commissions of $131K, the first quarter commissions ended at $548K.

Vicky CAFÉ

Vicky Café
Year to date sales of $199K, translated to $13.5K of commissions for the first quarter of FY 18-19.

THE CAFE@EC

Café at EC (Engineering Center) sales of $83K translated to $11K of commissions for the first quarter of FY 18-19, and outperformed prior year sales by 7.9%. The addition of the La Carreta on the first floor is a large contributing factor to the Café's success. Refresh changes are in discussion to add a pizza offering and smoothies upstairs; and refreshed premises downstairs will provide a more functional, distinctive look and feel.

VENDING

Year to date vending sales of $296K have generated commissions of $97K, up 1% from $96K the prior year. All machines, beverage, and snack are being updated with equipment to mitigate the effects that a weak signal would have on sales.

Pepsi Co.
Year to date sales of $161K translate into $53K of commissions. This represents a 5% decline from the prior year and a 16% decline from plan. There are 137 machines across MMC, BBC, and EC.

Right Choice Vending
Year to date sales of $135K translate into $44K of commissions, up $4K or 9.2% from the prior year. There are 101 machines across MMC, BBC, and EC, serving snack, food, coffee and ice cream.

RETAIL OPERATIONS

Year to date retail operating revenue of $373K from license fees and commissions is up 14% from the prior year.

The Glossary at **Barnes and Noble** softlaunched in August with a grand opening in September that was well received. This in-store section beauty store, carries makeup, face, body and haircare products, etc. (much like Sephora). Pricing is in line with standard industry prices and employees receive a 10% discount. FIU is one of seven universities in the country that has The Glossary.

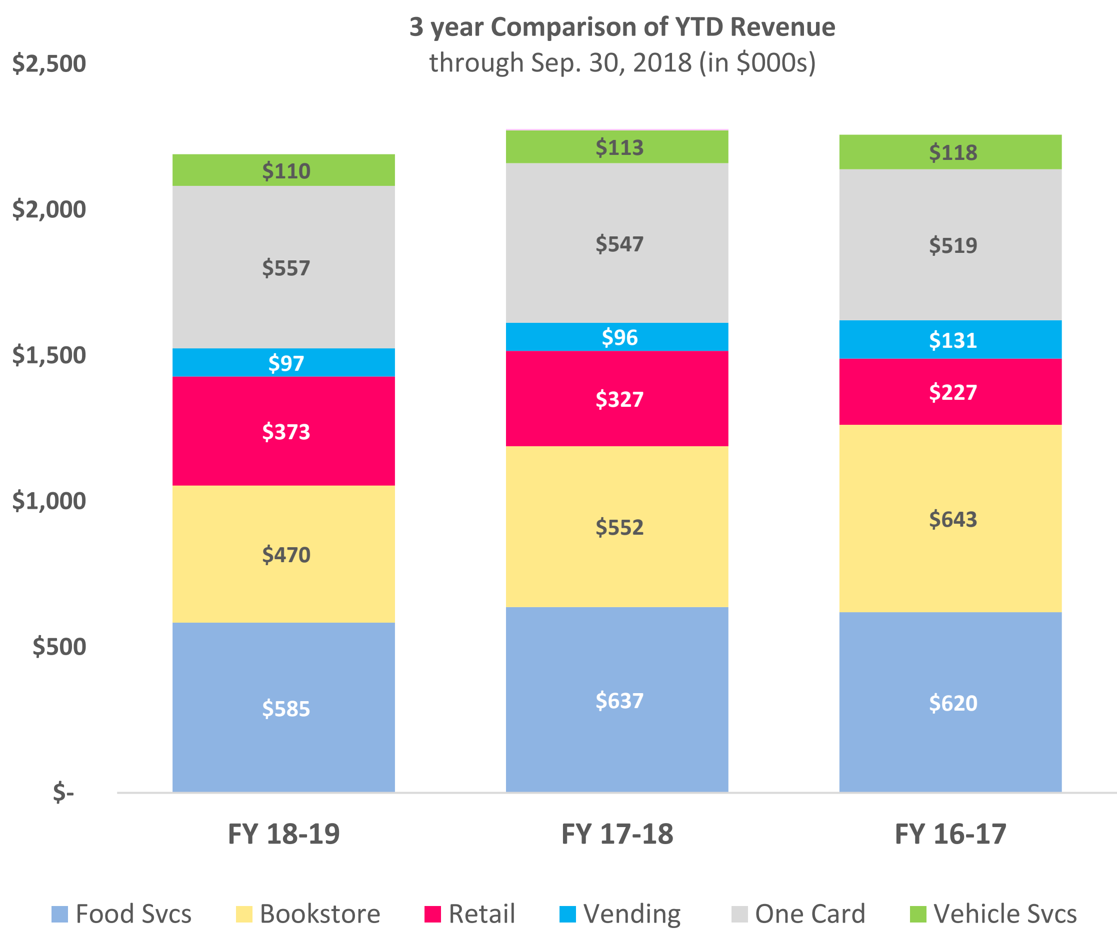
GT Eco Carwash applies its mist technology **(**0.675gal versus 75gal water per wash) to keep its sustainability status in water conservation. Commissions of $6K trail 14% from prior year and 5% from plan.

Ricoh @ FIU located in the Graham Center provides the easiest way for users to access, pay and print in a completely self-serve environment offering enhanced mobile and cloud capabilities. Year to date commissions of $12.5K outpaced both plan and prior year. There are 33 machines serving MMC, BBC, EC, Brickell and FIU@I-75 and they have just renewed for another five-year term with the University.

Pharmabox machines located in the Green Library and the Graham Center generated $2.9K in commissions year to date and outpaced plan and prior year. Advil Liqui-Gels, clear Band-Aids, and Vicks Dayquil Cold & Flu gel caps are their top-selling items. We are exploring opportunities for expanding to other locations including BBC.

Retail Property Management through retail rental agreements with 15 internal and external users, $345K in rental income across MMC and BBC has been generated. We are currently exploring opportunities for PG-6 expansion, scheduled to be complete in Fall 2019.

3-YEAR COMPARISION OF YEAR-TO-DATE FIU REVENUE



THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 5, 2018

EMERGENCY MANAGEMENT STATUS REPORT AS OCTOBER 22, 2018

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

Training and Exercises

The annual hurricane exercise with the University President and his executive staff was conducted on September 18, 2018. A follow up workshop is scheduled for December 6, 2018.

FIU Alert Test

The fall test of FIU Alert, FIU's emergency notification system, was conducted on September 13, 2018. Refer to attached report.

Emergency Notification System
September 13, 2018 University-Wide Test
Department of Emergency Management

Test Summary

On September 13, 2018 at 10:32 am, the FIU Police Department initiated a University-wide FIU Alert emergency notification test that attempted to initialize text messages to cellphones, automated voice calls, e-mail, outdoor speakers, callboxes, voice over internet protocol (VOIP) phones, social media, University webpage, cable television (FIU Channel 68), and electronic message boards (EMBs). The FIU Alert message read as follows:

FIU ALERT! This is a test of the FIU emergency notification system. This is only a test.

