FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE

Wednesday, January 14, 2015
9:30 am **approximate start time*
Florida International University
Modesto A. Maidique Campus
Graham Center Ballrooms

Committee Membership:

Sukrit Agrawal, *Chair;* Robert T. Barlick, Jr., *Vice Chair*; Cesar L. Alvarez; Gerald C. Grant, Jr.; Kathleen L. Wilson

Liaison:

Richard Brilliant, *Foundation Board of Directors*

AGENDA

1. **Call to Order and Chair's Remarks** — **Sukrit Agrawal**

2. **Approval of Minutes** — **Sukrit Agrawal**

3. **Action Items**

   FA1. FIU Direct Support Organizations Financial Audits, FY 2013-14 — **Kenneth A. Jessell**

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

   FA2. Investment Policy Amendment — **Kenneth A. Jessell**

   FA3. Performance Based Funding Metrics — **Allen Vann**

   A. Performance Based Funding – Data Integrity Certification
   B. Audit of Performance Based Funding Metrics: Good Process Controls Contribute to their Reliability

   FA4. Quality Assessment of FIU Office of Internal Audit — **Allen Vann**

4. Discussion Items *(No Action Required)*

4.1	**Financial Performance Review – First Quarter 2015**	**Kenneth A. Jessell**
4.2	**Office of Internal Audit Status Report**	**Allen Vann**
4.3	**University Compliance Report**	**Karyn Boston**

5. Reports *(For Information Only)*

5.1	**Treasury Report**	**Phong Vu**
5.2	**Business Services Report**	**Aime Martinez**
5.3	**Athletics Update**	**Pete Garcia**
5.4	**Emergency Management Status Report**	**Ruben D. Almaguer**
5.5	**Safety and Environmental Compliance Report**	**Ruben D. Almaguer**
5.6	**Facilities and Construction Update**	**John Cal**
5.7	**Foundation Report**	**Richard Brilliant**

6. New Business

6.1	**Senior Management Discussion of Audit Processes**	**Sukrit Agrawal**

7. Concluding Remarks and Adjournment — **Sukrit Agrawal**

The next Finance and Audit Committee Meeting is scheduled for Thursday, March 26, 2015

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
January 14, 2015

Subject: Approval of Minutes of Meetings held: September 10, 2014 and November 17, 2014

Proposed Committee Action:

Approval of Minutes of the Finance and Audit Committee meeting held on Wednesday, September 10, 2014 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms; and Minutes of the Finance and Audit Committee meeting held on Monday, November 17, 2014 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms.

Background Information:

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Wednesday, September 10, 2014 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms; and Minutes of the Finance and Audit Committee meeting held on Monday, November 17, 2014 at the FIU, Modesto A. Maidique Campus, Graham Center Ballrooms.

Supporting Documentation: Finance and Audit Committee Meeting Minutes: September 10, 2014 and November 17, 2014

Facilitator/Presenter: Committee Chair Sukrit Agrawal

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FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
MINUTES
SEPTEMBER 10, 2014

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 Vice Chair Robert T. Barlick, Jr. at 10:00 am on Wednesday, September 10, 2014, at the Modesto A. Maidique Campus, Graham Center Ballrooms.

The following attendance was recorded:

Present	***Excused***
Robert T. Barlick, Jr., *Vice Chair*	Sukrit Agrawal, *Chair*
Gerald C. Grant, Jr.	Cesar L. Alvarez
Kathleen L. Wilson	

Trustees Michael M. Adler, Jorge L. Arrizurieta and Alexis Calatayud and President Mark B. Rosenberg were also in attendance.

Committee Vice Chair Barlick welcomed all Trustees, faculty and staff to the meeting. He also welcomed Faculty Trustee Kathleen L. Wilson and thanked her for agreeing to serve as a member of the Committee, noting that her expertise will prove to be invaluable to the Committee.

2. Approval of Minutes

Committee Vice Chair Barlick asked that the Committee approve the Minutes of the meetings held on June 3, 2014 and June 12, 2014. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meetings held on Tuesday, June 3, 2014 and Thursday, June 12, 2014.

3. Action Items

FA1. Approval of the Amendment to the Bylaws of the Florida International University Foundation, Inc.

Foundation Board of Directors member Candice B. Gidney presented the Amendments to the Bylaws of the FIU Foundation, Inc. for Committee review, noting that on June 7, 2014, the FIU Foundation Board of Directors approved amendments to the Foundation's Bylaws. She added that the amendment to the Bylaws calls for language that directs University staff to update all policies and procedures to reflect the Foundation CEO's current title, which she indicated consists of a change from President and CEO to CEO. She further noted that the FIU Board of Trustees must approve any amendments to the FIU Foundation, Inc. Bylaws before their becoming effective.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend to the FIU Board of Trustees' approval of the FIU Foundation Inc. Bylaws as amended and restated on June 7, 2014.

FA2. FIU Donative Naming Policy
Senior Vice President, University Advancement/CEO, FIU Foundation Inc. Howard R. Lipman presented the FIU Donative Naming Policy for Committee review, stating that the proposed policy sets out to create a standard for all donor naming opportunities throughout the University. He explained that the proposed policy has been benchmarked against best practices and peer institutions. He then provided an overview of the requirements for naming opportunities in addition to the approval process, stating that honorary namings are not covered by this policy, and are reserved to the Board of Trustees.

Sr. VP Lipman indicated that the FIU Foundation retains the latitude to approve a multi-year payment plan for the establishment of an endowment at the major gift level. He noted that the State of Florida does not guarantee matching funds, adding that the minimum gift level required for naming must be achieved through philanthropic contribution and state matching funds only when received. He stated that any legal impropriety on the part of the donor will make the gift and naming subject to reconsideration by the Foundation and University. He further noted that the Board of Trustees, upon recommendation from the University President, retains the right to approve or disapprove any naming, or to return a gift to a donor, in serving the best interests of the University.

Trustee Kathleen L. Wilson requested that Sr. VP Lipman present the University Naming Policy, once approved by the Board of Trustees, to the Faculty Senate. Trustee Michael M. Adler commented that greater flexibility may be achieved by not limiting specific requirements for the permanent naming of buildings and facilities to 50% of the replacement cost of an existing facility and 50% or more of the cost of a new facility. Trustee Grant explained that because of possible variations in financial situations and best practices, generally five (5) years is the established period of time for full payment to be provided upon the execution of a gift agreement

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend to the FIU Board of Trustees adoption of the University's Donative Naming Policy.

FA3. Proposed Amendment to FIU-1101 Tuition and Fees Schedule Regulation
Associate Vice President for Business and Finance Aime Martinez presented the Proposed Amendment to FIU-1101 Tuition and Fees Schedule Regulation for Committee review, noting that the tuition for the new Masters of Law degree program was approved at the June 12, 2014 Board of Trustees Meeting. She noted that this amendment provides for charging the tuition and fees on a per credit hour basis from a per academic year basis and deletes the health fee charge which is already included as the regular set of fees.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the FIU Board of Trustees approve the proposed amendments to regulation FIU-1101 Tuition and Fees Schedule and delegate authority to the University President to approve any subsequent amendments that are based on comments to the Regulation received from the State University System of Florida Board of Governors as a result of the regulation-making process.

4. Discussion Items

4.1 Office of Internal Audit Status Report

Internal Audit Director Allen Vann presented the Internal Audit Report, providing updates on recently completed audits and work in progress. He reported that the State University System of Florida Board of Governors (BOG) established additional requirements for the BOG's performance based funding model program. He added that the new procedure requires the Board Chair and University President to jointly execute a Data Integrity Certification affirmatively certifying that the University maintains reliable systems as they relate to BOG data and reporting requirements. Additionally, he indicated that the BOG requested that the Board of Trustees direct the Audit Director to perform an audit of the University's processes completeness, accuracy and timeliness. He further noted that both the data certifications and results of the audit need to be approved by the Board of Trustees prior to the BOG submission deadline of March 1, 2015.

4.2 Financial Performance Review – FY 2013-14

Assoc. VP Martinez presented the Financial Performance Review for the fourth quarter of the 2013-14 fiscal year and provided a summary of University revenues and expenditures. She reported that the University and direct support organizations' operating revenues were above estimates by $22M (or 2 percent), which can be primarily attributed to higher than projected federal and other grants and state appropriations for salary and health insurance increases and merit bonuses, combined with higher undergraduate enrollment and non-resident students, higher number of tuition differential eligible students, and unbudgeted tuition on nursing graduate programs transferred from Auxiliary Enterprises. She noted that expenses were below estimates by $10M (or one percent), primarily due to lower expenditures, vacant positions and delays in spending on the capital campaign program.

4.3 New Biscayne Bay Campus Student Housing Project Update

Assoc. VP Martinez provided an update on the New Biscayne Bay Campus (BBC) Student Housing Project, noting that the project is seeking to secure the approval of the Board of Trustees of the Internal Improvement Trust Fund through the Division of State Lands and the Board of Governors (BOG) due to Standard and Poor's rating review considering the project indirect debt of the University. She added that Standard & Poor's Ratings Services affirmed its 'AA-' long-term rating on the BOG's parking facility revenue bonds, issued for FIU. She stated that Standard & Poor's also affirmed its 'A' long-term rating on FIU's dormitory revenue bonds currently outstanding, stating that the rating reflects Standard & Poor's view of FIU's stable demand profile, the strong demand for the parking system, history of surplus operations, and the housing system's solid occupancy levels and adequate maximum annual debt service coverage.

Assoc. VP Martinez reported that since July, the University has been collaborating with the Developer, Underwriters, Rating Agencies and BOG on a housing solution for BBC. She explained that in order to get investment grade tax-exempt debt that significantly lowers borrowing costs, the original project as approved by the FIU Board of Trustees may need to be revised. She added that FIU Board of Trustees approval would be required prior to proceeding with any significant revision to the original project scope.

5. Reports *(For Information Only)*
Committee Vice Chair Barlick 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
Committee Vice Chair Barlick introduced and welcomed Ms. Karyn Boston, noting that she joined FIU as Assistant Vice President, University Compliance and Privacy Officer effective July 14, 2014. He added that Ms. Boston oversees the Office of University Compliance and Integrity and is responsible for implementing a comprehensive University-wide compliance program for FIU.

