



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE**

Thursday September 10, 2015
9:30 am **approximate start time*
Florida International University
Modesto A. Maidique Campus
Graham Center Ballrooms

Committee Membership:

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

Liaison:

Richard Brilliant, *Foundation Board of Directors*

AGENDA

- | | |
|---|----------------------|
| 1. Call to Order and Chair's Remarks | Gerald C. Grant, Jr. |
| 2. Approval of Minutes | Gerald C. Grant, Jr. |
| 3. Discussion Items (<i>No Action Required</i>) | |
| 3.1 Office of Internal Audit Status Report | Allen Vann |
| 3.2 Financial Performance Review, FY 2014-15 | Kenneth A. Jessell |
| 3.3 Treasury Report | Phong Vu |
| 3.4 University Compliance Report | Karyn Boston |
| 4. Reports (<i>For Information Only</i>) | |
| 4.1 Athletics Update | Pete Garcia |
| 4.2 Business Services Report | Aime Martinez |
| 4.3 Emergency Management Status Report | Ruben D. Almaguer |
| 4.4 Facilities and Construction Update | John Cal |
| 4.5 Foundation Report | Richard Brilliant |
| 4.6 Safety and Environmental Compliance Report | Ruben D. Almaguer |

5. New Business

Gerald C. Grant, Jr.

5.1 Office of Internal Audit Discussion of Audit Processes

6. Concluding Remarks and Adjournment

Gerald C. Grant, Jr.

The next Finance and Audit Committee Meeting is scheduled for Wednesday, December 9, 2015

Approval of Minutes

Finance and Audit Committee Meeting

Date: September 10, 2015

Subject: Approval of Minutes of Meeting held June 3, 2015

Proposed Committee Action:

Approval of Minutes of the Finance and Audit Committee meeting held on Wednesday, June 3, 2015 at the FIU, Modesto A. Maidique Campus, Patricia & Phillip Frost Art Museum, room 105-107.

Background Information:

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Wednesday, June 3, 2015 at the FIU, Modesto A. Maidique Campus, Patricia & Phillip Frost Art Museum, room 105-107.



**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
MINUTES
JUNE 3, 2015**

1. Call to Order and Chair's Remarks

The Florida International University Board of Trustees' Finance and Audit Committee meeting was called to order by Committee Chair Sukrit Agrawal at 8:33 am on Wednesday, June 3, 2015, at the Modesto A. Maidique Campus, Patricia & Phillip Frost Art Museum, room 105-107.

The following attendance was recorded:

Present

Sukrit Agrawal, *Chair*
Cesar L. Alvarez
Gerald C. Grant, Jr.
Natasha Lowell
Justo L. Pozo
Kathleen L. Wilson

Trustee Alexis Calatayud and President Mark B. Rosenberg were also in attendance.

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

2. Approval of Minutes

Committee Chair Agrawal asked that the Committee approve the Minutes of the meeting held on March 26, 2015. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meeting held on Thursday, March 26, 2015.

3. Action Items

FA1. Proposed 2015-16 Operating Budget

Committee Chair Agrawal introduced the proposed 2015-16 Operating Budget, noting that Senior Vice President of Administration and Chief Financial Officer Kenneth A. Jessell would provide a comprehensive review of all of the components, including the proposed increase to the Activity and Service Fee for 2015-16 and the tuition for market rate programs for the 2016-17 academic year. Committee Chair Agrawal recommended that all of the action items included within the 2015-16 Operating Budget be voted on in one (1) motion. There were no objections.

A. University and Direct Support Organizations (DSO) Operating Budgets

Sr. VP and CFO Jessell presented the University and DSO Operating Budgets totaling \$1,338.6M for Committee review, providing a detailed summary of key aspects of each budget. He reported that since the Legislature did not finalize a budget for 2015-16 during the regular Session, a Special Session began June 1, 2015. He noted that key aspects of the proposed budget such as the anticipated allocations for Educational and General (E&G) and Performance Funding may vary at the conclusion of the Special Session. He added that authority for the University President to amend the budget is necessary to accommodate changes in circumstances.

B. Amendment to Tuition and Fees Schedule Regulation

Sr. VP and CFO Jessell presented the proposed amendment to the University Tuition Fees Regulation FIU-1101 for Committee review, noting that the regulation was being amended to reflect the proposed increase to the University's Activity and Service Fee. He stated that the University Fee Committee recommends an increase in the Activity and Service Fee from \$12.87 per student credit hour to \$14.85 per student credit hour, adding that for College of Medicine students, who pay a fixed tuition and fee amount, the increase totals \$79.20 per academic year. He further noted that the Activity and Service Fee supports student centers, clubs and organizations, indicating that the additional revenue from the proposed increase will allow for investments in programs that promote student success such as career placement and planning. He presented a fee comparison, which reflected that FIU's proposed Activity and Service Fee (\$14.85 per credit hour) was comparable to the average of the State University System institutions.

C. Tuition for Market Rate Programs, 2016-17 Academic Year

Sr. VP and CFO Jessell presented the request to establish Market Rate Tuition for the Online Masters of Science in Engineering Management, Online Masters of Science in Computer Engineering, Master of Physician Assistant Studies, and Master of Arts in Disaster Management offered through continuing education beginning academic year 2016-17. He further noted that market rate tuition programs receive no state funding and must cover all costs associated with program delivery.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the proposed 2015-16 University and DSO Operating Budgets, request to establish market tuition rates and the proposed amendment to the existing tuition and fees regulation, including the following:

- A. University and DSO Operating Budgets
- B. Amendment to Tuition and Fees Schedule Regulation
- C. Tuition for Market Rate Programs, 2016-17 Academic Year

FA2. Proposed 2015-16 Fixed Capital Outlay Budget

Sr. VP and CFO Jessell presented the University's 2015-16 Fixed Capital Outlay Budget for Committee review, noting that the Fixed Capital Outlay Budget governs the University's capital expenditures during the year. He further noted that FIU's request for 2015-16 Capital Outlay Budget for Public Education Capital Outlay (PECO) Projects totaled \$45,100,000 for the University's Strategic Land Acquisition, Satellite Chiller Plant expansion and critical deferred maintenance. He added that FIU's request for 2015-16 Fixed Capital Outlay Budget for Capital Improvement Trust

Fund (CITF) Projects totaled \$7,000,000 for the improvements to the Graham University Center, Wolfe University Center, and the MMC Wellness and Fitness Center.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval FIU's 2015-16 Fixed Capital Outlay Budget and also authorize the University President to amend this budget as necessary, consistent with Florida Board of Governors and FIU Board of Trustees directives and guidelines.

FA3. Request for Approval of Florida International University's 2016-17 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan

Sr. VP and CFO Jessell presented the request for approval of FIU's 2016-17 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan, for Committee review, noting that the Fixed Capital Outlay Budget Request sets forth the University's proposed capital expenditures during the next five years. He presented FIU's 2016-17 request for Capital Outlay Budget for PECO-eligible projects for facilities infrastructure, strategic land acquisition, satellite chiller plant expansion and the School of International and Public Affairs, which he indicated totaled \$53,600,000 with no 2015 funding and 65,500,000 with full 2015 funding.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the 2016-17 Fixed Capital Outlay Legislative Budget Request, consisting of the five-year Capital Improvement Plan, and also authorize the University President to amend this Fixed Capital Outlay Legislative Budget Request as necessary, consistent with Florida Board of Governors and BOT directives and guidelines.

FA4. Proposed Amendment to FIU-1105 University Traffic and Parking Regulation

Sr. VP and CFO Jessell presented the proposed amendment to the University Traffic and Parking Regulation FIU-1105 for Committee review, noting that the Regulation is being amended to reflect the new processes to be implemented as the Traffic and Parking Department changes over to virtual permit parking and license plate recognition technology which allows, among other things, for online permit and parking systems management operations at the University. He added that the Regulation is also being edited for clarification and to update current procedures.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the proposed amendment to FIU-1105 University Traffic and Parking Regulation and delegate authority to the University President to approve any subsequent amendments that are based on comments to the regulation received from the Florida Board of Governors and as a result of the regulation-making process.

FA5. Internal Audit Plan, 2015-16

Internal Audit Director Allen Vann presented the Internal Audit Plan for fiscal year 2015-16 for Committee review and approval, noting that the plan was developed using a systematic approach that aids in the determination of the audits that need to be performed, while also considering the most appropriate allocation of available resources to maximize productivity. He provided an overview on the process used in performing University-wide risk assessments, noting that the cumulative value is ranked using a scoring formula to determine whether audit work should be

considered in a particular area.

Trustee Gerald C. Grant, Jr. noted that FIU's Internal Audit function is highly regarded by the Florida Board of Governors (BOG) and is serving as a model for the State University System. Trustees engaged in a discussion regarding the timing and frequency of audit coverage of new and existing University activities/programs.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee approve the University Internal Audit Plan for Fiscal Year 2015-16.

4. Discussion Items

4.1 Office of Internal Audit Status Report

Internal Audit Director Allen Vann presented the Internal Audit Report, providing an update on a recently completed audit of the Department of Parking and Transportation, work in progress and emerging BOG issues. He reported that 76% of 66 recommendations due for implementation this quarter were satisfactorily completed, adding that 15 partially implemented recommendations are in progress.

4.2 Financial Performance Review – Third Quarter FY 2014-15

Sr. VP and CFO Jessell presented the Financial Performance Review for the third quarter of 2014-15 and provided a summary of University revenues and expenditures. He reported that the University and direct support organizations' operating revenues were below estimates by \$12.7M (or 2 percent), which can be primarily attributed to: lower cash contributions combined with a decline in new gift agreements from the FIU Foundation; lower than anticipated patient volumes for the FIU Health Care Network; and lower football suite revenue and the timing of Pepsi sponsorship for the FIU Athletics Finance Corporation. He noted that expenses were below estimates by \$30.7M (or 4 percent), primarily due to lower expenditures, delayed spending and University and College of Medicine vacant positions.