An e-mail containing an online survey was delivered via the Division of External Relations immediately following the test to the FIU community to gauge the effectiveness of the FIU Alert emergency notification system.

FIU Alert Performance Evaluation Data[1]

System Performance	Attempted	Delivered
Voice calls to cell phones	56,032	38,111[2]
Text messages to cell phones	55,737	52,155[3]
Voice over internet protocol phones, outdoor speakers, callboxes	7,951	7,944
FIU e-mail		Successful
Facebook		Successful
Twitter		Successful
Electronic message boards (EMBs)		Partially Successful
Cable Television (FIU Channel 68)		Successful
FIU main webpage		Successful

Issues and Solutions

The outdoor EMBs activated but did not automatically clear.

- This can be addressed with continued testing and by working closely with stakeholders to troubleshoot.

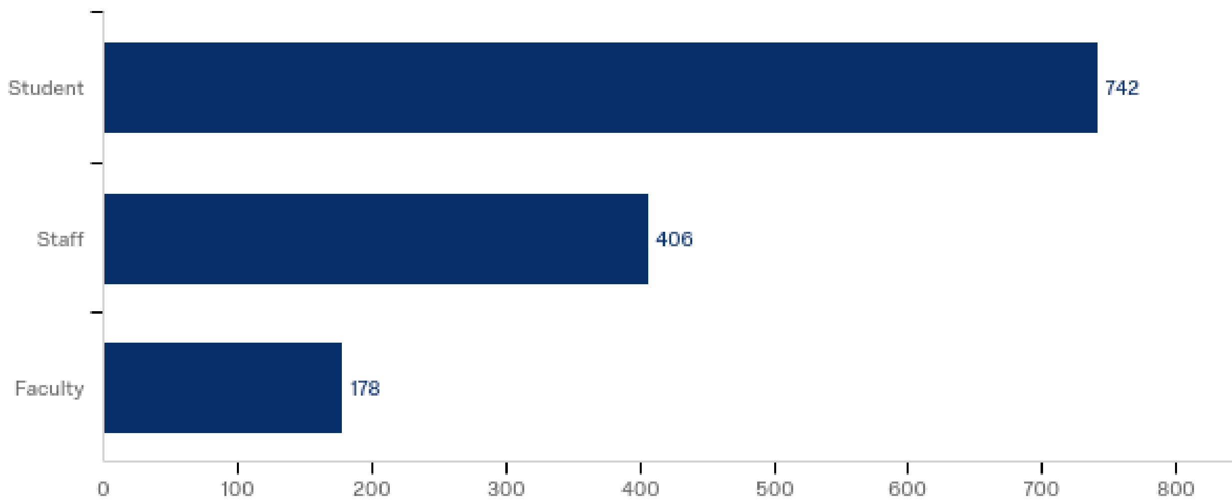
Summary

[1] Data collected from the initial University-wide FIU Alert message – 9/13/2018 at 10:32 am.
[2] Voice calls fail because of hang ups by the user, bad phone numbers, busy signals, and no answers.
[3] Text messages fail because of bad phone numbers, rejection by the carrier because of account settings, or no verification of delivery by the carrier.

Overall, the FIU Alerts issued on September 13, 2018 were successful. It demonstrated the system's ability to quickly share messages through all communication platforms including cable television.

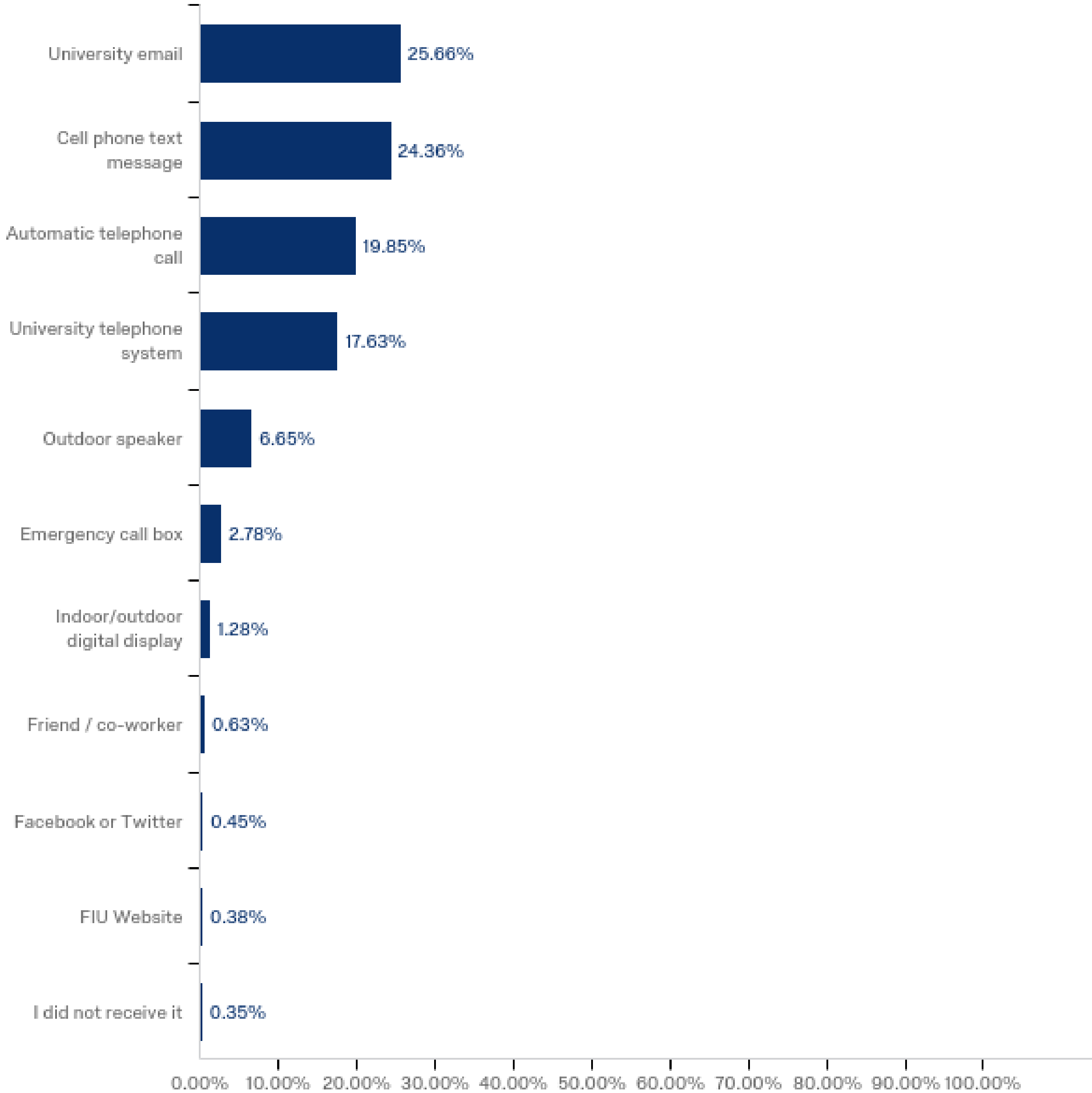
Survey Results

Q1 - What best describes your affiliation to Florida International University?