6.1 Office of Internal Audit Discussion of Audit Processes
Committee Vice Chair Barlick noted that as is stipulated in the Finance and Audit Committee Charter, the Committee must meet with the Office of Internal Audit without the presence of senior management. He further noted that as a meeting conducted in the Sunshine, no one present was required to leave during the discussion with the Office of Internal Audit, adding that this was strictly voluntary. Mr. Vann discussed with the Committee in greater depth the Data Integrity Audit Requirements for the BOG's performance based funding model program. The Committee members inquired as to level of cooperation the Office of Internal Audit receives from management and Mr. Vann assured them that the Office continues to receive management's full cooperation for all of its audit activities.

7. Concluding Remarks and Adjournment
With no other business, Committee Vice Chair Robert T. Barlick, Jr. adjourned the meeting of the Florida International University Board of Trustees Finance and Audit Committee on Wednesday, September 10, 2014 at 11:00 am.

Trustee Request	***Follow-up***	***Completion Date***
Trustee Kathleen L. Wilson requested that Sr. VP Lipman present the University Naming Policy, once approved by the Board of Trustees, to the Faculty Senate.	*Sr. VP Howard R. Lipman*	*Spring semester Faculty Senate meeting*

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FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
MINUTES
NOVEMBER 17, 2014

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 9:04 am on Monday, November 17, 2014, at the Modesto A. Maidique Campus, Graham Center Ballrooms.

The following attendance was recorded:

Present	***Excused***
Sukrit Agrawal, *Chair*	Cesar L. Alvarez
Robert T. Barlick, Jr., *Vice Chair*	
Gerald C. Grant, Jr.	
Kathleen L. Wilson	

Trustee Alexis Calatayud was also in attendance.

Committee Chair Sukrit Agrawal welcomed all Trustees, faculty and staff to the meeting. He also welcomed the University's outside counsel, Mr. Kenneth R. Artin of Bryant Miller Olive, who was participating in the meeting telephonically. Committee Chair Agrawal noted that Mr. Artin has extensive experience practicing public finance and specializes in Public Private Partnerships.

Chair Agrawal noted that the Board's Real Estate Subcommittee met in October to review the Revised Biscayne Bay Campus (BBC) Student Housing Project and requested that Senior Vice President of Administration and Chief Financial Officer Kenneth A. Jessell present the proposed changes to the project.

2. Action Item

FA1. Revised Biscayne Bay Campus Student Housing Project

Sr. VP and CFO Jessell provided a comprehensive review of the Revised BBC student housing project. He noted that on June 12, 2014, the FIU Board of Trustees authorized the University President or designee to enter into a Sublease Agreement and Operating Agreement with NCCD–Biscayne Properties LLC ("NCCD-Biscayne"), adding that since July, the BBC Housing Project has been revised and Board of Trustees reauthorization is required in order to approve the changes.

Sr. VP and CFO Jessell indicated that the winning bidder of the open solicitation process, Servitas LLC, will assume full responsibility and liability for the project and will serve as the primary point of contact for FIU, coordinating all details, decisions and deliverables. He further noted that the collaboration, referred to as a public-private partnership, will serve to meet student needs for safe, high-quality on campus housing within close proximity to University facilities while reducing the reliance on University debt and lowering risk-adjusted costs. He noted that the project responds to Governor Rick Scott's letter to the Florida Board of Governors (BOG) encouraging universities to consider alternative development and financing of facilities and infrastructure. Sr. VP and CFO Jessell reported that Standard & Poor's classification of the NCCD project as "Indirect Debt" of the University prompted the need to obtain BOG approval. He indicated that the project is unique and groundbreaking as it would be the first instance where the BOG considers the request for approval of an on-campus public-private partnership project of this nature.

Sr. VP and CFO Jessell presented the key terms pertaining to the revised BBC student housing project, providing an overview of the project modifications. He stated that the project will be a facility containing approximately 410 beds (a reduction from the original 618 beds) in a 9-story facility totaling approximately 188,000 square feet (a reduction from the original 297,000 square feet). He indicated that Moody's Investor Service assigned an investment grade rating to the project, noting that the debt issue for the project is reduced from $83M to $56.5M and added that FIU's exclusive use (classrooms, Student Services and/or Business Services) was reduced to approximately 3,760 square feet of space. He added that opening day is now postposed from July 2015 to July 2016.

Sr. VP and CFO Jessell reported that in order to obtain the investment grade rating, the operating agreement now adds responsibilities for FIU that include the subordination of utilities, the processing of rental payments through FIU Housing for students and the inclusion of the Project in FIU Housing marketing materials and on the Housing website. He also stated that the rental rates are subject to the University's approval and are expected initially to be no more than 10% higher than housing rates at the Modesto A. Maidique Campus, due to the smaller project size, but noted that the rates would still be very competitive with local markets given the superior amenities to be offered. He further noted that the Operating Agreement requires the creation of an Advisory Committee, membership of which includes FIU representatives and that the Advisory Committee will have approval rights over the project's budget and marketing and operating plans.

A discussion ensued among Trustees regarding the project. Trustee Robert T. Barlick, Jr. inquired as to how the project compared to the Royal Caribbean Cruises, Ltd. (RCL) Production, Rehearsal, and Performance facility. Sr. VP and CFO Jessell noted that while both involve long-term ground subleases, RCL's facility is designed almost exclusively for their use with some availability to FIU. Trustee Kathleen L. Wilson requested information pertaining to current plans to expand the academic programs at BBC. College of Business Dean David R. Klock and Chaplin School of Hospitality and Tourism Management Dean Mike Hampton noted how new and proposed development at BBC has placed renewed emphasis on partnerships and discussed implementation plans that ensure compatibility of academic support and service functions and Dean Rock described College of Medicine activities at BBC. Provost and Executive Vice President Kenneth G. Furton communicated plans of offering FIU's Bachelor of Arts in Sustainability and The Environment degree at BBC.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend that the FIU Board of Trustees authorize the University President or designee to (i) enter into a Sublease Agreement and Operating Agreement with NCCD–Biscayne Properties LLC ("NCCD-Biscayne"), a single member limited liability company owned by National Campus and Community Development Corporation ("NCCD"), on substantially the same terms as described herein, and (ii) take all actions and execute all other incidental documents necessary or desirable in connection with NCCD-Biscayne's development, construction and operation of the Student Housing project, including, but not limited to, granting easements and licenses on the Biscayne Bay Campus ("BBC").

3. New Business
No new business was raised.

4. 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 Monday, November 17, 2014 at 10:01 am.

There were no Trustee requests.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

January 14, 2015

Subject: Florida International University Foundation Inc., Financial Audit, 2013-14

Proposed Committee Action:

Recommend approval by the Florida International University Board of Trustees of the Florida International University Foundation, Inc. Financial Audit for the 2013-14 Fiscal Year and authorize the CEO of the Florida International University Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Foundation, Inc. Financial Audit for 2013-14 was approved by the Florida International University Foundation, Inc. Board of Directors on October 25, 2014, and the University President is recommending its approval.

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, 2013-14

Facilitator/Presenter: Kenneth A. Jessell

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FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

(A Direct Support Organization)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

FLORIDA INTERNATIONAL UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES
(A Direct Support Organization)

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

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

Report on the 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 a component unit of Florida International University, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the 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 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 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 auditors' 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.

MARCUMGROUP
MEMBER

Marcum LLP ▪ One Southeast Third Avenue ▪ Suite 1100 ▪ Miami, Florida 33131 ▪ **Phone** 305-995-9600 ▪ **Fax** 305-995-9601
marcumllp.com

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation and its subsidiaries as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2013 consolidated financial statements, and our report dated October 25, 2013 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Supplementary Information

Our audit was 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 pages 36 to 37 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 24, 2014 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.

Marcum LLP

Miami, FL
October 24, 2014

FLORIDA INTERNATIONAL UNIVERSITY
FOUNDATION, INC. AND SUBSIDIARIES
(A Direct Support Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
Assets		
Cash and cash equivalents	$ 6,218,875	$ 9,358,242
Contributions receivable, net	65,477,408	69,178,385
Investments	232,884,625	194,966,098
Due from Florida International University	23,421	60,329
Bond issuance costs, net	97,651	110,120
Other assets	2,207,737	903,316
Property and equipment, net	16,290,009	14,824,262
Total Assets	$ 323,199,726	$ 289,400,752
Liabilities		
Accounts payable and other liabilities	$ 506,415	$ 689,993
Annuity payables	176,376	180,768
Deferred revenue	1,275,795	1,061,734
Due to Florida International University	1,645,566	677,334
Due to Florida International University Athletics Finance Corp.	218,000	--
Split-interest obligations	744,514	766,787
Interest rate swap	103,307	264,027
Notes payable	6,920,000	7,640,000
Total Liabilities	11,589,973	11,280,643
Net Assets		
Unrestricted	36,473,761	30,070,328
Temporarily restricted	75,751,823	53,898,663
Permanently restricted	199,384,169	194,151,118
Total Net Assets	311,609,753	278,120,109
Total Liabilities and Net Assets	$ 323,199,726	$ 289,400,752

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, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014	2013
Revenue, Gains and Other Support					
Contributions	$ 4,345,564	$ 8,924,339	$ 5,185,395	$ 18,455,298	$ 35,274,706
Rental income	1,555,545	8,575	--	1,564,120	1,620,284
Administrative fees	2,128,367	--	--	2,128,367	2,743,110
Net investment income	9,084,641	30,432,727	--	39,517,368	10,244,923
Dues	496,209	194,109	87,956	778,274	544,434
Unrealized interest rate swap gain	160,720	--	--	160,720	168,845
Royalty income	100,939	--	--	100,939	96,484
Other	--	162,091	--	162,091	29,399
Net unrealized investment gains (loss)	424,442	(2,623,288)	--	(2,198,846)	11,042,664
	18,296,427	37,098,553	5,273,351	60,668,331	61,764,849
Net assets released from restrictions	14,351,660	(14,351,660)	--	--	--
Total Revenue, Gains and Other Support	32,648,087	22,746,893	5,273,351	60,668,331	61,764,849
Expenses					
Program services	18,084,327	--	--	18,084,327	15,284,316
General and administrative	3,567,365	--	--	3,567,365	3,004,487
Fund raising	3,497,757	--	--	3,497,757	1,517,585
Total Expenses	25,149,449	--	--	25,149,449	19,806,388
Change in Net Assets Before Provision for Uncollectible Pledges and Other Changes	7,498,638	22,746,893	5,273,351	35,518,882	41,958,461
Changes in value of split-interest agreement	(61,727)	--	--	(61,727)	(61,727)
Provision for uncollectible promises to give	--	(893,733)	(40,300)	(934,033)	(455,537)
Loan guarantee payment	(1,033,478)	--	--	(1,033,478)	--
Change in Net Assets	6,403,433	21,853,160	5,233,051	33,489,644	41,441,197
Net Assets - Beginning	30,070,328	53,898,663	194,151,118	278,120,109	236,678,912
Net Assets - Ending	$ 36,473,761	$ 75,751,823	$ 199,384,169	$ 311,609,753	$ 278,120,109