5. Reports

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

6. New Business

6.1 Senior Management Discussion of Audit Processes

Committee Chair Agrawal noted that as is stipulated in the Finance and Audit Committee Charter, the Committee must meet with Senior Management without the presence of the Office of Internal Audit. He further noted that as a meeting conducted in the Sunshine, no one present was required to leave during the discussion with Senior Management, adding that this was strictly voluntary. Members of Senior Management discussed the auditor's performance.

7. Concluding Remarks and Adjournment

With no other business, Committee Chair Sukrit Agrawal adjourned the meeting of the Florida International University Board of Trustees Finance and Audit Committee on Wednesday, June 3, 2015 at 10:19 am.

There were no Trustee requests.

6.24.15 MB



Office of Internal Audit Status Report

BOARD OF TRUSTEES

September 10, 2015

Date: September 10, 2015

To: Board of Trustees and Finance and Audit Committee

From: Allen Vann, Audit Director

Subject: **OFFICE OF INTERNAL AUDIT STATUS REPORT**

I am pleased to provide you with the quarterly update on the status of our office's work activities. Since our last update to you on June 3, 2015, we completed the following audits:

1. Audit of the Nicole Wertheim College of Nursing and Health Sciences

For the fiscal year 2013-14, the College generated tuition revenues totaling \$19.1 million and auxiliary revenues totaling \$630,000 and incurred expenses of approximately \$15.1 million in Education and General (E&G) funds and \$354,000 in Auxiliary funds. The objectives of this audit were to determine whether revenue and expenditure streams were properly accounted for and were applied towards their intended educational purposes in accordance with relevant laws, rules, regulations, and policies.

Overall, our audit disclosed that there were opportunities to improve established processes and procedures, particularly in the areas of: auxiliary revenue controls; payroll approvals; expenditure controls; monitoring of materials and supplies; and asset management. The audit resulted in eight recommendations, which management agreed to implement.

2. Audit of Extreme Events Institute

The Extreme Events Institute is the umbrella organization for several centers. Currently, the International Hurricane Research Center is the primary center, but the Institute also administers other grants. As of January 22, 2015, there were 15 active sponsored research accounts, with total awards of \$12.5 million and expenditures-to-date totaling \$11 million. The objectives of this audit were to determine whether the Institute's internal controls and operating procedures were adequate, effective, and ensure the proper administration of sponsored research grants and recharge centers.

Overall, our audit disclosed that there were opportunities for the Institute to improve established processes and procedures, particularly in the areas of: recharge service facility revenue collection; grant expenditure monitoring/reconciliation; credit card

Office of Internal Audit Status Report

September 10, 2015

Page 2 of 2

controls; travel expenses; time and effort certification; and asset management. Management agreed to implement the 14 recommendations in this report.

3. Audit of Restricted Gifts

With total net assets approximating \$312 million, the Foundation received contributions in excess of \$18 million during the 2013-14 fiscal year. The objectives of this audit were to ensure that funds received were properly classified as restricted, when applicable, and used as specified per the gift agreement stipulations and per FIU Foundation policies and procedures, and applicable statutes.

The Foundation's established controls and procedures over recording and disbursement of revenue from restricted gifts were satisfactory. Some controls need to be strengthened as it pertained to the review of disbursement, the classification of donations, and depositing procedures. We also reviewed the Foundation's compliance with Payment Card Industry (PCI) Data Security Standards and found no exceptions. Foundation Management agreed to implement the 3 recommendations in this report.

WORK IN PROGRESS

The following audits are in various stages of completion:

<i>Audits</i>	<i>Status</i>
Division of Information Technology - IT Network Security Controls	Fieldwork Completed
FIU Law - Financial and Operating Controls	Fieldwork in Progress
College of Education - Financial and Operating Controls	Fieldwork in Progress
Division of Human Resources - Financial and Operating Controls	Fieldwork in Progress
FIU Global Affairs - Study Abroad and Exchange Programs	Fieldwork in Progress
Environmental Health and Safety - Lab Safety and Hazardous Materials	Fieldwork in Progress
Facilities Management - University Building Access Controls	Fieldwork in Progress
Office of Planning and Institutional Research - BOG Data Integrity	Planning Stage

We also conducted or assisted in investigating several complaints or allegations of impropriety that were largely immaterial in nature.

PROFESSIONAL DEVELOPMENT

Audit staff continue to take advantage of professional development opportunities. For example, one staff member attended the 26th Fraud Conference sponsored by the Association of Certified Fraud Examiners.

Florida International University
Financial Summary Overview ¹
FY 2014-15

	Year To Date June 2015			
	Budget	Current Year Actual	Variance \$	%
<i>(\$ in millions)</i>				
Revenue / Receipts				
University				
Educational and General (net) ²	469.4	470.6	1.2	0%
University	421.8	423.1	1.3	0%
College of Medicine	47.6	47.5	(0.1)	0%
FIU Self-Insurance Program	0.4	0.3	(0.1)	-25%
Auxiliary Enterprises	197.5	208.8	11.3	6%
Intercollegiate Athletics	24.0	25.7	1.7	7%
Activities and Service	16.2	16.4	0.2	1%
Technology Fee	9.6	9.4	(0.2)	-2%
Board Approved Fees	0.3	0.3	-	0%
Contracts and Grants	112.1	123.2	11.1	10%
Student Financial Aid	154.0	158.1	4.1	3%
Concessions	0.8	0.8	-	0%
Direct Support Organizations				
FIU Athletic Finance Corp	3.6	3.7	0.1	3%
FIU Foundation Inc.	49.1	44.1	(5.0)	-10%
FIU Health Care Network	11.1	6.6	(4.5)	-41%
FIU Research Foundation	0.1	0.1	0.0	54%
Interfund Adjustments ³	(4.8)	(4.8)	-	0%
Total Operating Revenues	1,043.4	1,063.3	19.9	2%
University Treasury (net)	7.6	(5.9)	(13.5)	-178%
FIU Foundation Inc	14.4	5.9	(8.5)	-59%
Total Investment Revenues	22.0	-	(22.0)	-100%
Total Revenues / Receipts	1,065.4	1,063.3	(2.1)	0%
Expenses				
University				
Educational and General (net)	468.3	436.9	31.4	7%
University	421.8	395.6	26.2	6%
College of Medicine	46.5	41.3	5.2	11%
FIU Self-Insurance Program	0.4	0.2	0.2	50%
Auxiliary Enterprises	176.7	182.2	(5.5)	-3%
Intercollegiate Athletics	24.9	24.4	0.5	2%
Activities and Service	16.6	16.0	0.6	4%
Technology Fee	9.9	8.9	1.0	10%
Board Approved Fees	0.3	0.3	-	0%
Contracts and Grants	112.9	125.1	(12.2)	-11%
Student Financial Aid	152.4	156.3	(3.9)	-3%
Concessions	0.8	0.6	0.2	25%
Direct Support Organizations				
FIU Athletic Finance Corp	2.3	2.6	(0.3)	-13%
FIU Foundation Inc.	26.4	26.4	-	0%
FIU Health Care Network	11.8	10.2	1.6	14%
FIU Research Foundation	0.0	0.3	(0.2)	-526%
Interfund Adjustments ³	(4.8)	(4.8)	-	0%
Total Expenses	998.9	985.6	13.4	1%
Principal Payment of Debt ⁴	9.0	8.9	0.1	1%
Change in Net Assets (incl. Investments)	57.4	68.9	11.4	20%
Change in Net Assets (excl. Investments)	35.4	68.9	33.4	94%

Notes:

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

THE FLORIDA INTERNATIONAL UNIVERSITY

BOARD OF TRUSTEES

Finance and Audit Committee

September 10, 2015

TREASURY REPORT *(For quarter ending June 30, 2015)*

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

OVERVIEW

The University's total liquidity position of \$294.2 million was 1.6 times the University's debt position of \$180.2 million at the fiscal year end. Including direct support organization ("DSO") debt, the liquidity to debt ratio was 1.4 times. These results were relatively flat compared to FY 2014 with the liquidity to university debt ratio (1.6x) and the liquidity to total debt ratio (1.3x).

LIQUIDITY

Real Days Payable

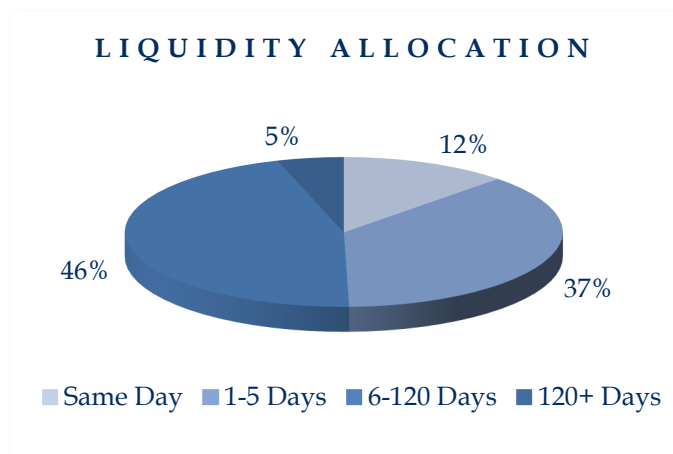
At the fiscal year end, \$146.0 million, or 49.6 percent, of the liquidity position was accessible within 5 business days (See *Liquidity Allocation* chart for detail). At the end of FY 2015, the university had 34 real days payable¹ ("RDP") versus 35 RDP at the end of FY 2014. The slight decrease in RDP was due mainly to higher operations (see details in Uses section) and payroll outflows in FY 2015.

Sources

The University started the fiscal year with \$66.0 million in cash balances². Total FY 2015 inflows (state and operational) were \$1,121 million as compared to \$1,063 million for the prior fiscal year. On average, \$4.3 million flowed into the university each business day in FY 2015 versus \$4.1 million/day in FY 2014.

Uses

FY 2015, the university used \$1,110 million as compared to \$1,060 million in the prior fiscal year. The FY 2015 velocity cash outflows increased to \$4.3 million/day from \$4.1 million/day in FY 2014. The increase in outflow



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.

was due to higher operational and payroll disbursements in FY 2015. The University ended the fiscal year with \$76.1 million in cash balances.