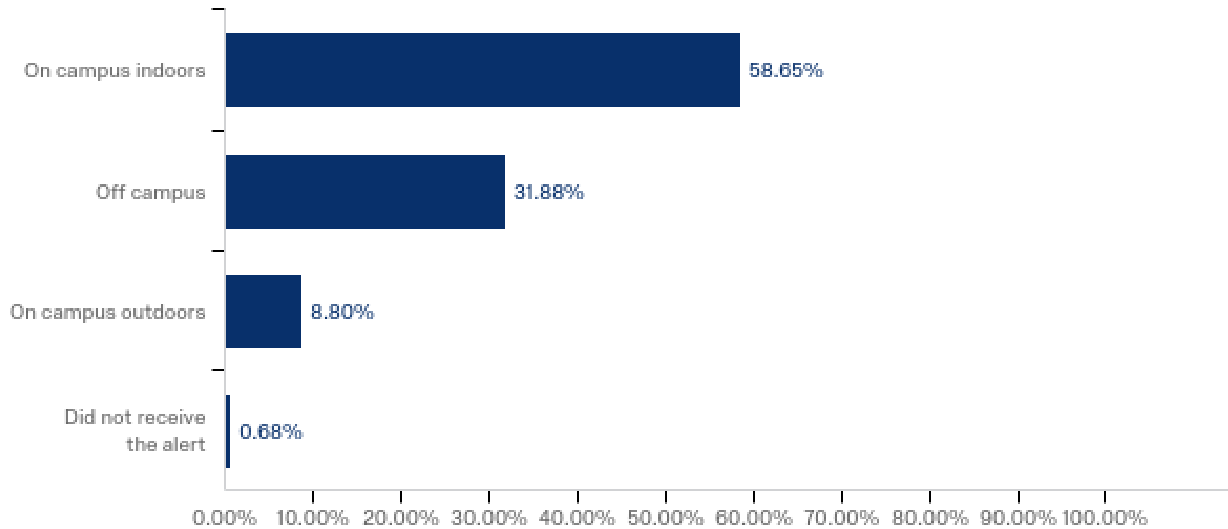


#	Answer	%	Count
1	**Student**	**55.96%**	**742**
2	**Staff**	**30.62%**	**406**
3	**Faculty**	**13.42%**	**178**
	Total	**100%**	**1326**

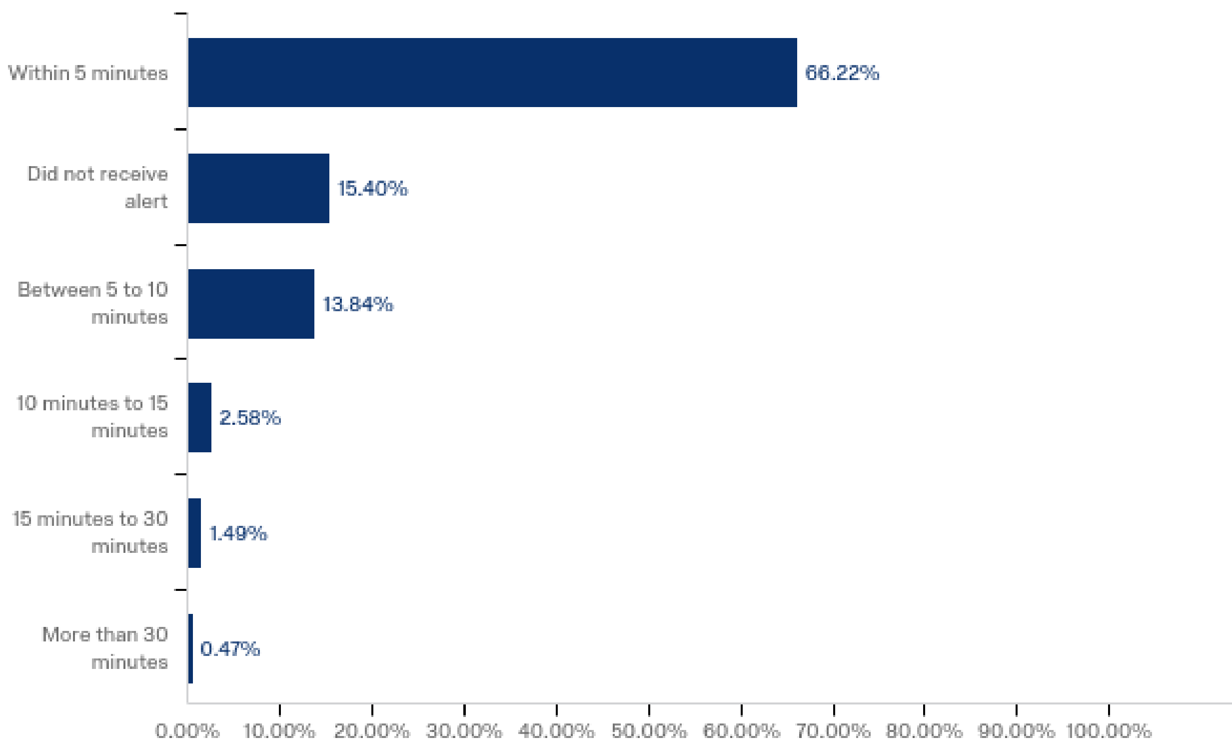
Q2 - How did you receive the test message? (Mark all that apply)