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 CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	$ 33,489,644	$ 41,441,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	547,742	493,408
Provision for uncollectible promises to give	934,033	455,537
Net unrealized investment (gains) loss	2,198,846	(11,042,664)
Unrealized gain on interest rate swap	(160,720)	(168,845)
Changes in value of split-interest obligations	61,727	61,727
Contribution revenue from FEH III gift agreement	(1,350,000)	--
Contribution revenue from Jewish Museum of Florida gift agreement	--	(2,602,119)
Net investment income restricted for long-term reinvestment	(30,432,727)	(7,934,644)
Loss on disposal of property and equipment	3,200	--
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	2,766,944	(8,097,255)
Other assets	(1,304,421)	(63,767)
Due from Florida International University	36,908	75,956
Increase (decrease) in:		
Accounts payable and other liabilities	(183,580)	75,341
Annuity payables	(4,392)	(7,617)
Due to Florida International University	968,232	4,097
Due to Florida International University Athletics Finance Corp.	218,000	(56,100)
Deferred revenue	214,061	218,516
Total Adjustments	(25,486,147)	(28,588,429)
Net Cash Provided by Operating Activities	8,003,497	12,852,768
Cash Flows from Investing Activities		
Contributions restricted for long-term investment	(7,169,545)	(10,021,142)
Purchases of property and equipment	(654,219)	(53,165)
Purchases of investments	(684,001,170)	(156,712,760)
Sales of investments	643,883,798	141,303,912
Net Cash Used in Investing Activities	(47,941,136)	(25,483,155)
Cash Flows from Financing Activities		
Principal repayments on note payable	(720,000)	(690,000)
Payments on split-interest obligations	(84,000)	(84,000)
Proceeds from contributions restricted for long-term investment	7,169,545	10,021,142
Net investment income restricted for long-term reinvestment	30,432,727	7,934,644
Net Cash Provided by Financing Activities	36,798,272	17,181,786
Net Increase (Decrease) in Cash and Cash Equivalents	(3,139,367)	4,551,399
Cash and Cash Equivalents - Beginning	9,358,242	4,806,843
Cash and Cash Equivalents - Ending	$ 6,218,875	$ 9,358,242
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 297,143	$ 324,453
Property obtained from Jewish Museum of Florida gift agreement	$ --	$ 3,007,119

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

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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, is organized to encourage, solicit, receive and administer gifts and bequests of property and funds for the advancement of Florida International University (the "University") and its objectives. The Foundation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

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

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

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

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ORGANIZATION AND PURPOSE (CONTINUED)

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

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

Foundation Enterprise Holdings IV, LLC ("FEH IV") is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On February 25, 2014, FEH IV became the owner of real property ("Islamorada Property") located at 85932 Overseas Highway, for the purpose of leasing to the University's College of Arts and Sciences to serve as the staging area for the Aquarius Reef Base, an undersea research laboratory. The Foundation has received a gift with pledged payments scheduled over five years in support of this acquisition.

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Foundation and its subsidiaries for the year ended June 30, 2014, include the accounts of the Foundation, Wolfsonian, Inc., Foundation Enterprise Holdings I, LLC, Foundation Enterprise Holdings II, LLC, Foundation Enterprise Holdings III, and Foundation Enterprise Holdings IV based on the Foundation's controlling economic interest in the six entities. The Foundation's controlling economic interest in the Wolfsonian, Inc. was the result of the gift agreement between the two entities, which became effective on March 26, 1998 (see Note 2).

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRINCIPLES OF CONSOLIDATION (CONTINUED)

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

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

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

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

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

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the 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.

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.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

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

Unrestricted
Net assets that 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.

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.

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.

COMPARATIVE INFORMATION

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. In addition, select comparative financial information is included in the notes to the financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements for the year ended June 30, 2013 from which the summarized information was derived.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

CASH EQUIVALENTS

The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

PROMISES TO GIVE

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

The Organization records unconditional promises to give at fair value when received and subsequently at net realizable value which is based on prior years' collection experience and management's analysis of specific promises made. The receivables are further discounted to reflect their present value. The Foundation determines an allowance for uncollectable 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.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS

Contributed goods and services are recorded as contributions at their estimated fair value at date of receipt.

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 financial statements since these services are not susceptible to objective measurement or valuation.

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 statement 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 statement 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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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 statements 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

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 yields 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.

See Note 4 for a summary of the inputs used as of June 30, 2014 in determining the fair value of the Foundation's investments.

PROPERTY AND EQUIPMENT

Property and equipment are defined 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. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years.

NOTE 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.

DEFERRED REVENUE

Deferred revenue is comprised of advanced licensing and royalty fees. Bank of America has agreed to the fees in exchange for the right to use FIU's logo on credit cards and also to advertise on FIU's home page and athletic home page. In either case, that right extends to print or electronic media. In addition, Bank of America has the right to solicit for business from FIU alumni population, faculty, staff, ticket holders, athletic teams and athletic departments.

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 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.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTEREST RATE SWAP

The Foundation 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 swap agreement is presented in the consolidated statement of financial position. The change in fair value is presented as an unrealized gain or loss in the consolidated statement of activities.

The Foundation's fair value estimate is based on its valuation models and assumptions and available market data.

PROGRAM SERVICES

Program services expenses on the statement 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.

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, 2014, 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 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 2011.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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, 2014, approximately $232,400,000 was held in these accounts. The Foundation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, (ASU 2012-05). ASU 2012-05 amended ASC 230-10 to clarify how cash received from the sale of donated securities should be presented in the statement of cash flows. The ASU requires a not-for-profit to classify cash receipts from the sale of donated securities in a manner consistent with cash donations received. The provisions of ASU 2012-05 will be effective for annual periods beginning after June 15, 2013. The Foundation incorporated the provisions of ASU 2012-05 in its financial statements for the year ended June 30, 2014 and it did not have a significant impact from this change.

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In April 2013, the FASB issued Accounting Standards Update 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*, (ASU 2013-06). ASU 2013-06 specifies the guidance that not-for-profit entities apply for recognizing and measuring services received from personnel of an affiliate. The provisions of ASU 2013-06 will be effective for annual periods beginning after June 15, 2014. This update may have a significant impact on the Foundation.

SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through October 24, 2014, the date the consolidated financial statements were available to be issued, require adjustment to or disclosure in the consolidated financial statements.

NOTE 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 FIU Foundation, subject to an agreement made and entered into by the Wolfsonian, Inc. and Mr. Wolfson, Jr., dated July 29, 1991. The agreement is dated through July 2021.

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).

NOTE 2 - GIFT AGREEMENTS (CONTINUED)

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

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

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

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

NOTE 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:

	2014	2013
Receivable in less than one year	$13,791,215	$15,229,593
Receivable in one to five years	56,800,601	34,376,351
Receivable in more than five years	1,603,619	25,834,725
	72,195,435	75,440,669
Less: allowance for uncollectible receivables	(1,450,475)	(870,358)
Less: discount to present value	(5,267,552)	(5,391,926)
Contributions Receivable, Net	$65,477,408	$69,178,385

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

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 were temporarily suspended by the Legislature for donations received for this program on or after June 30, 2012. Existing eligible donations remain eligible for future matching funds. The program may be restarted after $200 million of the backlog for programs have been matched. The state has approved FIU 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 fiscal year 2013-14; therefore the receivable is recorded in the accompanying consolidated financial statements discounted back over four years through 2020 since the exact year of receipt is not known. This receivable is included in the table above.

NOTE 4 – INVESTMENTS

Effective December 1, 2013, the Foundation engaged Cambridge Associates, LLC, an independent consulting firm, to execute the investment program, including the engagement of investment managers, oversight of those managers, investment policy implementation, review and compliance, and investment performance reporting. All financial assets are held in custody for the Foundation in proprietary accounts by a major commercial bank.

	As of June 30,	
	2014	2013
Domestic equities	$ 39,592,756	$ 87,904,663
Global equities	66,656,683	10,175,762
Real assets	19,864,453	14,137,635
Fixed income	31,101,247	42,258,442
Hedge funds	58,638,683	29,004,409
Private investments	17,018,260	11,212,589
	232,872,082	194,693,500
Plus: accrued income	12,543	272,598
Total Investments	$ 232,884,625	$ 194,966,098

Total net realized and unrealized investment gains and investment income for the year ended June 30, 2014 totaled $37,318,522 of which $28,497,041 was applied to individual endowments. Investment income is reported net of related expenses for custodial fees, investment management and incentive fees, and mutual fund expenses. Fees incurred during the fiscal year ended June 30, 2014 totaled $2,414,041. Investment consulting fees are reported as an expense on the statement of activities. Investment consultant fees totaled $351,747. Total net realized and unrealized investment gains and investment income for the year ended June 30, 2013 totaled $21,287,587 of which $15,941,955 was applied to individual endowments.

ASC 820 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.

NOTE 4 – INVESTMENTS (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:

a) quoted prices for similar assets or liabilities in active markets;
b) quoted prices for identical assets and liabilities in markets that are not active;
c) observable inputs, other than quoted prices, for similar or identical assets and liabilities; or
d) 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 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 information provided by the Foundation's investment manager. The 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.