Stress Tests/Performance Simulations

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

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 5 percent probability that the portfolio (as of the FY 2015 ending balance) could have unrealized losses of up to \$11.9 million and 1 percent probability of up to \$22.2 million of unrealized losses within a twelve month period.

At the fiscal year end, the Monte Carlo model generated by a bottom decile performance for fixed income investments, translated into median 2.0 percent, or \$5.9 million, in unrealized losses. Liquidity, as measured by 5-day accessibility, would drop to 45.0 percent, or \$132.4 million, of the total current available cash and investment balances. RDP would fall to 31 days based on fiscal year outflows.

The scenario with the bottom decile equity performance generates a median 3.6 percent, or \$10.7 million, in unrealized losses. Liquidity, as measured by 5-days accessibility, would drop to \$142.7 million or 48.5 percent of the total current available cash and investment balances. RDP would fall down to 34 days based on fiscal year outflows in this stress scenario.

Bottom decile of overall portfolio performance represents a 5.1 percent loss, or \$15.1 million, and a projected drop in liquidity to \$119.4 million or 40.6 percent of the total current available balances. Furthermore, RDP drops to 28 days.

Forecast and Budget

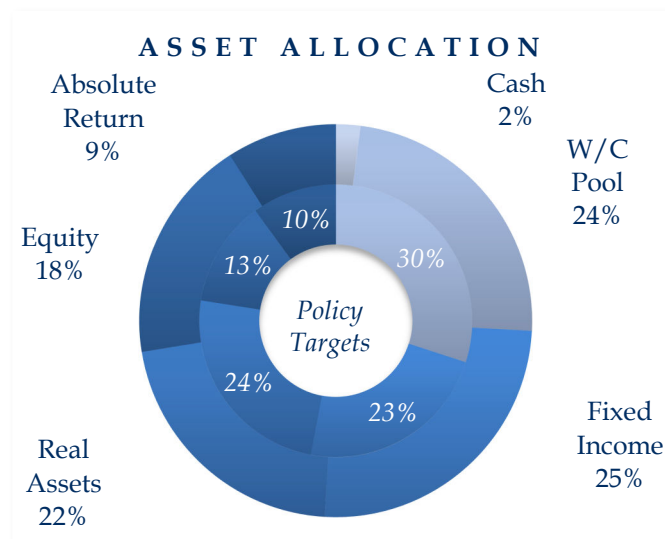
Combined Cash and Investment Balances continue to follow historical seasonality. Actual balances at the end of FY 2015 were 0.6 percent higher than the rolling forecast, 10.4 percent lower than the budget and 0.9 percent lower than of prior year. For the next quarter, the university should experience a gradual increase in the cash and investment balances lasting through the first quarter of FY 2016.

INVESTMENTS

Composition

Asset allocations at the end of FY 2015 remained within policy guidelines (See *Asset Allocation* chart for detail of asset allocation at quarter end).

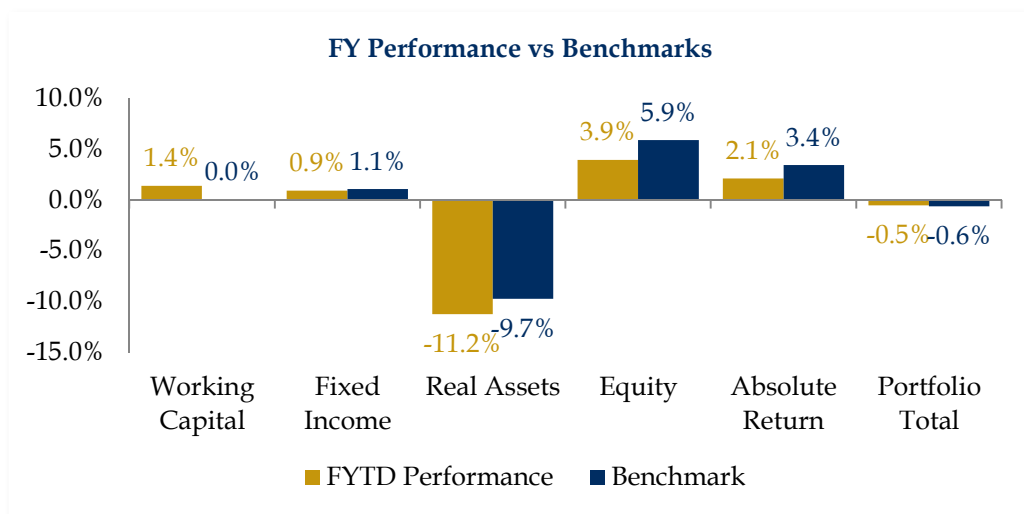
The fiscal year end market value of the University's operating funds portfolio and cash was \$294.2 million. This balance reflects a decrease of \$34.4 million or 11.7 percent, from the previous quarter and was in line with the quarter-to-quarter seasonality of cash flows. The total portfolio market value was \$2.7 million more than the market value at the end of FY 2014.



Performance

FIU's operating portfolio continues to outperform the State Treasury investment pool ("SPIA"), returning 4.3 percent since inception versus the SPIA's 2.8 percent for the same time. At the end of FY 2015, the portfolio was down 0.5 percent. This compares unfavorably to a 7.7 percent gain at the end of FY 2014. The Strategic Capital and Reserve Pools

lost 1.1 percent while the Working Capital Pool gained 1.4 percent. Returns from the SPIA totaled 1.8 percent during in FY 2015 (See FY Performance vs. Benchmarks chart for additional performance detail by asset class). FY 2015 performance compares favorably (versus 0.9 percent) to the Working Capital Pool and unfavorably (versus 11.0 percent) to the Strategic and Reserve Capital Pools in FY 2014. Three asset classes underperformed their benchmarks for FY 2015: Real Assets (-11.2 percent versus -9.7 percent benchmark), Equity (3.9 percent versus 5.9 percent benchmark) and Fixed Income (0.9 percent versus 1.1 percent benchmark). The unfavorable performance in Real Assets was mostly due to Commodities with the global decline in commodities prices.



DEBT

Total

The University and DSOs ended FY 2015 with \$217.7 million in outstanding debt versus \$226.9 million at the end of FY 2014. The weighted average interest rate for the University and DSO issuances was 4.4 percent. At the end of FY 2015, 93.7 percent, or \$203.9 million, of the University and DSOs' outstanding debt was fixed rate and 6.3 percent, or \$13.8 million, was variable rate debt. All of the variable rate exposures are obligations of the DSOs (Athletics Finance Corporation, FIU Foundation).

Housing

The University's housing debt consists of revenue bonds for the Housing System. The outstanding housing debt was \$104.8 million at the end of FY 2015. This compares to \$110.0 million at the end of FY 2014. The year over year decrease was due to the scheduled principal payments as included in the debt service. The weighted average interest rate for the housing bonds, at the end of FY 2015, was 4.1 percent. The housing bonds are rated A+/A/Aa3 (Fitch/S&P/Moody's).

Parking

The University's parking debt consists of revenue bonds for the Parking System. The outstanding parking debt was \$75.3 million at the end of FY 2015. This compares to \$78.0 million at the end of FY 2014. The year over year decrease was due to the scheduled principal payments as included in the debt service. The weighted average interest rate for the parking bonds, at the end of FY 2015, was 4.8 percent. The parking bonds are rated A+/AA-/Aa3 (Fitch/S&P/Moody's).

Direct Support Organizations

Currently, DSOs' outstanding debt of \$37.6 million includes stadium bonds with \$31.4 million outstanding and a Foundation loan with \$6.2 million outstanding. At the end of FY 2014, DSOs had outstanding debt of \$39.0 million including \$32.1 million of stadium bonds and \$6.9 million outstanding for the Foundation loan. The year over year decrease was due to the scheduled principal payments as included in the debt service. The average interest rate for the stadium bonds was 4.4 percent and 4.2 percent for the Foundation Loan. Neither of the DSOs' debt are rated.

Bond Refunding

The University successfully sold \$30.0 Million in Housing Refunding Bonds on June 18, 2015, at a total interest cost of 3.24 percent. The refunding was approved by the Governor and Cabinet at their March 10, 2015 meeting. The closing for the 2015A refunding bonds was held on July 21, 2015. The refunding is expected to provide savings to the University of \$4.0 Million.

All refunding activities, beginning in 2010, will save the University \$9.4 Million in interest expense over the remaining life of the bonds. The University has currently realized \$1.3 Million of interest savings and an average annual savings of \$0.4 Million going forward.

OVERVIEW

Liquidity/University Debt	1.63
Liquidity/Total Debt	1.35

Liquidity Position

Cash + W/C Pool	\$ 76,084
Strategic + Reserve Pools	218,131
Total	\$ 294,216

Debt Position

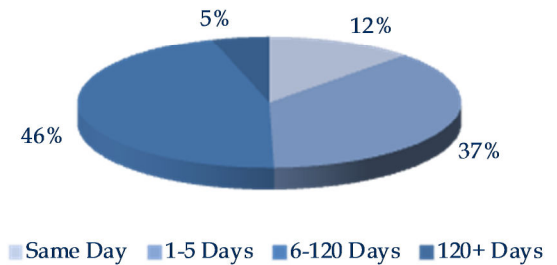
University Debt	\$ 180,155
DSO Debt	37,581
Total	\$ 217,736

LIQUIDITY
Availability

Same Day	\$ 36,614
1-5 Days	109,365
6-120 Days	133,802
120+ Days	14,434
Total	\$ 294,216

Real Days Payable (<5 Days)