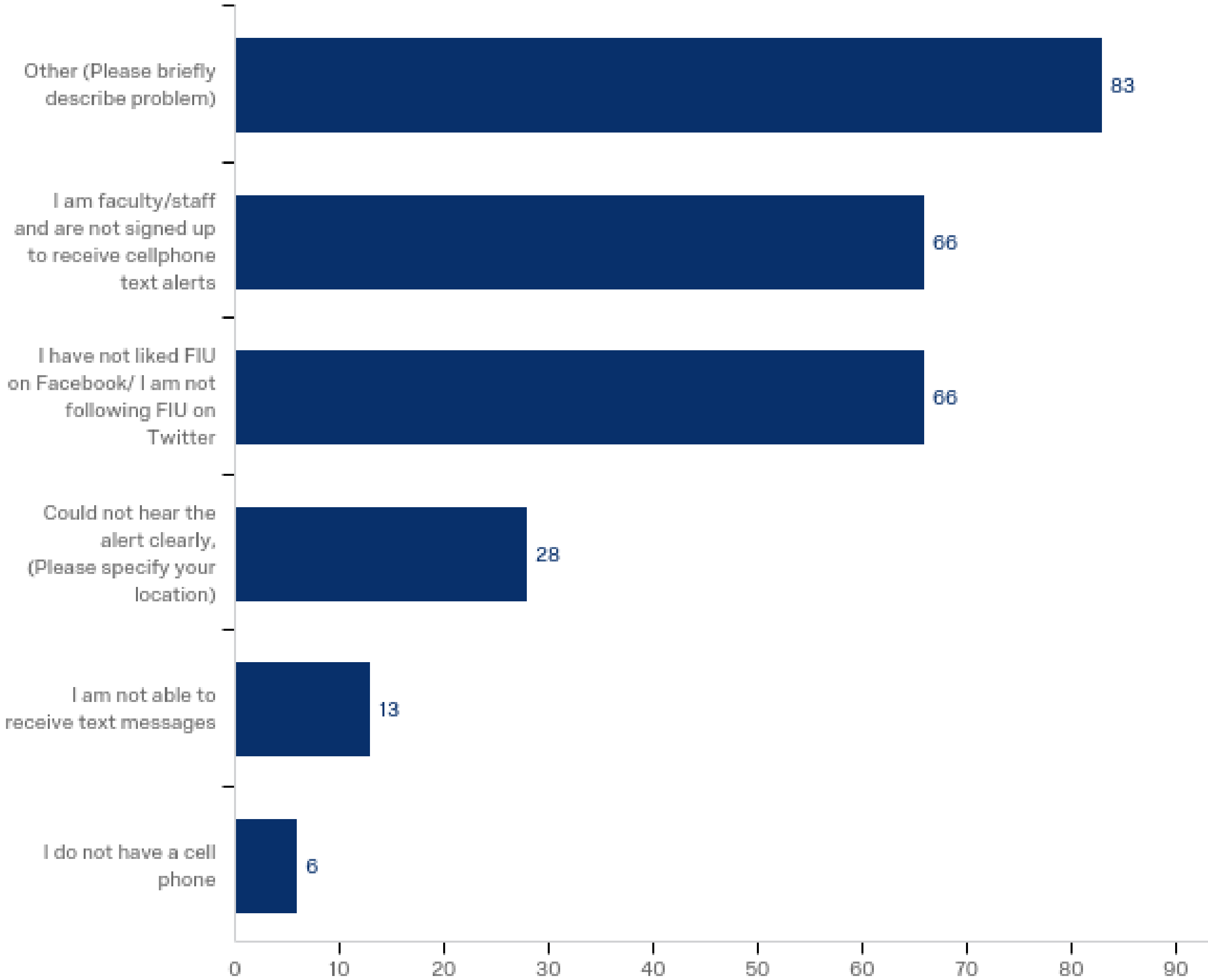
Q3 - On September 13th, 2018 at 10:30 a.m., the University conducted a University-wide test of the FIU Alert emergency notification system. Where were you located when the test alert was sent out?



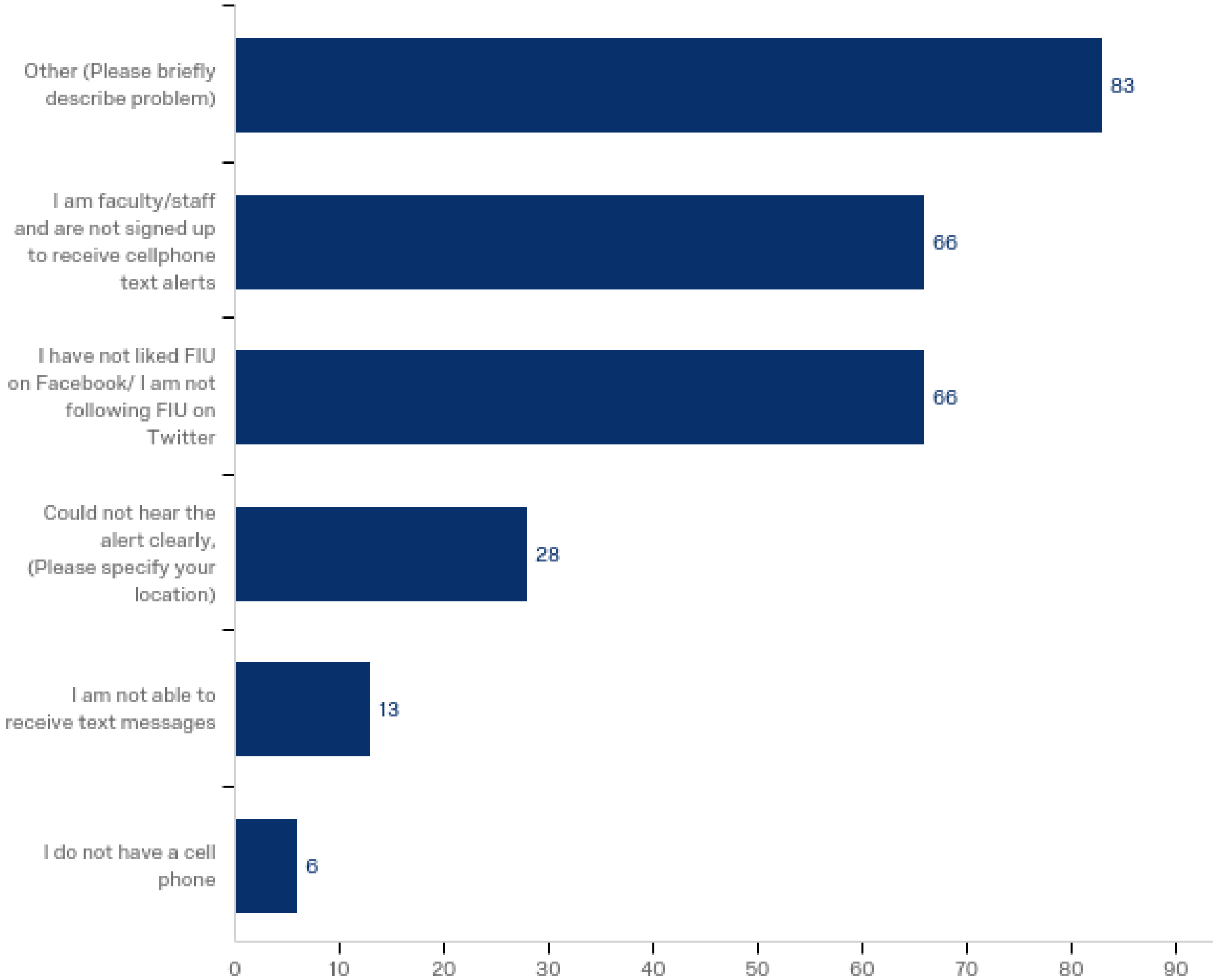
Q4 - If you did receive the cell phone text message, how long after 10:30 a.m. did you receive the message?



Q5 - If you had difficulties receiving the alert, which best describes why? (Mark all that apply)



Q6 - If you had difficulties receiving the alert, which best describes why? (Mark all that apply)



Sample responses for "Other (Please briefly describe problem)"

"The email was sufficient for me, my classes are on line"

"As a consultant I am unable to sign up for alerts."

"I did get an email but no text message."

"I'm signed up for text messages, but didn't get one."

"No cell service in class."

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 5, 2018

FACILITIES AND CONSTRUCTION UPDATE AS OF **OCTOBER 19, 2018**

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

Projects Completed

- None during this reporting period.

Projects under Construction

- **University City Prosperity Project (UCPP) (BT-904) -** $14.7M TIGER Grant project budget; multiple funding sources. Design/Build Team – MCM+FIGG. The National Transportation Safety Board (NTSB) is still investigating the cause of the collapse that occurred March 15, 2018. FIU is a party to the NTSB investigation and is cooperating fully. FIU continues to explore options with the Federal Highway Administration (HWA) and the Florida Department of Transportation (FDOT) to preserve the remaining TIGER Grant funding before it expires September 30, 2019. FIU is also working with FDOT and MCM to secure the project site, remove standing structures and debris piles, close-out open permits whenever possible, and return the maintenance of the US 41 Right-of-Way to FDOT.