NOTE 5 - FAIR VALUE MEASUREMENT

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, 2014 and 2013:

	Investments at Fair Value as of June 30			
	2014			
	Level 1	Level 2	Level 3	Fair Value Total
Investments				
Domestic equities	$ 6,926,058	$32,666,698	$ --	$ 39,592,756
Global equities	34,063,354	32,593,329	--	66,656,683
Real assets	14,466,909	--	5,397,544	19,864,453
Fixed income	22,021,438	9,079,809	--	31,101,247
Hedge funds	--	21,856,503	36,782,180	58,638,683
Private investments	--	--	17,018,260	17,018,260
	77,477,759	96,196,339	59,197,984	232,872,082
Plus: accrued income	12,543	--	--	12,543
Total Investments at Fair Value	$ 77,490,302	$ 96,196,339	$ 59,197,984	$ 232,884,625
Derivative Liabilities (see Note 11)	$ --	$ (103,307)	$ --	$ (103,307)
Split-Interest Obligations (see Note 12)	$ --	$ --	$ (744,514)	$ (744,514)

	Investments at Fair Value as of June 30			
	2013			
	Level 1	Level 2	Level 3	Fair Value Total
Investments				
Domestic equities	$ 87,904,663	$ --	$ --	$ 87,904,663
Global equities	6,930,040	3,245,722	--	10,175,762
Real assets	14,137,635	--	--	14,137,635
Fixed income	21,853,099	20,405,343	--	42,258,442
Hedge funds	--	--	29,004,409	29,004,409
Private investments	--	--	11,212,589	11,212,589
	130,825,437	23,651,065	40,216,998	194,693,500
Plus: accrued income	272,598	--	--	272,598
Total Investments at Fair Value	$ 131,098,035	$ 23,651,065	$ 40,216,998	$ 194,966,098
Derivative Liabilities (see Note 11)	$ --	$ (264,027)	$ --	$ (264,027)
Split-Interest Obligations (see Note 12)	$ --	$ --	$ (766,787)	$ (766,787)

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents a reconciliation of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2014 and 2013:

Level 3 Investments
Year Ended June 30, 2014

	Real Assets	Fund of Funds	Long/Short Equity	Event Driven/ Open Mandate	Private Equity	Venture Capital	Privately Held Securities	Total	Split-Interest Obligations
Balance - Beginning of Year	$ --	$ 29,004,409	$ --	$ --	$ 6,875,188	$ 4,187,401	$ 150,000	$ 40,216,998	$ 766,787
Realized gains (losses)	(2,455)	5,008,722	14	6	470,982	421,851	--	5,899,120	--
Unrealized gains (losses)	900,004	(3,033,089)	1,292,479	(10,299)	1,131,805	1,338,018	(150,000)	1,468,918	61,727
Purchases	4,500,000	--	24,000,000	11,500,000	2,751,529	2,002,617	--	44,754,146	--
Sales	(5)	(24,949,733)	(14)	(6)	(1,723,624)	(437,507)	--	(27,110,889)	--
Issuances and settlements	--	--	--	--	--	--	--	--	(84,000)
Transfers out of Level 3	--	(6,030,309)	--	--	--	--	--	(6,030,309)	--
Transfers into Level 3	--	--	--	--	--	--	--	--	--
Balance - End of Year	$ 5,397,544	$ --	$ 25,292,479	$ 11,489,701	$ 9,505,880	$ 7,512,380	$ --	$ 59,197,984	$ 744,514

Level 3 Investments
Year Ended June 30, 2013

	Fund of Funds	Private Equity	Venture Capital	Privately Held Securities	Total	Split-Interest Obligations
Balance - Beginning of Year	$ 26,130,036	$ 4,932,543	$ 2,369,239	$ 150,000	$ 33,581,818	$ 789,060
Realized gains (losses)	(32,724)	387,804	306,959	--	662,039	--
Unrealized gains (losses)	2,907,101	394,806	419,749	--	3,721,656	61,727
Purchases	--	2,467,631	1,410,203	--	3,877,834	--
Sales	(4)	(1,307,596)	(318,749)	--	(1,626,349)	--
Issuances and settlements	--	--	--	--	--	(84,000)
Transfers out of Level 3	--	--	--	--	--	--
Transfers into Level 3	--	--	--	--	--	--
Balance - End of Year	$ 29,004,409	$ 6,875,188	$ 4,187,401	$ 150,000	$ 40,216,998	$ 766,787

Realized and unrealized gains and losses on Level 3 investments are reflected as part of the investment returns in the Foundation's statement of activities. It is the Foundation's policy to recognize transfers in and out of levels as of the end of the reporting period or change in circumstance that caused the transfer.

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

FASB Accounting Standards Update (ASU) 2009-12 *Guidance for Measuring Fair Value of Certain Alternative Investments* permits entities, as a practical expedient, to use net asset value per share (NAV) for measuring the fair value of certain alternative investments that do not have a quoted market price, provided that the entity is able to redeem the investment with the investee at NAV as of the measurement date. In addition, it allows for the classification of investments that can be redeemed at a readily determinable NAV within the near term – where near term is defined as one year – as Level 2 investments. Investments with lock-ups greater than 12 months are deemed Level 3 investments.

The following table discloses the nature and risk of alternative investments (including hedge funds and limited partnerships) by strategy and style as of June 30, 2014:

	Quantitative Information About Level 3 Fair Value Measurements						
	Total Fair Value at June 30, 2014	Valuation Method	Inputs	Input Rate Applied	Unfunded Commitments	Exit Frequency	Days Notice
Real Assets							
Natural resource equities (a)	$ 5,397,544	Practical Expedient	Net Asset Value (NAV)	100%	$ --	Monthly	30 days
Hedge Funds							
Long/short equity (b)	25,292,479	Practical Expedient	Net Asset Value (NAV)	100%	--	Quarterly-every 3 years*	30-90 days
Event driven/open mandate (c)	11,489,701	Practical Expedient	Net Asset Value (NAV)	100%	--	Quarterly-annually*	30-90 days
Private Investments							
Private equity (d)	9,505,880	Practical Expedient	Net Asset Value (NAV)	100%	4,484,066	Illiquid	N/A
Venture capital (e)	7,512,380	Practical Expedient	Net Asset Value (NAV)	100%	10,429,428	Illiquid	N/A
Balance - End of Year	$59,197,984				$14,913,494		

*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) Natural resources equities – This category includes investments in funds that invest across the master limited partnership (MLP) value chain, applying a quantitative approach to identifying long- and short-term market opportunities and mispricings. The fair value of the investments in this category has been estimated using the net asset value per share (NAV) of the investments as a practical expedient.

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

(b) 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. The fair value of the investments in this category has been estimated using the net asset value per share (NAV) of the investments as a practical expedient.

(c) 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. The fair value of the investments in this category has been estimated using the net asset value per share (NAV) of the investments as a practical expedient.

(d) 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. The fair value of the investments in this category has been estimated using the net asset value per share (NAV) of the investments as a practical expedient.

(e) 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. The fair value of the investments in this category has been estimated using the net asset value per share (NAV) of the investments as a practical expedient.

There have been no changes to the valuation methods used by investment managers with Level 3 investments at June 30, 2014 and June 30, 2013.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 – PROPERTY AND EQUIPMENT

	2014	2013
MARC Building	$13,325,539	$13,325,539
Construction in Progress - MARC Renovation	654,219	--
Foundation Enterprise Holdings I, LLC Building	2,100,000	2,100,000
Foundation Enterprise Holdings II, LLC Building	3,007,000	3,007,000
Foundation Enterprise Holdings III, LLC Building	1,350,000	--
Land	2,500	2,500
Time share	--	3,200
Furniture and equipment	169,030	169,030
	20,608,288	18,607,269
Less: accumulated depreciation	(4,318,279)	(3,783,007)
Property and Equipment, Net	$16,290,009	$14,824,262

Depreciation expense was $535,272 and $480,938 for the years ended June 30, 2014 and 2013, respectively.

NOTE 7 - BOND ISSUANCE COSTS

As of June 30, 2014, issuance costs related to the tax-exempt bonds (Florida International University Foundation Project – Series 1999) issued by the Miami-Dade County Educational Facilities Authority, as described in Note 10. The issuance costs will be amortized over the term of the bonds which mature in 2022.

	2014	2013
Bond issuance costs	$ 230,985	$ 230,985
Less: accumulated amortization	(133,334)	(120,865)
Bond Issuance Costs, Net	$ 97,651	$ 110,120

Amortization expense was $12,470 for the years ended June 30, 2014 and 2013.

NOTE 8 – OTHER ASSETS

Other assets include the cash surrender value of life insurance policies in the amount of $824,106. The net benefit value of the underlying life insurance in force at June 30, 2014 is approximately $4,629,903. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner. In addition, there is a life insurance policy in force pursuant to an executive deferred compensation plan that is funded by the Foundation.

Additionally, other assets include a lease receivable in the amount of $1,037,000. During the year, FEH IV entered into a lease agreement with Florida International University Board of Trustees to lease the Islamorada Property, commencing March 1, 2014, to the University's College of Arts and Sciences for five years beginning March 2015. The property is to be transferred to the University at the end of the lease term.

As of June 30, 2014, the following represents the principal payments to be received related to the this lease agreement:

June 30	Amount
2015	$ 181,770
2016	193,767
2017	206,555
2018	220,188
2019	234,720
Total	$ 1,037,000

NOTE 9 - ANNUITIES PAYABLE

The Foundation has received, as of June 30, 2014, $525,000 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, plus an additional 10 percent of that amount, as required by Florida Statute Section 627.481, as the liability of annuities payable totaling $176,376.

NOTE 10 - NOTES PAYABLE

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

The Bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see Note 14). The $13,000,000 original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on fifty percent of the original issue, $6,500,000, has been synthetically fixed at 4.63 percent through February 1, 2015, by way of an interest rate swap agreement with a commercial bank (see Note 11). The bond proceeds were used to acquire, construct and equip the multi-function support complex located on the University campus in Miami-Dade County and to pay issuance costs. As of June 30, 2014, the outstanding principal balance due under this note payable amounted to $6,870,000. For the year ended June 30, 2014, total interest incurred and paid was $297,143.

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

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

NOTE 10 - NOTES PAYABLE (CONTINUED)

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%. The bond maturity date of May 1, 2022 remains unchanged as does the swap agreement. 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.

On December 10, 2012 and pursuant to the JMOF Gift Agreement, the Foundation assumed the remaining mortgage on the property $150,000, which was due to Congregation Beth Jacob, Inc., a Florida not for profit corporation. The loan is payable in three $50,000 annual payments. As of June 30, 2014, the outstanding principal balance due under this note payable amounted to $50,000.

The aggregate maturities of the notes payable as of June 30, 2014 are as follows:

For the Year Ending June 30	Amount
2015	$ 755,000
2016	745,000
2017	785,000
2018	825,000
2019	865,000
Thereafter	2,945,000
Total	$ 6,920,000

NOTE 11 – INTEREST RATE SWAP

On February 1, 2000, the Foundation entered into an interest rate swap agreement (the Swap Agreement) with a commercial bank on a notional amount of $6,500,000 which represents 50 percent of the principal amount of the bond issue, as described in Note 10. Under the original swap agreement, the Foundation agreed to pay a fixed rate of 5.03 percent per annum and receive variable rates based on 67 percent of the one-month US Dollar LIBOR rate. Effective October 1, 2005, the Foundation renegotiated the swap agreement reducing the fixed payer rate under the swap to 4.63 percent per annum. The renegotiated swap agreement expires on February 1, 2015. The interest rate swap at June 30, 2014 was $103,307.