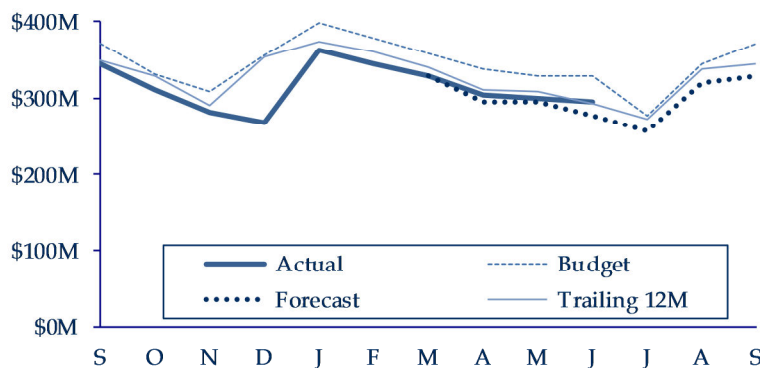
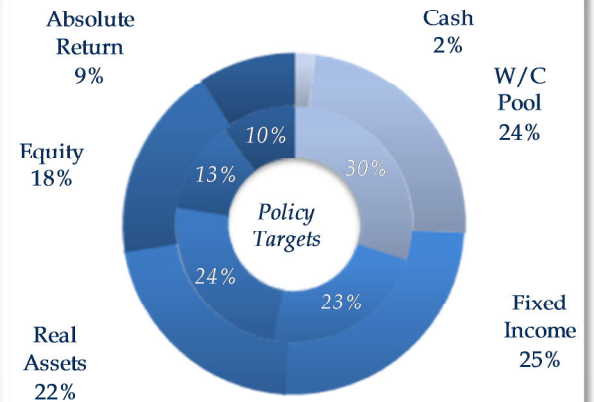
MTD Outflows	43
QTD Outflows	35
YTD Outflow	34

LIQUIDITY ALLOCATION

LIQUIDITY SOURCES AND USES

Sources	MTD	QTD	YTD
Opening W/C Pool Balance	\$ 72,637	\$ 99,648	\$ 57,979
Opening Cash Balance	5,099	9,301	7,991
From State	26,898	77,487	278,756
From Operations	46,645	157,403	841,811
Uses			
To Payroll	(39,961)	(143,601)	(526,875)
To Operations	(27,252)	(87,218)	(367,890)
To Students	(7,981)	(36,936)	(215,687)
Cash + W/C Pool	\$ 76,084	\$ 76,084	\$ 76,084

INVESTMENTS

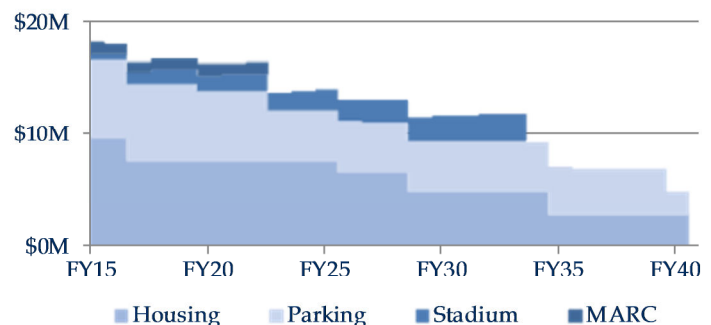
Cash + W/C Pool	Balance	FYTD	Last 1Y
Cash	\$ 5,949	0.0%	0.0%
W/C Pool	70,135	1.4%	1.4%
Strategic + Reserve Pools			
Fixed Income	73,644	0.9%	0.9%
Real Assets	63,381	-11.2%	-11.2%
Equity	54,503	3.9%	3.9%
Absolute Return	26,603	2.1%	2.1%
Total	\$ 294,216	-1.1%	-1.1%

CASH + INVESTMENTS FORECAST

ASSET ALLOCATION

DEBT

University	O/s Balance	Avg. Rate
Housing (Aa3 A A+)*	\$ 104,825	4.1%
Parking (Aa3 AA- A+)*	75,330	4.7%
Direct Support Organizations		
AFC (Unrated, Stadium)	31,416	4.4%
Foundation (Unrated, MARC)	6,165	4.3%
Total Outstanding Debt	\$ 217,736	4.4%

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

Fixed Rate Debt	203,915	93.7%
Variable Rate Debt	13,821	6.3%

ANNUAL DEBT SERVICE


	<u>2015 YTD Actuals</u>	<u>2014 FY Actuals</u>
<u>ASSETS (Uses of Funds)</u>		
Current Assets		
Cash and Cash Equivalents	\$ 55,246,452	\$ 44,047,925
Adjustments to Fair Market Value	17,824,402	\$ 34,287,409
Total Current Assets	\$ 73,070,853	\$ 78,335,334
Noncurrent Assets		
Due from Component Units/University		
Parking Deferred Payment Plan	\$ 793,152	\$ 1,379,582
Athletics Operations Loan	4,707,892	\$ 5,234,208
Stadium Expansion Loan	-	
Total Non-Current Assets	\$ 5,501,045	\$ 6,613,790
TOTAL ASSETS	\$ 78,571,898	\$ 84,949,124
<u>LIABILITIES AND CAPITAL (Sources of Funds)</u>		
Accounts Payable	\$ 9,005	\$ 8,638
Accrued Salaries & Wages	1,692	\$ 5,702
Due to/(from) Component Units	-	-
Total Liabilities	\$ 10,697	\$ 14,340
Total Capital (Net Assets)	\$ 78,561,201	\$ 84,934,784
TOTAL LIABILITES AND CAPITAL	\$ 78,571,898	\$ 84,949,124

FLORIDA INTERNATIONAL UNIVERSITY

Finance and Audit Committee Meeting

September 10, 2015



FLORIDA INTERNATIONAL UNIVERSITY

Quarterly Compliance and Ethics Report



FIU

Board of
Trustees

Integrated Compliance Program Framework



BoT Compliance Education

- January – Oversight responsibilities
- June – Policies and Standards
- September – Training & Education


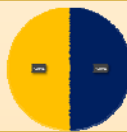
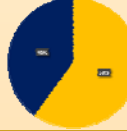


Industry Standards/Best Practices

- 90% completion is the threshold for effective training participation
- Documenting policy distribution and reinforcement messaging


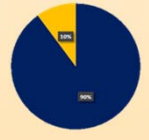


Best in class compliance programs

- Conducts between 2-4 compliance trainings programs per year
- Compliance training tailored to risks
- Training effectiveness is measured
- Leadership receives between 3-5 hours of training
- Board receives between 1-3 hour of annual training
- Focus is on high quality, short, on-demand trainings

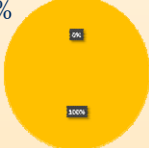
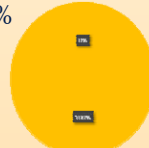
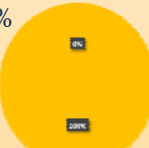
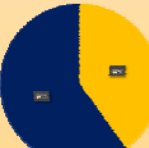
Compliance Program Goals for 2015 - 2016

Federal Sentencing Guidelines Provision	Compliance Program Objective	Key Action Items	% Completed	Completion Date	
Policies & Procedures Organizations should have standards reasonably capable of preventing and detecting misconduct	Enhance effectiveness of the policy governance structure	• Support the launch of the Code of Conduct	20%		
		• Develop and launch the new policy administration framework	50%		
		• Roll out the process to begin tracking policy review and electronic certificate of completion	60%		
Program Structure & Oversight Organizations should have high-level oversight and adequate resources and authority given to those responsible for program	Implement compliance framework at the department level for high risk compliance areas	• Develop the infrastructure and roll out the Compliance Liaison system	100%		4/8/15
		• Develop and roll out department level compliance risk assessments	10%		
		• Incorporate university compliance objectives and strategies into the department level goals and objectives	10%		

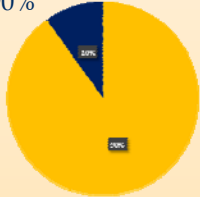
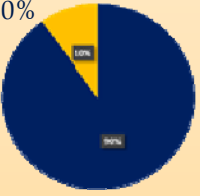
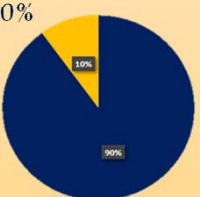
Compliance Program Goals for 2015 - 2016

Federal Sentencing Guidelines Provision	Compliance Program Objective	Key Action Items	% Completed	Completion Date
Training & Communication Organizations should include periodic education, communication and awareness of its compliance and ethics program in its everyday organizational structure	Integrate policy and procedure objectives with training and communication plans	<ul style="list-style-type: none"> Develop and pilot test the new communication and training process as part of the policy administration program 	100% 	
		<ul style="list-style-type: none"> Train Policy Liaisons on the new policy framework and the policy taxonomy 	10% 	
Measurement & Monitoring Organizations should have in place a system and schedule for routine monitoring and auditing of organizational transactions, business risks, controls and behaviors	Launch self monitoring tools, processes and schedules to support Compliance Liaisons with monitoring compliance	<ul style="list-style-type: none"> Develop a compliance monitoring plan for high risk compliance functions based on risk assessments and audit plans 	5% 	
		<ul style="list-style-type: none"> Distribute a monitoring resource kit and provide guidance to Compliance Liaisons on executing the compliance monitoring plans 	5% 	

Compliance Program Goals for 2015 - 2016

Federal Sentencing Guidelines Provision	Compliance Program Initiative	Key Action Items	% Completed	Completion Date
Allegation Reporting & Investigations Organizations should take appropriate investigative actions in response to suspected ethics and compliance violations	Align standards and procedures, communications and training, incident reporting and monitoring to identify targeted training opportunities and increase program efficiencies	<ul style="list-style-type: none"> Re-brand and re-launch the ethics and compliance reporting line 	100% 	2/1/15
		<ul style="list-style-type: none"> Revise the incident reporting intake process and set up the new Convercent reporting system 	100% 	3/15/15
		<ul style="list-style-type: none"> Train FIU investigators on investigation protocols and distribute investigation guidelines 	100% 	1/28/15
		<ul style="list-style-type: none"> Embed the review of compliance analytics data into the compliance program improvement process 	40% 	

Compliance Program Goals for 2015 - 2016

Federal Sentencing Guidelines Provision	Compliance Program Initiative	Key Action Items	% Completed	Completion Date
Discipline & Incentives Organizations should have policies and procedures to effectively enforce compliance and incentivize employees to perform in accordance with the compliance program	Develop the framework for incentivizing and enforcing compliance at the department level	<ul style="list-style-type: none"> Develop the templates and tracking mechanisms for generating compliance data 	90% 	
		<ul style="list-style-type: none"> Provide department level guidelines to enforce policy and training requirements 	10% 	
		<ul style="list-style-type: none"> Develop and roll out a plan to integrate ethics and compliance incentive opportunities 	10% 	