- **Multi-Purpose Practice Fields (BT-916)** - $9.4M; multiple funding sources. A/E – Stantec; CM – Moss Construction. The project installed two (2) full-sized practice fields, one natural grass and the other artificial turf, and a 3,500 gsf scalable multi-purpose field support building (FSB). It also built a faculty-designed wetlands expansion south of the preserve. The additional FSB canopy and lighting, exterior lighting elements, decorative eyebrows, and surrounding landscaping were completed at the end of July. Additional walkway lighting south of the Baseball Stadium and pavilion lighting are scheduled to be installed in December along with safety railings on the roof of the FSB to protect personnel working on rooftop equipment.

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 – Stobs 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 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 GMP to proceed with construction. 95% Construction Documents have been submitted for review. The project is on hold pending resolution of gift agreement terms and new program requirements. Delivery date: TBD. *(No change from previous report).*

- **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. A draft of the gift agreement is under review. While negotiations continue with the donor, a revised warrant package was resubmitted to the City on July 6, 2018 incorporating the latest changes to the project to prevent the City from cancelling the warrant application due to inactivity. The warrant package is still under review by the City. 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. Delivery date: TBD.

- **Parkview II Housing (BT-892)** - $66.5M bond proceed and Housing Auxiliary funded project budget. A/E – Perkins+Will; CM – TBD. The project includes construction of a new 656 private bedroom style residence hall on the Modesto A. Maidique campus (MMC). The University President approved the site west of the Frost Art Museum on August 21, 2018 and after extensive review of several building concept options, the conceptual design phase began on October 8, 2018 with approval of a preliminary concept of the building. Presentations for short-listed Construction Manager candidates will be scheduled once a conceptual schematic design is produced at the end of October. While the approved program envisioned a delivery date of April 2020, FIU's exhaustive analysis of all options will cause this date to shift. We anticipate a revised delivery date to open for the fall semester 2021.

- **PG-5 Emergency Operations Center Expansion (BT-923)** - $5.5M E&G-CF, Auxiliary, and Treasury funded project budget. A/E – PGAL; CM – TBD. The proposed expansion will utilize approximately 9,000 square feet of space on the second floor of PG-5 adjacent to the existing space utilized by FIU Police and Emergency Management to provide a large emergency operations center, food storage and service operations, equipment storage, offices, conference rooms, and meeting breakout rooms. Additionally, approximately 2,500 square feet of the existing space will be reconfigured to provide a locker room, showers, sleeping space, laundry service space, and offices that are needed during emergency events. PGAL completed schematic design on October 5, 2018. Design Development is underway and scheduled for completion by mid-November. Construction Manager interviews and final selection are scheduled for November 2, 2018. Delivery date: December 2019.

<u>Projects in Planning Stage</u>

- **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. *(No change from previous report).*

- **School of International and Public Affairs (SIPA) Phase II (BT-887)** - $39.45M project consisting of $12,701,439 PECO funding, $15,000,000 private donation, $250,000 SIPA cash contribution, and $5,534,299 FIU Online contribution (current shortfall: $5,964,262 will be raised with additional private donations). A/E – TBD; CM – TBD. The project includes classrooms, conference facilities, offices, language and technology labs, negotiation and mediation facilities, experimental teaching space for SIPA, and offices and student technical support spaces for FIU Online. PECO funding for the project was received in June 2017 with the condition that all private funds be expended before any PECO monies. The timing of the private construction donation is still pending. The final program was approved July 24, 2018 for an 84,858 gsf building encompassing 48,445 gsf of built-out space, including 14,563 gsf fully-funded by FIU Online, leaving 36,413 gsf of shell space for future build-out when additional funding is received. Architect interviews and selection are scheduled for November 1, 2018. Delivery date: TBD.

- **Engineering Building (Phase I and II) (BT-919)** - $150.0M project consisting of $105.0M PECO funding and $45.0M private donations. A/E – TBD; CM – TBD. The project to build a new engineering building at MMC will include classrooms, teaching labs, study space, research labs, offices, and computer and instructional media spaces. To date, $10M in FY 17-18 PECO funding has been received with another $20,641,537 authorized for FY 18-19. Pre-programming efforts are currently taking place.

- **PG-6 Classroom and Retail Expansion (BT-924)** - $3.0M E&G and Auxiliary funded preliminary project budget. A/E – MCHarry/Alleguez; CM – TBD. The project will convert 15,425 gsf of parking garage space in PG-6 to weather-tight conditioned space for a 1,250 sf classroom and 4,240 sf active learning classroom, 6,635 sf of circulation area, 1,435 sf of unfinished retail space to support the future Miami-Dade County bus terminal, 935 sf of restrooms and 930 sf of storage. 100% construction documents were completed through a previous minor project. CM selection is on hold pending finalization of project scope and Board of Trustees approval. Delivery date: TBD.

- **CasaCuba (BT-925)** - $42.0M privately funded preliminary project budget. A/E – TBD; CM – TBD. The project will build an 81,294 gsf facility at the SW 16th Street entrance to MMC creating a dynamic center hosting open lectures, academic conferences, digital exhibits and research presentations, engaging museums, historical societies, and other academic and cultural institutions through meaningful partnerships. CasaCuba will help preserve and showcase FIU's wealth of Cuba-related intellectual and cultural resources for the benefit of the community, with a special emphasis on sharing and expanding its notable Cuba Collections. The program committee has been approved and the programming kick-off meeting was held on October 2, 2018. BOT approval for the project will be required. Delivery date: TBD.

FIU FOUNDATION, INC.

SUMMARY OF REVENUES AND EXPENSES & INVESTMENT SUMMARY

September 30, 2018

FIU FOUNDATION, INC.

Summary of Revenues and Expenses *

First Quarter FY 2018-19

(In Thousands of Dollars)

	3-Month Period Ended Sept 30, 2018				FY Ended June 30	
	2018-19 Budget	**2018-19 Actuals**	**Fav (Unfav) Variance**		**2018-19 Budget**	**2017-18 Actuals**
REVENUES:						
Cash Contributions	$ 8,551	$ 8,843	$ 292		$ 29,744	$ 32,733
Estimated Investment Returns, Net of Fees	4,222	3,323	(899)	*[1]*	16,886	19,859
MARC Building	418	440	22		1,673	1,740
Foundation Subsidiaries	59	65	6		218	317
Unrestricted Annual Revenues	343	197	(146)		1,281	850
TOTAL REVENUES	13,593	12,868	(725)		49,802	55,499
EXPENSES:						
University Programs:						
Scholarships & Programs	5,908	5,664	244		23,000	30,792
Building Funds	500	44	456		2,000	408
TOTAL UNIVERSITY PROGRAMS EXPENSES	6,408	5,708	700		25,000	31,200
Operational:						
MARC Building	124	140	(16)		506	508
Foundation Subsidiaries	381	35	346		1,637	305
Administrative & Fundraising	2,177	1,707	470		9,924	7,923
TOTAL OPERATIONAL EXPENSES	2,682	1,882	800		12,067	8,736
TOTAL EXPENSES	9,090	7,590	1,500	*[2]*	37,067	39,936
EXCESS REVENUES OVER EXPENSES	**$ 4,503**	**$ 5,278**	**$ 775**		**$ 12,735**	**$ 15,563**

**Summary of Revenues and Expenses reflects revenues on a cash basis and expenses on an accrual basis.*

[1] The unfavorable variance of $0.9 million in investment returns is based on a budgeted return for the fiscal year to date of 1.5% (yielding a 6% annual budgeted rate of return) and an actual return fiscal year to date of 1.1%.