NOTE 12 – SPLIT INTEREST OBLIGATIONS

The Foundation Enterprise Holdings 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. Seller 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 seller'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 seller an annual sum of $84,000 commencing on April 1, 2011 and continuing until the demise of the donor. The

NOTE 12 – SPLIT INTEREST OBLIGATIONS (CONTINUED)

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

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

The fair value of the assets held, included in property and equipment in the accompanying consolidated statement of financial position and corresponding liability to the donor, included in split-interest obligation are as follows:

	Property and Equipment	Liability to Donor	Net
Life Annuity	$ 2,100,000	$ 744,514	$ 1,355,486

NOTE 13 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets of $75,751,823, which includes $29,035,407 of endowment funds, at June 30, 2014 represent gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time and are available for scholarships and other program specific expenses. 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 $199,384,169 at June 30, 2014 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 board meeting. The spending rate for year ending June 30, 2014 was 4.0%. The spendable earnings are recorded as either temporarily restricted or unrestricted assets, as stipulated by the donor.

NOTE 14 - CONTRIBUTIONS TO UNIVERSITY BUILDING PROGRAM

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

During the year ended June 30, 2014, the Foundation transferred $2,221,694 to support numerous construction projects, as follows:

HM BBC Dining Facility Building	$ 1,030,000
Mixed Use Auxiliary Building	876,465
International Hurricane Research Center Building	115,000
Stocker Astrophysics Center Building	70,091
Law School Building	60,252
World for Tropical Botany	26,066
Kovens Center BBC	17,766
Art Museum Construction Fund	17,369
Labor Center	5,285
Football Stadium Expansion	2,100
Army ROTC Center Building fund	1,300
Total Contributions to University Building Program	$ 2,221,694

NOTE 15 - COMMITMENTS AND CONTINGENCIES

LOAN GUARANTEES

The Foundation guaranteed amounts on fraternity housing projects on FIU's Maidique Campus, specifically the Pi Kappa Alpha Kappa Gamma Greek Housing facility. On October 3, 2013, the fraternity's charter was revoked. The University provided the Pike Housing Corp. with notice of an event of default under the lease and a termination of the lease effective December 3, 2013. Regions Bank approved a 45 day extension of the maturity of the loan until November 15, 2013. Pike Housing Corp. failed to pay the full outstanding balance. Under the guaranty, the Foundation was contractually obligated to pay the loan in the event of default. In November 2013, the Foundation paid the outstanding loan amount of $1,033,478.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LOAN GUARANTEES (CONTINUED)

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. At December 31, 2013, the borrower was in default of certain Debt Service Financial Coverage covenant set forth in the loan agreement. In August 2014, the bank agreed to waive the debt covenant default. 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, 2014 was $479,313.

NOTE 16 - 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, the lessee, has leased the grounds on which the multi-functional support complex was built, as described in Note 10. 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 10. Total amounts paid to the Foundation under this agreement were $1,375,281 and $1,405,552 for the years ended June 30, 2014 and 2013, respectively.

On December 1, 1999, the Foundation also entered into an operating lease with the Board of Regents on behalf of the University to lease the 75,000 square foot multi-function support complex to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 10, will be secured by the pledged lease payments from the University. The University has agreed to pay the Foundation, as lessor, rent in the amount equal to all amounts due and payable by the Foundation under the letter of credit agreement, if any, and the loan agreement. The payments also include any costs of operating and maintaining the multi-functional support complex, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the multi-function support complex became operational. The lease expires on May 1, 2022 which is the date of maturity of the loan agreement. The cost of the leased asset is $13,325,539 and the net book value is approximately $9,431,150 at June 30, 2014. Minimum future rentals as of June 30, 2014 are approximately as follows:

NOTE 16 - RELATED PARTY TRANSACTIONS (CONTINUED)

For the Year Ending June 30:	Amount
2015	$ 1,363,000
2016	1,363,000
2017	1,363,000
2018	1,418,000
2019	1,418,000
Thereafter	4,253,000
Total Minimum Payments Required	$11,178,000

FEH IV entered into a lease agreement with Florida International University Board of Trustees to lease the Islamorada Property, commencing March 1, 2014, to the University's College of Arts and Sciences for an annual rent in the amount of $250,212 for five years beginning March 2015. The property is to be transferred to the University at the end of the lease term. At June 30, 2014, the $1,037,000 lease receivable was included in other assets within the statement of financial position. See further details in Note 8.

NOTE 17 – ENDOWMENTS

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

INTERPRETATION OF RELEVANT LAW

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

NOTE 17 – ENDOWMENTS

INTERPRETATION OF RELEVANT LAW (CONTINUED)

As of June 30, 2014, endowment net assets consisted of the following:

	Temporarily Restricted *	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ 29,035,407	$ 199,384,169	$ 228,419,576
Board Designated Quasi-Endowment Funds	--	--	--
	$ 29,035,407	$ 199,384,169	$ 228,419,576
Endowment Net Assets - July 1, 2013	$ 8,553,241	$ 194,151,118	$ 202,704,359
Endowment Investment Return			
Interest, dividends and realized gains	1,695,967	--	1,695,967
Unrealized gains	26,801,074	--	26,801,074
Total Endowment Investment Returns	28,497,041	--	28,497,041
Contributions	--	5,273,351	5,273,351
Appropriation of endowment assets for expenditure	(5,920,846)	--	(5,920,846)
Appropriation for administrative fee 2%	(2,109,482)	--	(2,109,482)
Provision for uncollectable promises to give	--	(40,300)	(40,300)
Donor directed reinvestment of spending distributions	15,453	--	15,453
Endowment Net Assets - June 30, 2014	$ 29,035,407	$ 199,384,169	$ 228,419,576

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

RETURN OBJECTIVES AND RISK PARAMETERS

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

NOTE 17 – ENDOWMENTS (CONTINUED)

RETURN OBJECTIVES AND RISK PARAMETERS (CONTINUED)

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 2014, 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, 2014, the amount included in the endowment's temporarily restricted balance and approved for future spending on program services was $5,919,173.

SUPPLEMENTARY INFORMATION

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES
(A Direct Support Organization)

CONSOLIDATED SCHEDULE OF EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

Project Name	Program Services	General and Administrative	Fund Raising	2014	2013
Capital campaign	$ --	$ --	$ 2,947,548	$ 2,947,548	$ 1,006,474
College of Medicine	2,799,395	--	--	2,799,395	2,457,909
College of Arts and Sciences	2,370,752	--	--	2,370,752	1,339,509
Contribution to University Building Program	2,221,694	--	--	2,221,694	1,056,304
College of Business Administration	1,860,090	--	--	1,860,090	1,879,704
Wolfsonian Museum	1,276,232	--	--	1,276,232	1,435,013
College of Engineering and Computing	1,005,886	--	--	1,005,886	718,061
School of Hospitality Management	968,038	--	--	968,038	852,711
University Wide Scholarships and Programs	884,796	--	--	884,796	883,354
Athletics Fund - Golden Panthers	713,458	--	--	713,458	899,194
Business office operations	--	554,758	--	554,758	264,246
Advancement operations	--	--	550,209	550,209	511,111
Depreciation and amortization	--	547,742	--	547,742	493,408
College of Law	497,744	--	--	497,744	347,814
President's compensation	--	490,013	--	490,013	438,755
College of Nursing and Health Sciences	485,476	--	--	485,476	594,405
University support	--	431,096	--	431,096	198,795
Frost Art Museum	416,033	--	--	416,033	502,666
College of Architecture & the Arts	414,441	--	--	414,441	400,263
Stempel School of Public Health	337,737	--	--	337,737	284,462
School of Journalism	305,849	--	--	305,849	231,653
Academic Affairs	307,497		--	307,497	149,646
Office of Engagement	298,186	--	--	298,186	291,480
Interest	--	297,143	--	297,143	324,453

(Continued)

See independent auditors' report.

CONSOLIDATED SCHEDULE OF EXPENSES (Continued)

FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

Project Name	Program Services	General and Administrative	Fund Raising	2014	2013
Utilities and maintenance	$ --	$ 293,885	$ --	$ 293,885	$ 473,890
FIU Alumni Association	287,303	--	--	287,303	361,850
Professional fees	--	281,496	--	281,496	253,483
School of Computing and Information	156,688	--	--	156,688	130,663
Wolfsonian, Inc. expenses	--	152,353	--	152,353	16,392
Foundation Enterprise Holdings I, LLC	--	132,622	--	132,622	131,401
College of Education	121,153	--	--	121,153	105,086
President's allowance	--	96,857	--	96,857	98,573
Foundation Enterprise Holdings III, LLC	--	90,808	--	90,808	--
Honors College	93,896	--	--	93,896	93,837
FIU Libraries	62,310	--	--	62,310	54,870
External relations	52,296	--	--	52,296	42,520
Foundation Enterprise Holdings II, LLC	--	49,639	--	49,639	10,673
Administrative reserve	--	48,722	--	48,722	56,102
College of Social Work, Justice & Public Affairs	47,206	--	--	47,206	42,449
Insurance	--	46,995	--	46,995	197,065
Student Affairs	37,849	--	--	37,849	45,688
Florida Board of Governor's assessment	--	36,318	--	36,318	36,013
Human Resources	26,753	--	--	26,753	39,759
University Advancement	17,743	--	--	17,743	40,178
FIU Vice President's allowance	--	12,239	--	12,239	11,238
President's Office	10,127	--	--	10,127	1,464
University College	7,338	--	--	7,338	1,800
General Reserve	--	3,200	--	3,200	--
Foundation Enterprise Holdings IV, LLC	--	1,479	--	1,479	--
Division of Research	360	--	--	360	5
Total Expenses	$ 18,084,327	$ 3,567,365	$ 3,497,757	$ 25,149,449	$ 19,806,388

See independent auditors' report.

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 and Audit Committee
Florida International University Foundation Inc. and Subsidiaries
Miami, Florida

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 consolidated financial statements of Florida International University Foundation, Inc. and Subsidiaries (the Foundation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

Marcum LLP

Miami, FL
October 24, 2014

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

January 14, 2015

Subject: Florida International University Research Foundation Inc., Financial Audit, 2013-14

Proposed Committee Action:

Recommend approval by the Florida International University Board of Trustees of the Florida International University Research Foundation, Inc. Financial Audit for the 2013-14 Fiscal Year and authorize the Executive Director of the Florida International University Research Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Research Foundation, Inc. Financial Audit for 2013-14 was approved by the Florida International University Research Foundation, Inc. Board of Directors on November 13, 2014, and the University President is recommending its approval.