Compliance Program Goals for 2015 - 2016

Federal Sentencing Guidelines Provision	Compliance Program Initiative	Key Action Items	% Completed	Completion Date
Compliance Risk Management Appropriate compliance and ethics program improvements should be designed to reduce identified risks or compliance violations	Evaluate organizational models for managing enterprise risks	<ul style="list-style-type: none"> Launch the enterprise risk assessment survey 	10% 	
		<ul style="list-style-type: none"> Launch targeted compliance risk assessments for high risk activities 	10% 	
		<ul style="list-style-type: none"> Determine university risk priorities 	5% 	
		<ul style="list-style-type: none"> Establish ownership and oversight responsibilities 	0% 	
		<ul style="list-style-type: none"> Determine the methodology to use for a periodic risk assessment process 	0% 	

Compliance Program Goals for 2015 - 2016

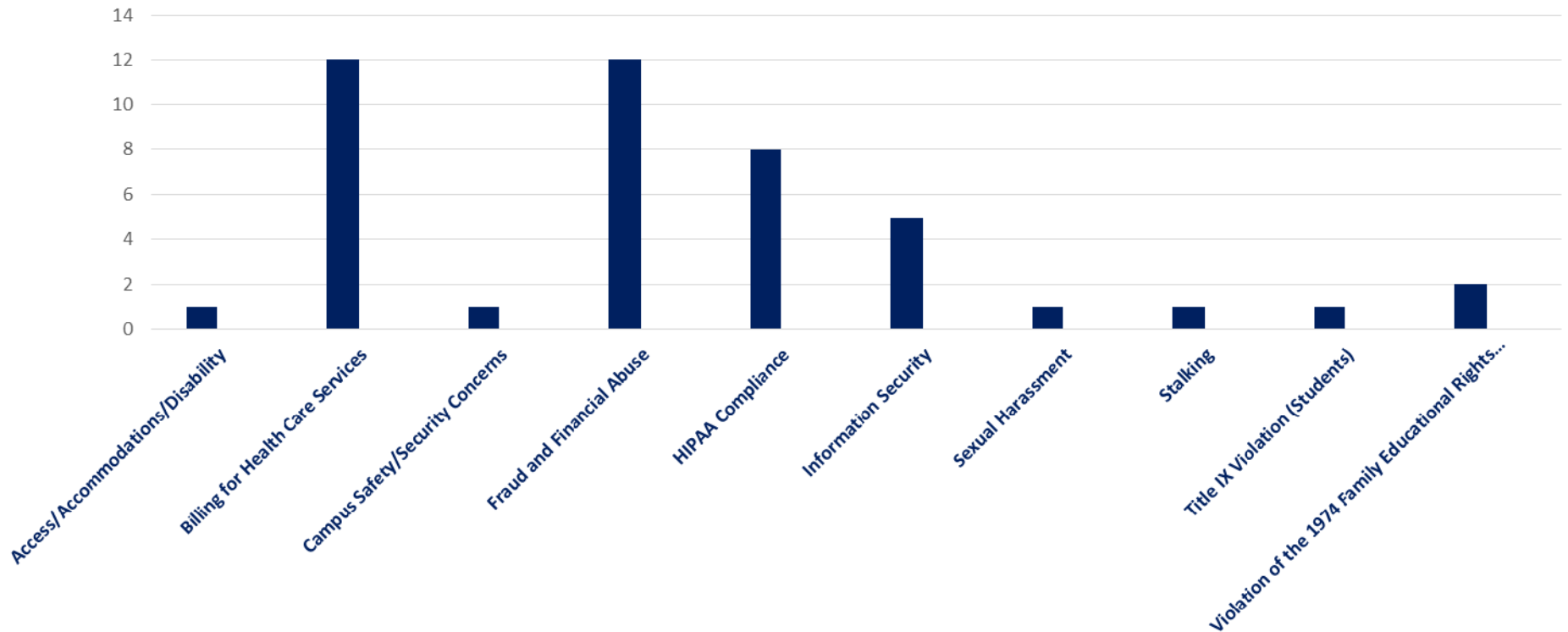
Federal Sentencing Guidelines Provision	Compliance Program Initiative	Key Action Items	% Completed	Completion Date
Organization Culture Organizations should encourage a speak up culture to support reporting instances of misconduct	Re-brand the ethics hotline	<ul style="list-style-type: none"> Launch the FIU-Convercent Ethical Panther Reporting System 	100% 	2/15/15
		<ul style="list-style-type: none"> Conduct a university ethics and compliance culture and awareness survey 	50% 	
		<ul style="list-style-type: none"> Develop an ethics and integrity awareness campaign with incentives 	10% 	

Top Categories of Substantiated Reports Since January 1, 2015



Top Categories of Policies Communicated Since January 1, 2015

(By number of times policies were communicated)



Top Categories for Compliance Related Trainings Since January 1, 2015



Compliance Categories for Risk Assessment Conducted Since January 1, 2015

- Animal Subject Research
- Billing for Health Care Services
- Campus Safety/Security Concerns
- Fraud and Financial Abuse
- HIPAA Compliance
- Human Subject Research Violations
- Information Security
- Violation of the 1974 Family Educational Rights & Privacy Act (FERPA)

FLORIDA INTERNATIONAL UNIVERSITY

Finance and Audit Committee Meeting

September 10, 2015





THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
September 10, 2015

ATHLETICS UPDATE AS OF AUGUST 6, 2015

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

Pete Garcia, *Executive Director of Sports and Entertainment*

Fundraising Report

FIU Foundation, Inc.
Unaudited Preliminary Recap
Through the Period Ended June 30, 2015 *(in thousands)*

	Budget	Actual	Variance
Revenues	\$819	\$789	(\$30)

- Unfavorable Revenues variance driven by Arena naming rights

Athletics Finance Corporation

FIU Athletics Finance Corporation
Unaudited Preliminary Recap
Through the Period Ended June 30, 2015 *(in thousands)*

	Budget	Actual	Variance
Revenues	\$3,555	\$3,777	\$222
<u>Expenses</u>	<u>\$891</u>	<u>\$1,153</u>	<u>(\$262)</u>
Net Income	\$2,664	\$2,624	(\$40)

- Year-to-date Net Income excluding debt service was \$2,624 thousand, unfavorable to budgeted \$2,664 thousand
 - Primary drivers include:
 - Favorable Operating Revenues of \$222 thousand- contribution revenue transferred from the Foundation, as well as additional external event rentals
 - Unfavorable Operating Expenses of \$262 thousand- video board repairs of \$104k, A/C repairs of \$14k, additional Game Day expenses driven by several games' rain delays \$20k unfavorable to budget, as well as additional expenses resulting from incremental external events, which are offset by incremental rental revenues
- The debt coverage covenant requirement was met for the period ending June 30, 2015.

Other Financial Highlights:

- FIU Athletics announces a multi-year partnership with Van Wagner Sports and Entertainment to manage the Athletic Department's multi-media rights. The seven year agreement will generate nearly \$9 million in cash, cost savings and value-added benefits over the term to the department.
- 2015 Baseball Diamond Dinner nets over \$70k.



THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES

Finance and Audit Committee

September 10, 2015

BUSINESS SERVICES REPORT AS OF JULY 29, 2015

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

Updates

- **Snack Vending contract:** Renewed with Right Choice vending for an additional four years. The new agreement provides increased revenues to the University, as well as, the opportunity to gain additional financial support of up to \$100,000 if specific sales targets are met. Additionally, an annual donation of \$3,000 to the First Generation Scholarship Fund has been included in the renewal terms, as well as, internship opportunities for FIU students. Right Choice will also be implementing a full vending telemetry program proven to increase sales and significantly improve customer service along with providing new vending machines. The program and equipment is valued at over \$500,000 and will provide: 1) real time product quantity; 2) real time cashbox data; 3) real time machine status; and 4) multiple statistical, sales and maintenance reports. Additionally, weekly promotions will be made available and 1.5% cash back on each purchase will be provided back to the University or the student's account.
- **Network Printing and Copying:** On July 1st, the management of the Toshiba contract was transferred to Purchasing/Controllers Office. The oversight for the deployment project currently remains with the Office of Business Services until approximately mid-September. Approximately 150 new pieces of equipment have been installed on campus with the assistance of Toshiba and the Division of IT. It is anticipated that an additional 150 orders and installations will take place over the next three months, depending on the receipt of orders from departmental units.
- **PG-6 Tech Station:** The Gabor Agency opened its office at PG6 in Spring 2015. Gabor has been providing State of Florida employees with quality, comprehensive benefit services since 1947. The concept has been well received by students, faculty, and staff. The Reebok Cross Fit gym is scheduled to open in PG6 by Fall 2015 with brand new amenities. The facility, which is over 7,000 sq. ft., will have a state of the art work out area and a full therapy center with a physical therapist and chiropractor. The contract with Aramark and FIU was completed in December for Half Moon Empanada and drawings were approved by FIU on May 1st. The space was subsequently released and construction of Empanada commenced the first week of July and is anticipated to open Fall 2015. College Optical opened January 2015 and has been well-received by the FIU community.
- **JuiceBlendz Café:** JuiceBlendz opened for operation in February 2015 in PG5 Market Station. It has experienced a mild but steady increase in customer growth. There have been positive responses to the new product based on customer surveys. JuiceBlendz realized an approximate increase of 116% in April sales and 61% in March sales compared to the former Freshens brand.



Quick Facts

Services under Management

- 50 Food and Retail Venues, Beverage and Snack Vending, FIU *One Card* Program, Office Supplies, Printing and Copying, Multi-use Facilities, Property Management and Advertising.