[2] Variances in expenses are mainly due to timing.

Florida International University Foundation
Preliminary Performance Summary
As of September 30, 2018

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	Ann. Since Inception
Global Public Equity	38,428	13.5%	11.5%	4.0%-21.0%	0.3	3.7	3.5	7.6
U.S. Public Equity	34,260	12.1%	13.5%	5.0%-30.0%	-0.3	10.3	5.6	5.8
Non-U.S. Developed Public Equity	30,004	10.6%	8.5%	3.0%-21.0%	-0.5	0.4	-1.9	3.4
Emerging Markets Public Equity	17,957	6.3%	4.0%	0.0%-13.0%	-0.4	-8.6	-0.1	4.2
Total Public Equity	**120,649**	**42.5%**	**37.5%**	**16.0%-60.0%**	**-0.2**	**2.7**	**2.2**	**4.8**
Global Private Equity [1]	31,371	11.1%	20.0%	5.0%-34.0%	---	---	---	---
Total Public & Private Equity	**152,020**	**53.6%**	**57.5%**	**50.0%-65.0%**	**-0.1**	**4.0**	**1.8**	**5.2**
Total Hedge Funds	52,990	18.7%	17.5%	7.5%-27.5%	-0.3	2.5	0.9	4.5
Other Diversifying Investments	7,103	2.5%	---	0.0%-20.0%	1.2	7.0	6.3	8.7
Total Diversified Growth	**60,093**	**21.2%**	**17.5%**	**7.5%-27.5%**	**-0.1**	**3.0**	**1.6**	**4.6**
Total Inflation Sensitive	**22,606**	**8.0%**	**10.0%**	**5.0-15.0%**	**-0.4**	**2.6**	**-0.8**	**-0.0**
Total Deflation Sensitive	**47,604**	**16.8%**	**15.0%**	**6.0%-24.0%**	**-0.7**	**-1.0**	**-0.3**	**4.9**
Total Managed Assets Net of CA Fees	**283,733**	**100.0%**	**100.0%**	**---**	**-0.3**	**2.6**	**1.1**	**4.7**
Total Assets Net of CA Fees	**293,430**	**---**	**---**	**---**	**-0.3**	**2.5**	**1.1**	**4.7**

[1] Private Investments are updated as of 6/30/18

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee

December 5, 2018

SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT AS OF OCTOBER 16, 2018

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

Issue #1: Regulatory Inspection for Above-Ground Storage Tanks (AST)
Agency: Miami-Dade Regulatory and Economic Resources (RER)
Status: On September 13, 2018, Miami-Dade RER performed an inspection of the FIU Storage Tanks for the Modesto A. Maidique Campus (MMC). RER inspected 22 tanks throughout the campus. The inspectors reviewed registration information, monthly detection logs, tank condition, spill containment, and certificate of insurance. **Findings:** No major deficiencies were observed. The certificate of insurance was not available during the time of inspection. FIU provided a copy of the insurance within the 14-day corrective action deadline. No Notice of Violation (NOV) was issued.

Issue #2: Stormwater Management Program Annual Report and Permit Renewal
Agency: Florida Department of Environmental Protection (FDEP)
Status: On March 6, 2018, EH&S submitted the Year 4 Annual Report and Notice of Intent (NOI) renewal, required under the General Permit for Discharge of Stormwater for Phase II Municipal Separate Storm Sewer Systems. **Findings:** EH&S received general comments and required improvements from the FDEP Division of Water Resource Management on June 11, 2018. EH&S submitted the response within the expected deadline. FDEP will be onsite on November 7, 2018 to conduct a formal inspection of the NDPES Stormwater Program implementation.

Issue #3: Regulatory Inspection of Air Pollution Sources
Agency: Miami-Dade Regulatory and Economic Resources (RER)
Status: On September 24, 2018, Miami-Dade RER inspected the air pollution sources located at MMC. RER inspected the generators located throughout the campus, and reviewed the number of generators, condition, and the fuel usage. **Findings:** No major deficiencies were observed. A Field Notice of Violation (NOV) was issued due to the following: • Fuel usage records for the last 12 months were not readily available • The permit did not reflect the new generators added on campus EH&S and Facilities Management will submit the required items prior to the 30-day deadline as required.

Issue #4: Indoor Air Quality Concerns – Academic Health Center 1 and 2 (Ongoing)
Agency: Florida Department of Health, Epidemiology Division
Status AHC2: As a result of mold and particulate matter presence in various components of the ventilation system in AHC2, a project to conduct 100% remediation of the A/C ducts and Variable Air Volume boxes was executed and completed on July 9, 2018. The project was completed in collaboration with the FIU Facilities Management Department, Herbert Wertheim College of Medicine (HWCOM), College of Arts, Sciences & Education and EH&S. **Status AHC1:** The remediation project for AHC1 is currently in the feasibility analysis phase. **Findings:** As of July 16, 2018, EH&S continues to work with HWCOM, College of Arts, Sciences & Education, Human Resources, Facilities Management and the Florida Department of Health to address the identified concerns and air quality issues pertaining to AHC2.

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Facilities Committee
December 5, 2018

TREASURY REPORT *(For quarter ending September 30, 2018)*

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

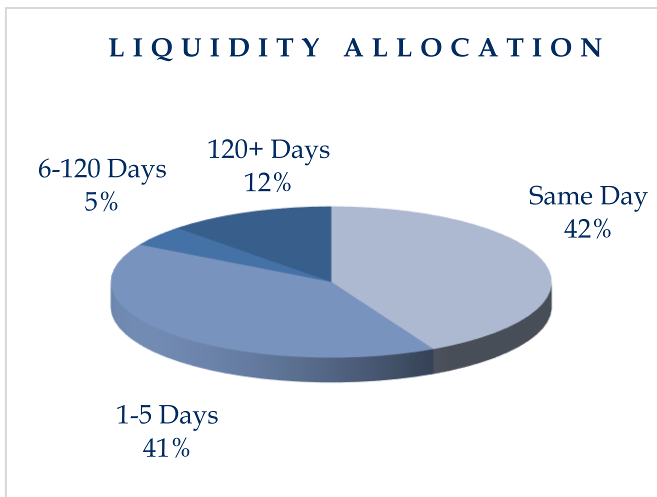
OVERVIEW

The University's total liquidity position of $396.2 million was 2.7 times the University's debt position of $148.4 million at the end of FY 2019 1Q. Including direct support organization ("DSO") debt, the liquidity to total debt ratio was 2.2 times. These results are better compared to the end of FY 2018 1Q, where the liquidity to University debt and the liquidity to total debt ratios were 2.5 times and 2.0 times, respectively.