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, 2013-14

Facilitator/Presenter: Kenneth A. Jessell

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FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors and the
Assistant Vice President of Direct Support Organizations
Florida International University Research Foundation, Incorporated
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida International University Research Foundation, Incorporated (the Research Foundation), a direct support organization and a component unit of Florida International University, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 America. 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Research Foundation as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Research Foundation 2013 financial statements, and our report dated October 21, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 4 – 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Blended Component Unit

The financial statements of the Florida International Research iWASH Initiative Limited (iWASH) are presented in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). iWASH is a blended component unit, is presented in the Research Foundation's financial statements, and has a December 31st year-end. iWASH is audited by other independent auditors. Since the iWASH year end and presentation is not compatible with the Research Foundation's presentation as it is presented under the international accounting standards and not in accordance with generally accepted accounting principles in the United States of America, the financial statements and notes related to iWASH are presented on separate pages 18 – 31 along with the respective Report of Independent Auditors.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2014 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 Research Foundation's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
October 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Florida International University Research Foundation, Incorporated (the "Research Foundation") for the fiscal year ended June 30, 2014, 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 $307 thousand at June 30, 2014. This balance reflects a $60 thousand, or 17 percent, decrease from the 2013 fiscal year, primarily resulting from a decrease in cash of $60 thousand. While assets decreased, liabilities also decreased by $56 thousand, or 39 percent. As a result, the Research Foundation's net position decreased by $5 thousand reaching a year-end balance of $221 thousand.

The Research Foundation had no operating revenues for the 2014 fiscal year. Transfers from Florida International University (FIU) totaled $20 thousand. Operating expenses totaled $24.7 thousand for the 2014 fiscal year, representing an increase of 11 percent over the 2013 fiscal year due mainly to an increase in other operating expenses in Tanzania.

OVERVIEW OF FINANCIAL STATEMENTS

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

Statement of Net Position

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	2014	2013
Assets		
Current assets	$ 306.9	$ 367.3
Total Assets	306.9	367.3
Liabilities		
Current liabilities	85.9	141.6
Total Liabilities	85.9	141.6
Net Position		
Unrestricted	221.0	225.7
Total Net Position	$ 221.0	$ 225.7

Current assets are comprised mainly of cash. The increase in cash is primarily due to advance funding from FIU that is used to operate a U.S. Agency for International Development (USAID) grant in Burkina Faso. The activities are reflected on the statement of net position as Due to FIU.

In summary, total assets decreased by $60 thousand, or 17 percent, while total liabilities decreased by $56 thousand, or 39 percent. As a result, the net position balance at June 30, 2014, had an unfavorable decrease of $5 thousand.

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

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Research Foundation's revenue and expense activity, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the Research Foundation's activity for the 2014 and 2013 fiscal years:

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

	2014	2013
Operating Expenses	$ 24.7	$ 22.3
Operating Loss	(24.7)	(22.3)
Expenses before transfers	(24.7)	(22.3)
Transfer from FIU	20.0	60.0
Changes in Net Position	(4.7)	37.7
Net Position - Beginning of Year	225.7	188.0
Net Position - End of Year	$ 221.0	$ 225.7

Operating Revenues

The Research Foundation categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value. There were no operating revenues in 2014 or 2013.

Operating Expenses

The Research Foundation categorizes expenses as operating or non-operating. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the operating expenses by natural classifications for the 2014 and 2013 fiscal years:

Operating Expenses
(In Thousands)

	2014	2013
Professional fees	$ 17.5	$ 22.0
Other operating expenses	7.2	0.3
Total Operating Expenses	$ 24.7	$ 22.3

Operating expenses totaled approximately $25 thousand for the 2014 fiscal year. This represents an 11 percent increase over the 2013 fiscal year and was due to an increase in other operating expenses in Tanzania of approximately $7 thousand.

TRANSFERS

Transfers for the 2014 fiscal year totaled $20 thousand and were related to the transfers from the University to support the operating expenses of the Research Foundation.

This represents a 67% decrease over the 2013 fiscal year. The decrease was attributable to a reduced need for funding fiscal year 2013-14 since fund balances were being utilized.

BLENDED COMPONENT UNIT

Florida International Research iWASH Initiative Limited

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

In January 2010, Florida International University received a cooperative agreement funding award to support the Tanzania Integrated Water, Sanitation and Hygiene Program (iWASH). The company was established in Tanzania by the Florida International University Research Foundation, Inc. in order to implement the iWASH program in Tanzania. The funding is obligated under the USAID Strategic Assistance Objective #13 "Biodiversity Conserved in Targeted Landscapes through Livelihood Driven Approaches," and is under the bilateral Economic and Technical Cooperation Agreement signed between the Government of the United

Republic of Tanzania and the Government of the United States of America. Current funding is for the period January 1, 2010 through December 31, 2015. The company has a year end of December 31. For additional information on this component unit, see the blended component unit section in Note 1 of the financial statements on page 12.

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

iWASH Program provision of water supply continued to progress well. A total of 48,694 people gaining access to improved drinking water during the period from January to December 2013. Partnerships for provision of water supply with MSABI in Kilombero, SHIPO in Njombe, and IDYDC in Iringa have resulted in wells installed with Rope Pumps serving close to 10,000 people.

The iWASH Program provision' of sanitation and hygiene services continued mobilization in the pilot villages. During the reporting period over 7,900 people were sensitized on hygiene and sanitation through community meetings and community theatre. A total of nearly 5,600 people gained access to improved household sanitation, including school pupils gaining access to school latrines.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The primary factor that will impact the Research Foundation in the future will be the University's ability to develop intellectual property rights. Royalty income generated from licenses of University intellectual property is transferred to the Research Foundation for re-investment in the FIU research enterprise. If the University is successful, the Research Foundation will have more funds to invest but this does not change the objectives of the Research Foundation.

REQUESTS FOR INFORMATION

This financial statement is designed to provide a general overview of the Research Foundation'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 Controller, Florida International University Research Foundation, Incorporated, 11200 S.W. 8th Street, Miami, Florida 33199.

FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

STATEMENT OF NET POSITION

JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
Assets		
Current Assets		
Cash	$ 306,955	$ 367,317
Liabilities		
Current Liabilities		
Accounts payable	2,166	2,987
Due to FIU	83,705	138,576
	85,871	141,563
Net Position		
Unrestricted net position	$ 221,084	$ 225,754

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

FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
Operating Expenses		
Professional fees	$ 17,418	$ 20,987
Other operating expenses	7,252	1,297
Operating Loss	(24,670)	(22,284)
Transfer from Florida International University (FIU)	20,000	60,000
Change in Net Position	(4,670)	37,716
Net Position - Beginning	225,754	188,038
Net Position - Ending	$ 221,084	$ 225,754

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

FLORIDA INTERNATIONAL UNIVERSITY
RESEARCH FOUNDATION, INCORPORATED
(A Direct Support Organization)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
Cash Flows from Operating Activities		
Receipts from FIU	$ 47,424	$ 50,106
Cash paid for program activities	(127,786)	(19,987)
Net Cash Provided by (Used in) Operating Activities	(80,362)	30,119
Cash Flows from Non-Capital Financing Activities		
Transfers from FIU	20,000	60,000
Increase (Decrease) in Cash	(60,362)	90,119
Cash - Beginning	367,317	277,198
Cash - Ending	$ 306,955	$ 367,317
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (24,670)	$ (22,284)
Changes in assets and liabilities:		
Increase (decrease) in accounts payable	(821)	2,297
Increase (decrease) in due to FIU	(54,871)	50,106
Net Cash Provided by (Used in) Operating Activities	$ (80,362)	$ 30,119

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

Blended Component Unit

The Florida International Research iWASH Initiative Limited (iWASH) was created on February 22, 2010, under the Companies Act of 2002 which was formed in Tanzania. The entity is a not for profit company as defined by the laws in Tanzania. This entity was established solely as a legal entity to implement the development initiative known as Tanzania iWASH Program.

The financial statements of iWASH presented are prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). The iWASH board members consist of two members, one of which is authorized as the Research Foundation's representative at any meeting of the company and is entitled to exercise the same powers on behalf of the company as if it were an individual member present at the meeting including power to vote. iWASH is fiscally dependent on the Research Foundation because the company was established as a legal entity solely to implement the development initiative known as Tanzania iWASH Program. Accordingly, iWASH is a blended component unit and is

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Blended Component Unit (continued)

presented in the Research Foundation's financial statements. iWASH has a December 31st year-end. Since the iWASH year end and presentation is not compatible with the Research Foundation's presentation as it is presented under the international accounting standards and not in accordance with generally accepted accounting principles in the United States of America, the financial statements and notes related to iWASH are presented on separate pages 18 – 31. Complete financial statements for the iWASH Limited can be obtained by writing to: Controller, Florida International University, Division of Research, 11200 S.W. 8th Street, Miami, FL 33199.

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.

GASB Statement No. 65 *"Items Previously Reported as Assets and Liabilities"* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This implementation of this statement had no impact on the Research Foundation's financial statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

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.

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.

OPERATING REVENUE 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.

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, 2014.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the 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, 2014, 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. Management believes the Organization is no longer subject to income tax examinations for years prior to 2011.

TRANSFERS

Transfers for the 2014 fiscal year totaled $20 thousand from the University to support the operating expenses of the Research Foundation.

NOTE 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.

NOTE 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 Hygience (WA-WASH) Program under a U.S. Agency for International Development (USAID) grant. The balance in this account of $78,281 as of June 30, 2014 is not FDIC insured and is subject to foreign currency exchange risk. The Research Foundation maintains its other cash balances with high quality financial institutions, which the Research Foundation believes limits these risks.

NOTE 3 – DUE TO FLORIDA INTERNATIONAL UNIVERSITY

The amount Due to FIU of $83,705 represents funds that were sent to Burkina Faso related to grant operations. This liability will be reduced as vendors are paid in Burkina Faso. The funds for grant operations in Burkina Faso are repaid directly to the University from the grantor.

FLORIDA INTERNATIONAL UNIVERSITY RESEARCH iWASH INITIATIVE LIMITED

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Internet www.kpmg.co.tz

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

Report on the financial statements

We have audited the annual financial statements of the Florida International Research iWash Initiative Limited, which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 11 to 18.

The memorandum column representing the results in Tanzanian Shillings (Tzs'000) does not form part of the audited financial statements.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Florida International Research iWash Initiative Limited at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Act, 2002.

Report on other legal and regulatory requirements

In our opinion, proper accounting records have been kept by the Company and the financial statements referred to in the preceding paragraph are in agreement with the accounting records.