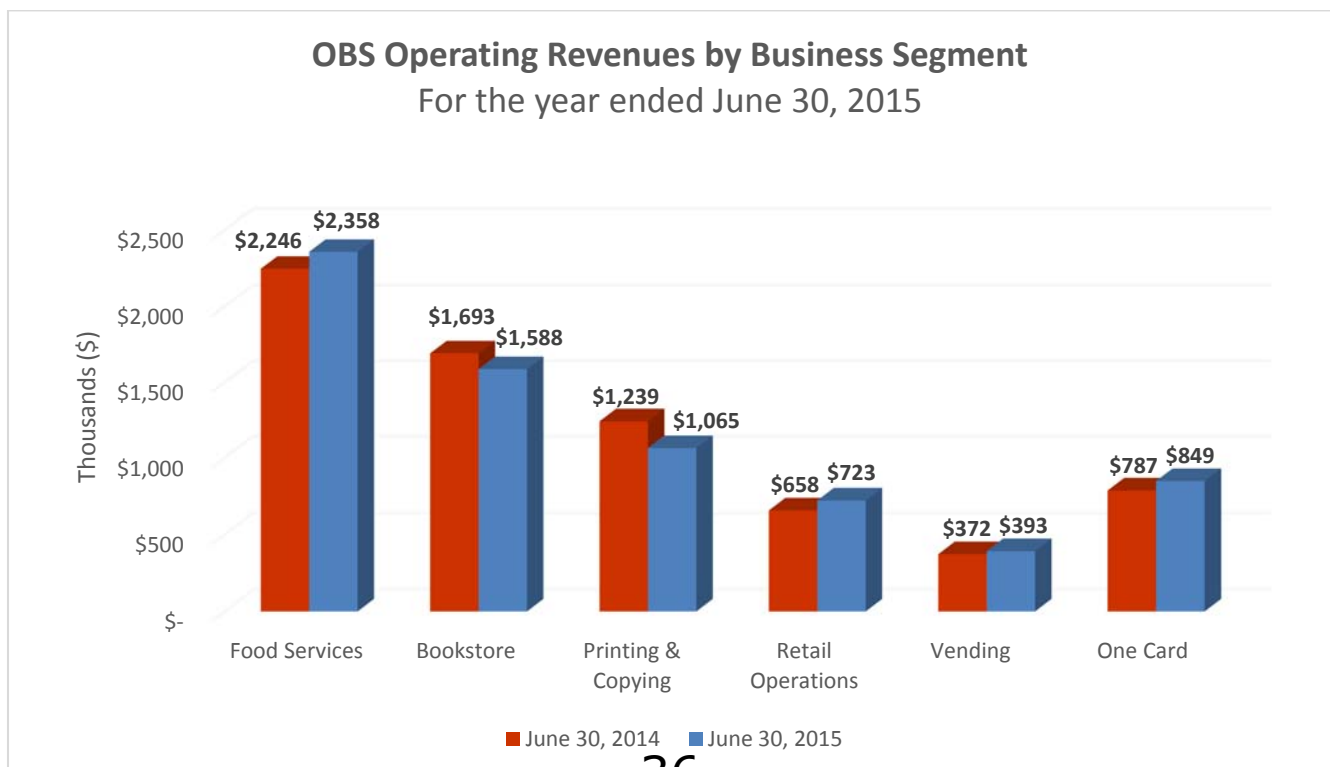
Investments

- For fiscal year 2014-15, Business Services invested over \$7.5M to build out new facilities, expanded services and increased indoor and outdoor seating to help foster affinity and retention at FIU. Business Services also contributed nearly \$1.7M to fund University initiatives, provide scholarships, underwrite student services and support FIU facilities.

Barnes & Noble at FIU

- As of June 30, 2015, sales are down by 7% over the prior year. School supplies and convenience remain strong with sales increases of 12% and 6%, respectively. The Bookstore also saw gains in the café, however, these gains have been overshadowed by declines in textbook sales.
- **Vending**
As of June 30, 2015, snack vending sales increased by 13%, compared to the same period in 2014 primarily due to an increase in credit card sales, as well as, the addition of new products and daily audits ensuring machines are always stocked and fully functional.
- **Revenues**
As of June 30, 2015, Business Services managed sales of \$46.1M from operations, a 5% increase over the same period in 2014. Total operating revenues to the University, for the year ended June 30, 2015 totaled \$7.0M; a 15% increase over budget and flat compared to the same period in 2014.

OPERATING REVENUE





THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
September 10, 2015

EMERGENCY MANAGEMENT STATUS REPORT AS OF AUGUST 5, 2015

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

Training and Exercise

On July 13, 2015, Department of Emergency Management (DEM) staff facilitated the first table top exercise for staff from different University units who have a role during commencement ceremonies. The exercise focused on scenarios that could potentially disrupt commencement ceremonies.

Planning

FIU's Comprehensive Emergency Management Plan was updated in July.

Community Engagement

On July 17, 2015, the DEM Director was invited to present at the 2015 Florida Parking Association Educational Seminar: *Front Line Development Training* hosted at FIU.

On July 24, 2015, staff from the Federal Bureau of Prisons Crisis Response Team in Miami visited FIU's emergency operations center for a tour and training in preparedness conducted by the DEM Director.

FIU's DEM Director and other University staff attended the State University System's Campus Safety and Security Summit hosted at the University of Central Florida on July 28-29, 2015.



THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
September 10, 2015

FACILITIES AND CONSTRUCTION UPDATE AS OF AUGUST 1, 2015

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

Projects Completed

- **Ambulatory Care Center (BT-870)** - \$9.2M (County bond) project budget. A/E - AECOM; CM - Klewin. (32,023 gsf). Substantial completion was achieved on June 3, 2015. On the second floor, Miami Children's Hospital (MCH) has already begun treating patients and performing surgeries in the first dedicated pediatric ambulatory surgical center (ASC) in South Florida. The MCH ASC includes medical offices, five surgery rooms, eight phase-1 recovery rooms and 10 phase-2 recovery rooms. On the first floor, FIU Health provides the following diagnostic, treatment, and care services to the general community: Family Medicine, Internal Medicine, Primary Care, Women's Health services, and Behavioral Health. Site work is approximately 95% complete pending traffic striping and landscape punchlist work. All punchlist work is scheduled for completion by July 31. Owner Direct Purchase (ODP) savings tally \$86,562 and exceed the 1% target of \$78,975. Previous delivery date for the building was December 22, 2014. Final settlement negotiations with the construction manager (CM) continue.

Projects under Construction

- **Parking Garage 6 (BT-868)** - \$49.4M (multiple sources) project budget. A/E - PGAL; CM - Facchina. This facility reuses the PG5/Market Station design. Dimensions: 779,815 gsf total with 50,771 gsf shelled for retail and academic use; and approximately 2,000 parking spaces. The project incorporates site specific modifications such as improved traffic lanes at the SW 112th Avenue entry, a traffic circle at the intersection of Palm Avenue and Loop Road, and a pedestrian bridge across Loop Road. The FIU School of Computing and Information Sciences space has been completed. Classroom construction is now underway and will be finished for the fall semester. "College Optical", offering full optometry services, was the first retail store to open in PG6 and has been operating for over three months. "The Gabor Agency" is also complete and open to the public. "Cross-Fit", "Half-Moon

Empanada,” and “Care Giver Services” are under construction and “EXN Nutrition” is in bidding. Planning with Miami-Dade Transit (MDT) and Florida Department of Transportation (FDOT) continues regarding the use of PG6 as a multi-modal transit station. It is critical for the future of the community and FIU that this plan truly incorporate PG6 and FIU as a transit hub with access to express lanes and multiple high-speed bus express routes traveling in all directions. Target delivery date for the parking garage element in January 2015 was achieved. Delivery for each retail store varies by contract.

- **Student Academic Support Center (SASC) (BT-882) - \$30.9M** Public Education Capital Outlay (PECO) project budget. A/E – Gould Evans; CM – Balfour Beatty. (81,045 gsf with an additional 7,350 gsf for an elevated exterior amphitheater terrace and stair system). The construction budget is being analyzed to determine how to include additional scope. The wood acoustical paneling in the 750 seat auditorium, the atrium stair redesign, and department space changes are the top priorities. Parking lot modifications and a tour bus loop are being designed. Refinements to the floor plan have been designed and are currently being priced. Roof level concrete placement for the entire building is complete. Slab-on-grade work is underway as well as precast concrete panel placement. Framing on the second level will start shortly. Current ODP savings total \$223,544 compared to a goal of \$300K. Budget and schedule are both under pressure in the current South Florida construction market. Target delivery date: March 2016.

Projects in Design

- **Recreation Center Expansion (BT-903) - \$20.5M** Capital Improvement Trust Fund (CITF) and Housing Auxiliary Fund project budget. A/E – HKS; CM – Moss Construction. (58,000 gsf). The project will expand the existing facility into Parking Lot #8 and will include an indoor basketball/volleyball gym, a weight training room, additional locker rooms, exterior basketball courts, sand volleyball courts, and a mezzanine level to include a jogging track. With the original budget established at \$8,595,233, additional FY14-15 CITF appropriations of \$6,628,254 and FY15-16 funding of \$5,258,956 were allocated to increase the scope of the Rec Center project for a total current project budget of \$20,482,443. Programming was completed in October 2014. Design development continues with 100% design development drawings released by the architect now under review. CM cost projection was received on July 31, 2015 and is now being reviewed. Estimated delivery date is January-June 2017 pending negotiations of the guaranteed maximum price (GMP).
- **Frost Museum of Science Batchelor Environmental Center at FIU (BT-913) - \$5.0M** privately funded project budget. Programming was completed December 2014 and the final program has been formally approved. The project includes a new research

wildlife center to be developed in conjunction with the Frost/Miami Science Museum. Phase I includes programming, infrastructure, the first half of the animal holding area and support facilities. The Frost Museum has provided an initial projection of \$1.3M for equipment. Leo A Daly (a continuing service contract architect) has been retained for this phase of work. Construction documents (CDs) were submitted April 21, 2015 for Phase I review and pricing. Kaufman Lynn Construction (a continuing service contractor) has prepared a proposal for Phase I of \$1.8M, approximately \$500K over budget. FIU FMD, along with the architect, contractor, and the Museum are reviewing both the proposed pricing and the project scope to bring the project within budget. Start date for Phase I will be determined when a revised proposal has been accepted. Phase II will be a classroom and lab building (approximately 3,000 gsf) and the balance of the animal holding area. Phase II completion is targeted for September 2016 but linked to Phase I. MC Harry Associates (a continuing service contract architect) has been engaged for the scope of work associated with Phase II.