LIQUIDITY

Real Days Payable

At the end of FY 2019 1Q, $329.7 million, or 83.2 percent, of the liquidity position was accessible within 5 business days (see *Liquidity Allocation* chart for detail). At the end of FYTD 2019 1Q, the University had 65 real days payable[1] ("RDP") versus 49 RDP at the end of FYTD 2018 1Q. The increase in RDP was due to the portfolio rebalance. The University rebalanced to a less risky and more liquid portfolio.



Sources

The University started the fiscal year with $141.7 million in cash balances[2]. Total FYTD 2019 1Q inflows (state and operational) were $363.7 million as compared to $346.9 Million for FYTD 2018 1Q. On average, $5.6 million flowed into the University each business day in FYTD 2019 1Q and $5.3 million in FYTD 2018 1Q.

Uses

[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.

FYTD 2019 1Q, the University used $327.3 million as compared to $302.0 million in the same period last fiscal year. The FYTD 2019 1Q velocity cash outflow was $5.0 million per day and $4.6 million in FYTD 2018 1Q. The University ended FY 2019 1Q with $178.1 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 2019 1Q ending balance) could have unrealized losses of up to $8.1 million and one percent probability of up to $18.1 million of unrealized losses within a twelve-month period. This risk exposure is significantly lower than FYTD 2018 1Q ($19.9 million and $34.9 million).

The University conducts monthly performance simulations of the portfolio under various market scenarios. At the end of FY 2019 1Q, a 100 bps rise in the 10 year Treasury Bond rate would result in a $3.6 million (0.9 percent) unrealized gain. Liquidity, as measured by 5-day accessibility, would drop to 72.8 percent, or $293.7 million, of the total current available cash and investment balances. RDP would fall to 58 days based on current fiscal year outflows.

A 25 percent decline in the equity markets would result in a -$8.3 million (-2.2 percent) unrealized loss. Liquidity, as measured by 5-days accessibility, would drop to $329.5 million or 86.8 percent of the total current available cash and investment balances. RDP would drop slightly to 65 days based on fiscal year outflows in this stress scenario.

Bottom decile of overall portfolio performance would result in a -$7.2 million (-2.0 percent) unrealized loss. Liquidity, as measured by 5-day accessibility would drop to $280.6 million or 73.5 percent of the total current available balances. Furthermore, RDP would drop to 56 days.

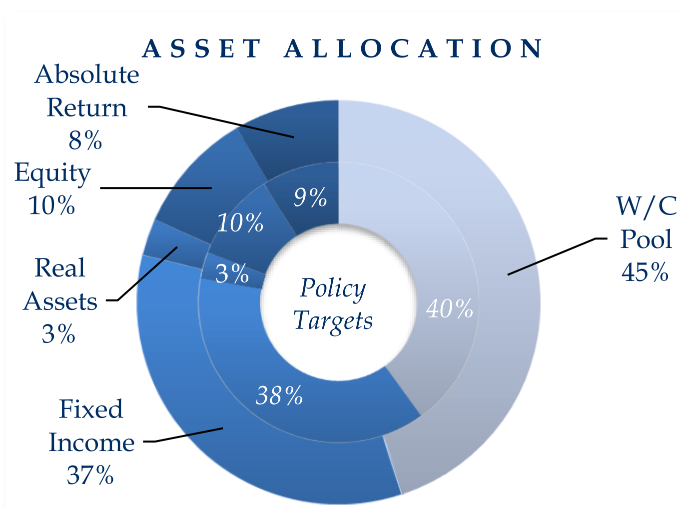
Forecast and Budget

Actual balances at the end of FY 2019 1Q were 8.5 percent higher than the rolling forecast, 3.6 percent lower than the budget, and 3.7 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 2019.

INVESTMENTS

Composition

Asset allocations at the end of FY 2019 1Q remained within policy guidelines (See *Asset Allocation* chart for quarter end detail).



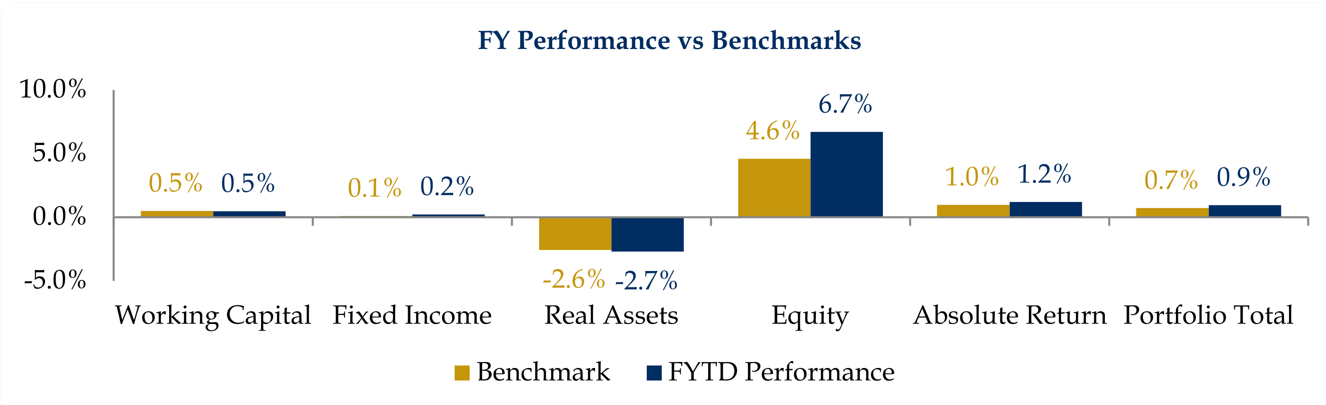
At the end of FY 2019 1Q, the market value of the University's operating funds portfolio and cash was $396.2 million. This balance reflects an increase of $38.7 million or 10.8 percent, from the previous quarter. The increase reflects the quarter-to-quarter seasonal increase in cash flows in addition to the quarterly investment returns. The total portfolio market value was

$14.2 million higher than the market value at the end of FY 2018 1Q. The increase was largely due to strong investment performance throughout the portfolio.

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 2019 1Q, the portfolio returned 0.9 percent. This compares unfavorably to a 1.4 percent return at the end of FY 2018 1Q. The Strategic Capital and Reserve Pools returned 1.3 percent while the Working Capital Pool gained 0.5 percent. Returns from the SPIA totaled 0.5 percent at the end of FY 2019 1Q (see *FY Performance vs. Benchmarks* chart for additional performance detail by asset class).

The Working Capital Pool was flat to the benchmark and the Strategic and Reserve Pool exceeded the benchmark by 0.2 percent. Asset classes were in line with their benchmarks with the exception of



Equities, which significantly outperformed the benchmark. This outperformance was due to the portfolio's investments in private markets.

DEBT

Total Outstanding

The University and DSOs ended FY 2019 1Q with $180.6M million in outstanding debt versus $189.8M million at the end of FY 2018 1Q. The weighted average interest rate for the University and DSO issuances was 4.2% percent.

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, 2018, $3.8 million of interest savings have been realized from the refunding/modification activities. The University and AFC are expected to save $0.7 million in interest expense in Fiscal Year 2019 and $3.2 million over the next 5 years.