KPMG
Certified Public Accountants (T)

Signed by: M. Salim Bashir
Dar es Salaam

May 9 2014

FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

	2013	2012
Assets		
Non Current Assets		
Property and equipment	$ 5,780	$ 58,000
Current Assets		
Cash and cash equivalents	11,673	42,125
Total Assets	$ 17,453	$ 100,125
Equity and Liabilities		
Fund Accounts		
Retained earnings	$ --	$ --
Long Term Liabilities		
Capital grant	--	5,780
Current Liabilities		
Capital grant - current portion	5,780	52,220
Deferred grant	11,673	42,125
Total Current Liabilities	17,453	94,345
Total Equity and Liabilities	$ 17,453	$ 100,125

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

FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Statement of Comprehensive Income		
Income		
Grant income	$ 525,024	$ 440,884
Amortization of capital grant	52,220	58,055
Total Income	577,244	498,939
Expenditure		
Operating expenditure	577,244	498,939
Operating Surplus	--	--
Other Comprehensive Income (Net Taxes)	--	--
Total Comprehensive Income	$ --	$ --

Statement of Changes in Equity

	Accumulated Surplus	Accumulated Surplus
Balance - January 2013	$ --	$ --
Surplus for the period	--	--
Balance - December 2013	$ --	$ --

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

FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED
(A Component Unit)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
Cash Flow (Used in) from Operating Activities		
Operating surplus	$ --	$ --
Depreciation	52,220	58,055
Amortization of capital grant	(52,220)	(58,055)
Operating Profit before Working Capital Changes	--	--
Net Cash Flow from Operating Activities	--	--
Cash Flow from Financing Activities		
Capital grant received	--	--
Movement in deferred grant	(30,452)	13,997
Cash Flow from Financing Activities	(30,452)	13,997
Cash Flow from Investing Activities		
Acquisition of plant and equipment's	--	--
Cash Flow from Investing Activities	--	--
Net Increase (Decrease) in Cash and Cash Equivalents	(30,452)	13,997
Cash and Cash Equivalents - Beginning of Period	42,125	28,128
Cash and Cash Equivalents - End of Period	$ 11,673	$ 42,125

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Florida International Research iWASH Initiative Limited (the Company) is an Organization domiciled in Tanzania. The financial statements of the Company are for the period ended December 31, 2013.

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

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

Presentation of Financial Statements
The Company applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of January 1, 2009. As a result, the Program presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes (if any) in equity are presented in the statement of comprehensive income.

Statement of Compliance
The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS).

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

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

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

Going Concern
The Company operations are funded by its member, Florida International University Research Foundation, Inc.

Florida International University Research Foundation, Inc. has confirmed in its letter dated May 9, 2014 its intention to continue providing financial support and will not recall the outstanding advance within the foreseeable future.

EMPLOYEE BENEFITS

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

REVENUE RECOGNITION

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Recognition and Measurement
Items of property and equipment are stated at cost less accumulated depreciation (see accounting policy).

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

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

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

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

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

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

Motor vehicles	25%
Computer equipment	37.5%
Furniture and other equipment	12.5%

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of new standards, amendments to standards and interpretations are not yet effective for annual periods beginning after January 1, 2013 and have not been applied in preparing these financial statements. None of those are expected to have a significant effect on the financial statements of the Company except for:

i. Amendments to JAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

   The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment will result in the Group no longer offsetting two of its master netting arrangements. This amendment is effective for annual periods beginning on or after January 1, 2014 with early adoption permitted.

ii. IFRS 9 Financial Instruments

   IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The effective date of IFRS 9 was 1 January 2017.

   The company will adopt the standard in the first annual period beginning on or after the mandatory effective date (once specified). The Company does not plan to early adopt these standards and the extent of the impact has not been determined.

FUNCTIONAL AND REPRESENTATION CURRENCY

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL AND REPRESENTATION CURRENCY (CONTINUED)

- assets and liabilities were translated at the closing rate at the reporting date of Tzs 1,600 to USD;
- income and expenses were translated using an average exchange rate for the year of Tzs 1,596 to USD I

COMPARATIVES

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

NOTE 2 – DEFERRED GRANT

	2013	2012
Opening Balance	$ 42,125	$ 28,128
Receipts for the period	494,572	454,881
Grant income released (see Note 3 below)	(525,024)	(440,884)
Exchange difference	--	--
Balance at December 31	$ 11,673	$ 42,125

NOTE 3 – OPERATING EXPENDITURES

	2013	2012
NRA - salaries and consultants (non U.S. personnel)	$ 296,876	$ 238,088
Foreign travel (travel in TZ)	79,530	76,170
Airfare - foreign	2,174	--
Maintenance contracts	6,840	4,368
Security services	6,767	6,869
Rent of buildings	4,410	--
Rent expenses	5,353	12,042
Cellular phones	1,725	1,638
Communications charges	5,401	3,103
Motor vehicles others	5,390	--
Bank fees	1,713	1,162
Office supplies	4,671	6,586
Other materials and supplies	645	1,004
Gasoline and diesel	23,889	14,832
Other motor fuel supplies	5,394	6,539
Auto insurance	3,072	6,929
Postage	2	29
Courier/freight	593	239
Printing, copy card, Xerox and reproduction	13	1,055
Miscellaneous	187	1
Scholarships	25,670	35,617
F&E <$1000	--	2,215
F&E <$5000 (is under $5,000 not over)	(4,230)	--
Computer equipment under $5,000	8,637	--
Stipend	27,867	2,423
Professional fees	4,458	12,078
Exchange loss	168	--
Food products	7,809	7,897
Total Expenditures	525,024	440,884
Depreciation	52,220	58,055
Total Operating Expenditures	$ 577,244	$ 498,939

NOTE 4 – PROPERTY AND EQUIPMENT

	Office Equipment	Motor Vehicles	Office Furniture and Fittings	Computer Accessories	Total
Cost					
At January 2012	$ 2,465	$ 203,110	$ 9,091	$ 23,333	$ 237,999
Additions	--	--	--	--	--
Translation difference	--	--	--	--	--
At December 31, 2012	2,465	203,110	9,091	23,333	237,999
At January 2013	2,465	203,110	9,091	23,333	237,999
Additions	--	--	--	--	--
Disposals	--	--	--	--	--
Translation difference	--	--	--	--	--
At December 31, 2013	2,465	203,110	9,091	23,333	237,999
Depreciation					
At January 2012	616	101,556	2,272	17,500	121,944
Charge for the year	308	50,778	1,136	5,833	58,055
Eliminated on disposal	--	--	--	--	--
Translation difference	--	--	--	--	--
At December 31, 2012	924	152,334	3,408	23,333	179,999
At January 2013	924	152,334	3,408	23,333	179,999
Charge for the year	308	50,776	1,136	--	52,220
Eliminated on disposal	--	--	--	--	--
Translation difference	--	--	--	--	--
At December 31, 2012	1,232	203,110	4,544	23,333	232,219
Carrying Amount at December 31, 2013	$ 1,541	$ 50,776	$ 5,683	$ --	$ 58,000
At December 31, 2013	$ 1,233	$ --	$ 4,547	$ --	$ 5,780

NOTE 5 – CASH AND CASH EQUIVALENTS

	2013	2012
USD Account 6002092	$ 9,782	$ 34,980
TZS Account 6000200	1,891	7,145
	$ 11,673	$ 42,125

NOTE 6 – CAPITAL GRANTS MOVEMENT

	2013	2012
Opening Balance	$ 58,000	$ 116,055
Capital grant received during the period	--	--
Amortization of capital grants	(52,220)	(58,055)
Balance - December 31	$ 5,780	$ 58,000
Long term portion	$ --	$ --
Current portion	5,780	58,000
Total	$ 5,780	$ 58,000

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

NOTE 7 – RELATED PARTY TRANSACTIONS

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

NOTE 8 – TAXES

The Florida International Research iWASH Initiative Limited has been registered as company limited by guarantee, governed by Companies Act, 2002, having no motive to make profits. The company is exempted from VAT and Corporate Tax.

NOTE 9 – FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise cash and payables. These financial instruments arise directly from the Company's operations. The Company has not traded in financial instruments throughout the year end December 31, 2013.

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

LIQUIDITY RISK

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

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

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

MARKET RISK

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

NOTE 9 – FINANCIAL RISK MANAGEMENT (CONTINUED)

MARKET RISK (CONTINUED)

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

INTEREST RATE RISK

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

CREDIT RISK

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

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

FOREIGN CURRENCY RISK

The Company is exposed to currency risk on bank balances which are denominated in currencies other than the U.S. dollar.

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

FAIR VALUES

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

NOTE 10 – SUBSEQUENT EVENTS

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

NOTE 11 – CONTINGENT LIABILITIES AND OTHER COMMITMENTS

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

NOTE 12 – ULTIMATE HOLDING ENTITY

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

REPORTING SECTION

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*

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors and the
Assistant Vice President of Direct Support Organizations
Florida International University Research Foundation, Incorporated
Miami, Florida

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 Florida International University Research Foundation, Incorporated (the Research Foundation) (the Research Foundation or Organization) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, as listed in the table of contents, and have issued our report thereon dated October 6, 2014. Other auditors audited the financial statements of the Florida International Research iWASH Initiative Limited, a component unit. Their audit was not performed in accordance with *Government Auditing Standards.* This report does not include the results of the other auditors' testing of internal control over financial reporting and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

Marcum LLP

Miami, FL
October 6, 2014

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

January 14, 2015

Subject: Florida International University Athletics Finance Corporation Financial Audit, 2013-14

Proposed Committee Action:

Recommend approval by the Florida International University Board of Trustees of the Florida International University Athletics Finance Corporation Financial Audit for the 2013-14 Fiscal Year and authorize the Executive Director of the Florida International University Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The Florida International University Athletics Finance Corp. Financial Audit for 2013-14 was approved by the Florida International University Athletics Finance Corp. Board of Directors on October 21, 2014, and the University President is recommending its approval.