Projects in Planning Stage

- **International Center for Tropical Botany (BT-914) at The Kampong-** \$5.0M privately funded project budget to construct a new 8,000 -12,000 gsf facility on a site immediately adjacent to the National Tropical Botanical Garden (NTBG) property in Coconut Grove to house educational, lab, and office spaces. Programming has begun with anticipated completion date in August 2015. Target delivery date of the facility is August 2017.

FIU FOUNDATION, INC.

**PRELIMINARY
FINANCIAL STATEMENTS RECAP
& INVESTMENT SUMMARIES**

June 30, 2015

FIU FOUNDATION, INC.
Recap of Statement of Activities
For the Period Ended June 30, 2015

(In Thousands of Dollars)

	2014-15 12-Month Budget	2014-15 12-Month Actuals	Budget to Actual 12-Month Variance		2013-14 12-Month Actuals	Current Year to Previous Year Variance
REVENUES:						
Cash Contributions	\$ 46,947	\$ 23,044	\$ (23,902)	[1]	\$ 20,815	\$ 2,229
MARC Building	\$ 1,694	\$ 2,184	\$ 490	[2]	\$ 1,924	\$ 260
Foundation Subsidiaries	\$ 502	\$ 562	\$ 60	[3]	\$ 2,816	\$ (2,254)
Estimated Investment Returns	\$ 14,406	\$ 5,889	\$ (8,517)	[4]	\$ 36,164	\$ (30,275)
TOTAL REVENUES	\$ 63,549	\$ 31,679	\$ (31,870)		\$ 61,720	\$ (30,040)
EXPENSES:						
<u>University Programs:</u>						
Scholarships & Programs	\$ 14,587	\$ 15,022	\$ (435)	[5]	\$ 13,866	\$ (1,156)
Building Funds	\$ 1,643	\$ 2,325	\$ (681)	[6]	\$ 2,222	\$ (103)
Unrestricted Annual Expenses	\$ 975	\$ 965	\$ 11		\$ 924	\$ (41)
TOTAL UNIVERSITY PROGRAMS EXPENSES	\$ 17,206	\$ 18,312	\$ (1,106)		\$ 17,012	\$ (1,299)
<u>Operational:</u>						
MARC Building	\$ 692	\$ 534	\$ 159	[7]	\$ 609	\$ 75
Foundation Subsidiaries	\$ 474	\$ 454	\$ 20	[3]	\$ 336	\$ (118)
Administrative & Fund-Raising	\$ 8,003	\$ 7,086	\$ 917	[8]	\$ 6,116	\$ (970)
TOTAL OPERATIONAL EXPENSES	\$ 9,169	\$ 8,073	\$ 1,096		\$ 7,061	\$ (1,012)
TOTAL EXPENSES	\$ 26,375	\$ 26,385	\$ (10)		\$ 24,074	\$ (2,311)
EXCESS REVENUES OVER EXPENSES	\$ 37,174	\$ 5,295	\$ (31,880)		\$ 37,646	\$ (32,352)

**These financial statements recaps reflect expenses on an accrual basis and receipts on a cash basis, with the exception of investment returns.*

***Please refer to Appendix A for detailed variance notes.*

Florida International University Foundation
Preliminary Performance Summary
As of June 30th, 2015

Asset Class/Manager	Market Value (\$000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Trailing 3-Months	Fiscal Year to Date	Trailing 1-Year	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
GMO Global Equity Asset Allocation	6,345	2.8%			-2.7	0.4	-4.6	-4.6	---	---	---	4.0
Indus Markor Master Fund	4,739	2.1%			-0.8	4.2	18.7	18.7	---	---	---	12.0
Kiltearn Global Equity Fund	9,822	4.3%			-2.6	0.0	-5.0	-5.0	---	---	---	-1.3
Maverick Long Fund, Ltd	11,032	4.8%			-1.5	1.6	16.9	16.9	---	---	---	16.0
Vanguard Total World Stock Index	252	0.1%			-2.3	0.6	1.2	1.2	---	---	---	4.7
Global Public Equity	32,190	14.0%	12.5%	5.0%-25.0%	-2.0	1.2	4.2	4.2	---	---	---	8.3
D.E. Shaw Core Alpha Extension	10,021	4.4%			-2.6	0.4	7.2	7.2	---	---	---	9.5
First Eagle U.S. Equity Fund	9,346	4.1%			-1.6	-0.6	7.7	7.7	---	---	---	11.0
Sirios Focus Fund	9,553	4.2%			-0.8	1.9	13.0	13.0	---	---	---	10.9
HHR Titan Offshore	5,063	2.2%			-1.1	2.4	---	---	---	---	---	1.3
U.S. Public Equity	33,984	14.8%	15.0%	7.5%-35.0%	-1.6	0.7	6.5	6.5	16.3	14.7	6.9	4.6
AKO European Master Fund	8,400	3.7%			-6.4	-4.1	14.2	14.2	---	---	---	11.4
Vanguard FTSE Dev. Markets	920	0.4%			-3.0	0.8	-4.2	-4.2	---	---	---	2.0
Cevian Capital II	4,476	1.9%			-4.2	-4.3	1.7	1.7	---	---	---	7.8
Buena Vista Asian Opp. Fund	5,332	2.3%			-5.1	-0.3	0.1	0.1	---	---	---	6.1
Kabouter International Opps. Fund II	5,512	2.4%			1.3	8.1	---	---	---	---	---	10.2
Non-U.S. Developed Public Equity	24,640	10.7%	10.0%	5.0%-25.0%	-4.0	-0.7	5.3	5.3	13.3	8.8	5.1	2.4
DFA Emerging Markets Value	6,027	2.6%			-3.2	1.7	-9.1	-9.1	---	---	---	-0.8
Somerset Emerging Markets	3,436	1.5%			-2.0	-1.4	-7.5	-7.5	---	---	---	-1.6
Polunin Developing Countries Fund	4,340	1.9%			-5.1	3.0	---	---	---	---	---	-1.6
Emerging Markets Public Equity	13,803	6.0%	5.0%	0.0%-15.0%	-3.5	1.3	-6.0	-6.0	---	---	---	2.6
Total Global Private Equity	21,847	9.5%	15.0%	0.0%-25.0%	---	---	11.3	11.3	16.5	17.0	---	7.4
Total Long Public and Private Equity	126,463	55.1%	57.5%	45.0%-70.0%	-2.1	0.5	4.7	4.7	15.3	13.4	6.5	4.3
Blue Harbour Strategic Value	4,056	1.8%			-1.5	-1.6	1.6	1.6	---	---	---	5.4
Valinor Capital Partners	4,733	2.1%			-3.2	0.3	15.6	15.6	---	---	---	16.8
Roystone Master Fund	4,392	1.9%			-2.8	-0.1	9.8	9.8	---	---	---	11.8
Highfields Capital	4,000	1.7%			---	---	---	---	---	---	---	---
Pelham Long/Short Fund Ltd	3,674	1.6%			-1.2	5.0	---	---	---	---	---	5.0
Fir Tree International Value	3,817	1.7%			-2.0	0.4	0.1	0.1	---	---	---	1.5
Hedge Funds (Growth Objective)	24,673	10.7%	---	0.0%-15.0%	-2.2	0.7	7.9	7.9	---	---	---	9.3
Ironwood International Ltd - Holdback	42	0.0%			0.0	0.0	0.3	0.3	---	---	---	0.3
Indus Asia Pacific Fund	3,300	1.4%			-2.0	4.3	15.5	15.5	---	---	---	11.6
Brahman Capital Partners	3,979	1.7%			-2.2	-0.2	7.1	7.1	---	---	---	5.2
Naya Offshore Fund	3,814	1.7%			-0.7	1.4	---	---	---	---	---	9.0
Hedge Funds (Blended Objective)	11,134	4.9%	---	0.0%-15.0%	-1.6	1.7	9.8	9.8	9.8	7.5	4.7	5.4
Davidson Kempner	4,252	1.9%			-0.5	0.4	0.1	0.0	---	---	---	4.2
Bain ARC	2,280	1.0%			-8.0	-8.8	---	---	---	---	---	-8.8
Kynikos Opportunity Fund	3,663	1.6%			1.5	-1.8	-0.6	-0.6	---	---	---	-1.7
Luxor Capital Partners	3,406	1.5%			0.5	3.9	-7.3	-7.4	---	---	---	-7.9
Scopia PX Funds	3,851	1.7%			-0.1	0.4	---	---	---	---	---	10.0
Hedge Funds (Diversifying Objective)	17,453	7.6%	---	0.0%-15.0%	-0.9	-0.9	-0.2	-0.2	---	---	---	1.6
Total Hedge Funds	53,260	23.2%	17.5%	10.0%-30.0%	-1.6	0.4	5.1	5.1	8.9	7.0	4.5	5.2
Franklin Templeton Global Bond Fund	147	0.1%			-1.3	-0.2	-1.5	-1.5	---	---	---	1.8
Clifton Defensive Equity Strategy	3,460	1.5%			-0.7	1.2	6.0	6.0	---	---	---	7.5
Other Diversifying Investments	3,608	1.6%	---	0.0%-30.0%	-0.9	0.7	2.7	2.7	7.6	---	---	7.7
Total Diversified Growth	56,867	24.8%	17.5%	10.0%-40.0%	-1.5	0.4	4.8	4.8	8.4	6.8	4.4	5.2
Van Eck Global Hard Assets	4,282	1.9%			-5.2	-2.5	-29.9	-29.9	---	---	---	-12.0
SPDR Gold ETF	4,408	1.9%			-1.5	-1.1	-12.2	-12.2	---	---	---	-1.4
Harvest MLP Income Fund	3,542	1.5%			-5.0	-2.8	-8.0	-8.0	---	---	---	7.3
Public Inflation Sensitive	12,232	5.3%	4.0%	0.0%-12.5%	-3.8	-2.0	-17.6	-17.6	0.0	5.9	---	-1.8
Private Inflation Sensitive	4,549	2.0%	6.0%	0.0%-15.0%	---	---	---	---	---	---	---	-0.7
Total Inflation Sensitive	16,781	7.3%	10.0%	5.0%-20.0%	-2.8	-1.4	-17.3	-17.3	0.2	6.0	---	-1.7
Colchester Global Bonds (\$-Hdg)	4,985	2.2%			-0.9	-1.5	0.9	0.9	---	---	---	3.3
Vanguard Short-Term Bond Index Fund	6,525	2.8%			-0.2	-0.1	---	---	---	---	---	1.0
Dodge and Cox Income Fund	15,204	6.6%			-1.0	-1.2	1.0	1.0	---	---	---	2.8
SunTrust Cash	723	0.3%			0.0	---	---	---	---	---	---	0.0
Cash Pending	2,000	0.9%			---	---	---	---	---	---	---	---
Total Deflation Sensitive	29,438	12.8%	15.0%	9.0%-30.0%	-0.7	-0.9	0.8	0.8	2.4	4.7	5.5	5.9
Total Managed Assets Net of CA Fees	229,549	100.0%	100.0%	---	-1.9	0.1	2.2	2.2	10.8	10.1	5.7	4.5
Foundation Enterprise Holdings I	574	---			---	---	---	---	---	---	---	1.8
Student Managed Investment Fund	282	---			-0.5	-0.2	-3.2	-3.2	9.4	6.9	---	5.6
SunTrust Balanced Annuity Account	280	---			-2.1	-1.3	-7.8	-7.8	0.2	4.3	3.7	4.2
Islamorada Investment	1,037	---			---	---	---	---	---	---	---	---
StoneCastle FICA Program	3,004	---			0.0	0.1	---	---	---	---	---	0.2
IR&M Short Fund	4,029	---			-0.1	0.0	---	---	---	---	---	1.0
Archstone Offshore	2,048	---			-1.0	0.4	2.5	2.5	8.8	6.3	---	5.2
State of Florida Treasury Fund	1,230	---			---	---	---	---	---	---	---	---
Other Alternatives	12,485	---	---	---	-0.3	0.1	0.3	0.3	3.0	5.5	3.7	4.2
Total Assets Net of CA Fees	242,034	---	---	---	-1.8	0.1	2.1	2.1	10.7	10.1	5.7	4.4