FLORIDA INTERNATIONAL UNIVERSITY

Finance and Administration
Office of the Treasurer
Treasury Summary

Period Ending September 30, 2018

(000's)

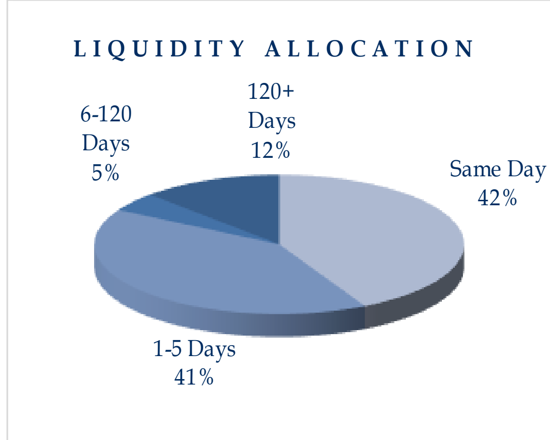
OVERVIEW

Liquidity/University Debt		**2.67**
Liquidity/Total Debt		**2.19**
Liquidity Position		
Cash + W/C Pool	$	178,077
Strategic + Reserve Pools		218,124
Total	**$**	**396,201**
Debt Position		
University Debt	$	148,395
DSO Debt		32,184
Total	**$**	**180,579**

LIQUIDITY

Availability		
Same Day	$	167,745
1-5 Days		161,985
6-120 Days		17,647
120+ Days		48,825
Total	**$**	**396,201**

Real Days Payable (<5 Days)	
MTD Outflows	**50**
QTD Outflows	**65**
YTD Outflow	**65**

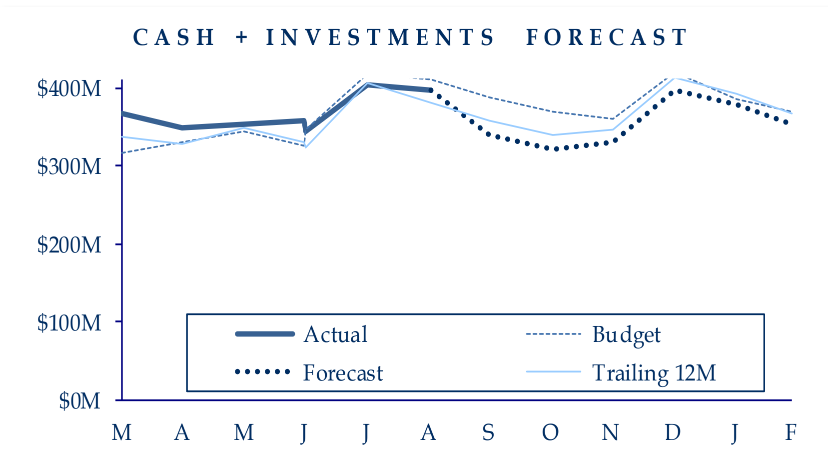


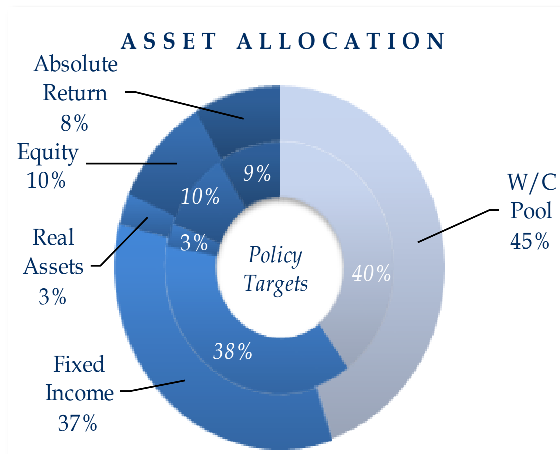
LIQUIDITY SOURCES AND USES

Sources		**MTD**		**QTD**		**YTD**
Opening W/C Pool Balance	$	186,160	$	141,401	$	141,401
Opening Cash Balance		630		285		285
From State		24,250		74,223		74,223
From Operations		92,914		289,485		289,485
Uses						
To Payroll		(50,280)		(162,955)		(162,955)
To Operations		(27,595)		(79,299)		(79,299)
To Students		(48,003)		(85,061)		(85,061)
Cash + W/C Pool	**$**	**178,077**	**$**	**178,077**	**$**	**178,077**

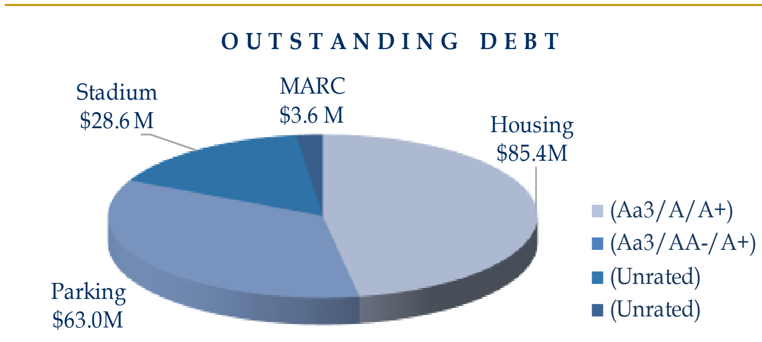
INVESTMENTS

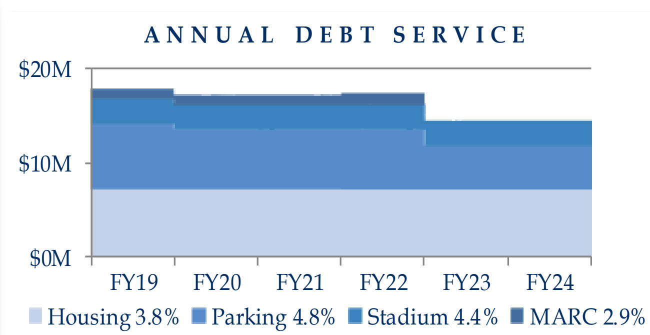
Cash + W/C Pool		**Balance**	**FYTD**	**Last 1Y**
W/C Pool	$	177,647	0.5%	1.4%
Cash		430	0.0%	0.0%
Strategic + Reserve Pools				
Fixed Income		134,015	0.2%	-0.6%
Real Assets		11,745	-2.7%	-0.6%
Equity		38,961	6.7%	17.0%
Absolute Return		33,404	1.2%	3.2%
Total	**$**	**396,201**	**1.3%**	**4.8%**





DEBT





(Million's)

OPERATING FUNDS	MARKET VALUE	BOOK VALUE	INCOME EARNED
Working Capital	**$138.8M**	**$139.0M**	**$1.8M**
Fixed Income	$133.3M	$134.8M	$2.8M
Equity	$39.8M	$35.8M	$0.7M
Real Assets	$12.5M	$18.2M	$0.9M
Absolute Return	$33.0M	$23.7M	$0.0M
Total Strategic/Reserve	**$218.5M**	**$212.6M**	**$4.3M**
Total Operating Funds	**$357.3M**	**$351.6M**	**$6.2M**

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