Notes:

1. Funds available for investment in the Wells Fargo operating account have been deployed to the investment portfolio as of December 31, 2013.

2. Private Investments' trailing performance represents time-weighted quarterly returns. Data represents NAVs and performance through March 31, 2015, updated with cashflows through the most recent period.

Florida International University Foundation Preliminary Performance Summary As of June 30th, 2015												
Asset Class/Composite	Market Value (\$000s)	% of Total Managed Assets	Long-Term Policy Target	Long-Term Policy Ranges	Current Month	Trailing 3-Months	Fiscal Year to Date	Trailing 1-Year	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
Global Public Equity	32,190	14.0%	12.5%	5.0%-25.0%	-2.0	1.2	4.2	4.2	---	---	---	8.3
U.S. Public Equity	33,984	14.8%	15.0%	7.5%-35.0%	-1.6	0.7	6.5	6.5	16.3	14.7	6.9	4.6
Non-U.S. Developed Public Equity	24,640	10.7%	10.0%	5.0%-25.0%	-4.0	-0.7	5.3	5.3	13.3	8.8	5.1	2.4
Emerging Markets Public Equity	13,803	6.0%	5.0%	0.0%-15.0%	-3.5	1.3	-6.0	-6.0	---	---	---	2.6
Global Private Long Equity	21,847	9.5%	15.0%	0.0%-25.0%	---	---	11.3	11.3	17.8	17.8	---	7.4
Total Long Public Equity and Private Investments	126,463	55.1%	57.5%	45.0%-70.0%	-2.1	0.5	4.7	4.7	15.3	13.4	6.5	4.3
Total Hedge Funds	53,260	23.2%	17.5%	10.0%-30.0%	-1.6	0.4	5.1	5.1	8.9	7.0	4.5	5.2
Other Diversifying Investments	3,608	1.6%	---	0.0%-30.0%	-0.9	0.7	2.7	2.7	7.6	---	---	7.7
Total Diversified Growth	56,867	24.8%	17.5%	10.0%-40.0%	-1.5	0.4	4.8	4.8	8.4	6.8	4.4	5.2
Total Inflation Sensitive	16,781	7.3%	10.0%	5.0%-20.0%	-2.8	-1.4	-17.3	-17.3	0.2	6.0	---	-1.7
Total Deflation Sensitive	29,438	12.8%	15.0%	9.0%-30.0%	-0.7	-0.9	0.8	0.8	2.4	4.7	5.5	5.9
Total Managed Assets Net of CA Fees	229,549	100.0%	100.0%	---	-1.9	0.1	2.2	2.2	10.8	10.1	5.7	4.5
Total Assets Net of CA Fees	242,034	---	---	---	-1.8	0.1	2.1	2.1	10.7	10.1	5.7	4.4

Variance Notes:

[1] The negative variance of \$23.9 million in cash contributions as of June 30, 2015 is a result of some large anticipated cash gifts that did not close.

[2] The positive variance of \$490,000 for MARC Building revenues is a result of a \$300,000 transfer in from the Capital Campaign account for fifth floor furniture; unrealized gains totaling \$103,307 related to the derivative liability on the swap portion of the building loan; and the fact that the budgeted 5% allowance for vacancies totaling \$89,175 did not materialize (occupancy remained at 100% throughout the year).

[3] Foundation subsidiaries are comprised of four single member LLCs – Foundation Enterprise Holdings I through IV – with FIU Foundation as their sole member. Each LLC has its own operating budget, with positive or break-even net income, that rolls into the Foundation's overall budget.

[4] Investment returns for fiscal year 2014-15 were projected at 6.0% or \$14.4 million, based on a beginning balance of \$225 million. The monthly returns were forecasted based on our asset allocation and the historical performance of indexes for each asset class. Fiscal year-to-date investment gains on the portfolio through June 30, 2015 totaled approximately 2.1%, or \$5.9 million. These gains are broken down as follows by asset class: long public and private equity (55.1% allocation) up 4.7%; diversified growth (24.8% allocation) up 4.8%; inflation sensitive (7.3% allocation) down 17.3%; and deflation sensitive (12.8% allocation) up 0.8%.

[5] Scholarship and program expenses slightly overspent the annual budget of \$14.6 million. Existing fund balances were used to pay for expenses.

[6] The negative \$681,000 variance for Building Funds expenses is mainly a result of unbudgeted expenses totaling \$733,031 in support of the Stocker Astrophysics Center. The expenses related to Stocker were forecasted to be expended late last fiscal year. Various other smaller unbudgeted expenses for capital projects added to the negative variance.

[7] The positive \$159,000 variance in MARC Building expenses is a result of a \$134,000 credit for the reversal of a prior year building renovation expense that should have been capitalized.

[8] The positive variance of \$917,000 in Administrative and Fund-Raising is related to savings in Capital Campaign expenses funded from the General Reserve. The savings were a result of Worlds Ahead Events, which were less than budgeted this fiscal year, and the hiring of a marketing/communications consultant later than budgeted.



THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
September 10, 2015

SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT AS OF AUGUST 4, 2015

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

Issue: Parkview West Residential Unit Fire

Agency: State Fire Marshal Investigation

Status: On July 29, 2015, a grease fire occurred in one of the student residence halls, specifically on the 5th floor of Parkview West.

Findings: The building was evacuated and FIU Police and Miami Dade Fire Rescue immediately responded. The fire was extinguished by both FIU Police and a recently installed fire protection device called (Firestop) which is magnetically hung underneath all of the stove hoods in each residence hall kitchen. Over 1,500 devices were installed in March of 2014, after a similar fire on the 6th floor of Parkview East. During this fire, the fire sprinkler system was activated which extinguished the fire, but caused significant amount of water damage and required many students to be relocated to temporary housing.

Issue: Radiation General Spectrum License 5 year re-submission

Agency: Bureau of Radiation Control, Florida Department of Health

Status: A broad scope radioactive material license re-submission for the University's Division of Research was completed and submitted to the Florida Department of Health Bureau of Radiation Control on April 15, 2015.

Findings: A final report of findings and recommendations is pending.

Issue: Radiation General Spectrum Inspection

Agency: Bureau of Radiation Control, Florida Department of Health

Status: On March 6, 2015, a broad scope inspection of our radioactive material license was conducted by the Florida Department of Health, Bureau of Radiation Control.

Findings: Tritium and Carbon 14 used for calibration of liquid scintillation counter in one of the labs was expired, which resulted in a notice of violation. New calibration radioactive isotopes have been procured and the violation has been corrected.

Status: A second inspection was conducted regarding an X-Ray Fluoroscopic unit in the FIU arena.

<p>Findings: There were no notices of violation issued.</p>
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<p>Issue: Miami-Dade Country Industrial Waste Permit Inspections - Modesto A. Maidique (MMC) and Biscayne Bay Campus (BBC)</p>
<p>Agency: Miami-Dade Country Regulatory and Economic Resources</p>
<p>Status: Industrial Waste Permit inspection of AHC-1 at MMC completed.</p>
<p>Findings: There were no notices of violation issued.</p>
<p>Status: Industrial Waste Permit inspection at BBC.</p>
<p>Findings: Inspection is scheduled for Friday 8/7/15.</p>

<p>Issue: State of Florida Risk Management Safety and Loss Prevention Program Review</p>
<p>Agency: Division of Risk Management, Florida Department of Financial Services</p>
<p>Status: On June 3-5 2015, the State or Florida Loss Prevention Section conducted a review of the University Safety and Loss Prevention Programs.</p>
<p>Findings: A final report of findings and recommendations is pending.</p>