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

Supporting Documentation: Florida International University Athletics Finance Corp., Financial Audit, 2013-14

Facilitator/Presenter: Kenneth A. Jessell

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FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

FIU ATHLETICS FINANCE CORPORATION

(A Direct Support Organization)

CONTENTS

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors and the Assistant Vice President
of Direct Support Organizations
FIU Athletics Finance Corporation
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida International University Athletics Finance Corporation (the Athletics Finance Corporation), a direct support organization and a component unit of Florida International University, which comprise the statement of net position as of June 30, 2014 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

MARCUMGROUP
MEMBER

Marcum LLP ▪ One Southeast Third Avenue ▪ Suite 1100 ▪ Miami, Florida 33131 ▪ **Phone** 305-995-9600 ▪ **Fax** 305-995-9601
marcumllp.com

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Athletics Finance Corporation as of June 30, 2014, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Athletics Finance Corporation's 2013 financial statements, and our report dated October 23, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 21, 2014 on our consideration of the Athletics Finance 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 Athletics Finance Corporation's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
October 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The 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 year ended June 30, 2014, 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 Athletics Finance Corporation's assets totaled $31.4 million at June 30, 2014. This balance reflects a $2 million, or 6 percent, decrease from the 2013 fiscal year, resulting primarily from a decrease in cash and receivables. Liabilities decreased by $1.7 million, or 4 percent, totaling $38.5 million at June 30, 2014, compared to $40.2 million at June 30, 2013. As a result, the Athletics Finance Corporation's net position decreased (or deficit increased) by $0.3 million, reaching a year end deficit balance of $4.6 million.

The Athletics Finance Corporation's operating revenues totaled $3.6 million for the 2014 fiscal year, representing a 0.2 percent decrease over the 2013 fiscal year due primarily to a decrease in athletic support revenue and sponsorship revenues. Operating expenses totaled $2.3 million for the 2014 fiscal year, representing a 13 percent increase over the 2013 fiscal year due primarily to an increase in game day contractors and repairs and maintenance.

OVERVIEW OF FINANCIAL STATEMENTS

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

Statement of Net Position

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

The following summarizes the Athletics Finance Corporation's assets, liabilities, deferred outflow (inflow) of resources and net position at June 30:

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

	2014	2013
Assets		
Current assets	$ 3.5	$ 3.0
Noncurrent assets	27.9	30.4
Total Assets	31.4	33.4
Deferred Outflow of Resources	2.5	2.5
Liabilities		
Current liabilities	1.1	1.3
Noncurrent liabilities	37.4	38.9
Total Liabilities	38.5	40.2
Total Net Position	$ (4.6)	$ (4.3)

The statement of net position reflects a decrease in the net position deficit of the Athletics Finance Corporation. Current assets mainly depict cash and investments. The current asset increase is principally a result of increased investments. Noncurrent assets consist mainly of restricted cash, investments and prepaid rent. The decrease in noncurrent assets is mainly a result of a decrease in prepaid rent and suites and ticket sales receivable. Deferred outflows of resources reflect the accumulated decrease in fair value of its derivatives.

In summary, total assets decreased by $2 million, or 6 percent, while total liabilities also decreased by $1.7 million, or 4 percent. As a result, the net position decreased at June 30, 2014, by $0.3 million.

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

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the Athletics Finance Corporation's revenue and expense activity, categorized as operating and non-operating revenues and expenses, are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Athletics Finance Corporation's activity for the 2014 and 2013 fiscal years:

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

	June 30, 2014	June 30, 2013
Operating revenues	$ 3.6	$ 3.6
Operating expenses	2.3	2.0
Operating Income	1.3	1.6
Net non-operating expenses	(1.6)	(1.3)
Transfers to FIU	-	2.4
Change in Net Position	(0.3)	(2.1)
Net Position - Beginning of Year	(4.3)	(2.2)
Net Position - End of Year	$ (4.6)	$ (4.3)

The statement of revenues, expenses, and changes in net position reflects relatively stable operating revenues and expenses with slightly higher net non-operating expenses. Decrease in change in net position is mainly the result of transfers to FIU.

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 during the 2014 and 2013 fiscal years:

Operating Revenues
(In Millions)

	June 30, 2014	June 30, 2013
Athletic support	$ 0.9	$ 0.9
Ticket sales	0.7	0.6
Suite revenues	0.6	0.6
NCAA and conference payments	0.6	0.6
Other operating revenues	0.3	0.4
Rental income	0.3	0.3
Contributions	0.2	0.2
Total Operating Revenues	$ 3.6	$ 3.6

Operating revenues totaled $3.6 million for the 2014 fiscal year, representing a 0.2 percent decrease over the 2013 fiscal year. This was mainly due to a decrease in sponsorship and merchandise royalty revenues of $93 thousand offset in part by higher ticket sales of $83 thousand.

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 Athletics Finance Corporation 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 2014 and 2013 fiscal years:

Operating Expenses
(In Millions)

	June 30, 2014	June 30, 2013
Amortization of prepaid rent	$ 1.3	$ 1.3
Professional services and repairs	0.8	0.5
Utilities	0.1	0.1
Other operating expenses	0.1	0.1
Total Operating Expenses	$ 2.3	$ 2.0

Operating expenses totaled $2.3 million for the 2014 fiscal year. This represents a 13 percent increase over the 2013 fiscal year and was primarily due to increases in repairs and maintenance.

Non-Operating Revenues and Expenses

Non-operating revenues include interest income and unrealized gains on investments. Non-operating expenses include interest expense. The following summarizes the Athletics Finance Corporation's non-operating revenues and expenses for the 2014 and 2013 fiscal years:

Non-operating Revenues (Expenses)
(In Millions)

	June 30, 2014	June 30, 2013
Interest expense	$ (1.6)	$ (1.4)
Unrealized gain on investments	-	0.1
Net Non-operating Expenses	$ (1.6)	$ (1.3)

Non-operating expenses totaled $1.6 percent for the 2014 fiscal year. This represents a 12 percent increase over the 2013 fiscal year and was primarily due to an increase in interest expense of $172 thousand.

Transfers to FIU

There were no transfers to FIU for the 2014 fiscal year. During prior year, the transfers of approximately \$2.4 million in the Statement of Revenues, Expenses, and Changes in Net Position were attributable to surplus funds transferred back to FIU.

DEBT ADMINISTRATION

As of June 30, 2014, the Athletics Finance Corporation had \$32 million in outstanding bonds payable, representing a decrease of \$656 thousand, or 2 percent, from prior fiscal year.

Additional information about the Athletics Finance Corporation's bond payable is presented in the note 5 to the financial statements on page 19.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University has pledged a significant portion of game guarantee revenue, NCAA and Conference USA distribution revenues to the Athletics Finance Corporation. The Athletics Department including the Football Program has joined Conference USA effective July 1, 2013.

Membership in this new conference may provide an excellent opportunity and platform for further growth.

REQUESTS FOR INFORMATION

This financial statement is designed to provide a general overview of the Athletics Finance Corporation'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 Controller, FIU Athletics Finance Corporation, 11200 S.W. 8th Street, Miami, Florida 33199.

BASIC FINANCIAL STATEMENTS

FIU ATHLETICS FINANCE CORPORATION

(A Direct Support Organization)

STATEMENT OF NET POSITION

JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
Assets		
Current Assets		
Cash	$ 303,596	$ 523,669
Investments	1,149,160	539,704
Suites and ticket sales receivable	227,160	488,103
Due from FIU	270,092	114,022
Due from Foundation	218,000	--
Prepaid rent and other	1,304,113	1,319,796
Total Current Assets	3,472,121	2,985,294
Noncurrent Assets		
Restricted cash	1,518,190	2,017,600
Restricted investments	2,648,876	2,828,860
Suites and ticket sales receivable	400,000	719,360
Bond issuance costs, net	--	201,393
Prepaid rent	23,364,823	24,668,906
Total Noncurrent Assets	27,931,889	30,436,119
Total Assets	31,404,010	33,421,413
Deferred Outflows of Resources		
Accumulated decrease in fair value of hedging derivatives	2,242,930	2,156,186
Deferred charge on refunding	312,381	338,601
Total Deferred Outflows of Resources	2,555,311	2,494,787
Liabilities		
Current Liabilities		
Accounts payable	11,941	20,471
Accrued interest payable	119,254	121,235
Due to FIU	2,620	292
Bonds payable	676,567	656,479
Unearned revenue	348,360	541,453
Total Current Liabilities	1,158,742	1,339,930
Noncurrent Liabilities		
Due to FIU	1,500,000	2,000,000
Derivative liability	4,058,774	4,068,875
Unearned revenue	400,000	719,360
Bonds payable	31,415,877	32,092,444
Total Noncurrent Liabilities	37,374,651	38,880,679
Total Liabilities	38,533,393	40,220,609
Total Net Position - Unrestricted	$ (4,574,072)	$ (4,304,409)

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

FIU ATHLETICS FINANCE CORPORATION

(A Direct Support Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
Operating Revenue		
Athletic support	$ 870,000	$ 890,433
Ticket sales	662,103	579,063
NCAA and conference payments	600,000	600,000
Suite revenues	582,096	564,680
Rental income	284,961	261,332
Sponsorship revenues	249,850	314,409
Contributions	227,245	217,500
General concessions and vending commissions	47,090	64,326
Stadium naming rights	46,400	56,100
Merchandise royalties	33,033	61,138
Total Operating Revenues	3,602,778	3,608,981
Operating Expenses		
Amortization of prepaid rent	1,304,083	1,304,083
Game day contractors	529,197	498,446
Repairs and maintenance	261,550	37,876
Utilities	97,951	102,806
Materials and supplies	37,983	28,262
Professional fees	21,286	24,760
Banking fees	20,474	20,711
Other operating expenses	14,478	11,009
Total Operating Expenses	2,287,002	2,027,953
Operating Income	1,315,776	1,581,028
Non-Operating Revenues (Expenses)		
Interest income	1,527	1,896
Interest expense and fiscal charges	(1,579,690)	(1,407,085)
Unrealized gain (loss) on investments	(7,276)	159,165
Total Non-Operating Revenues (Expenses)	(1,585,439)	(1,246,024)
Transfers to FIU	--	2,403,371
Change in Net Position	(269,663)	(2,068,367)
Net Position - Beginning	(4,304,409)	(2,236,042)
Net Position - Ending	$ (4,574,072)	$ (4,304,409)

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

FIU ATHLETICS FINANCE CORPORATION

(A Direct Support Organization)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
Cash Flows From Operating Activities		
Operating receipts	$ 3,296,559	$ 3,677,290
Payments to vendors	(989,121)	(714,163)
Net Cash Provided By Operating Activities	2,307,438	2,963,127
Cash Flows From Capital and Related Financing Activities		
Payments and transfers to FIU	(500,000)	(2,903,371)
Principal payments on bonds	(656,479)	(636,987)
Interest paid	(1,435,222)	(1,465,180)
Net Cash Used By Capital and Related Financing Activities	(2,591,701)	(5,005,538)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	10,550,287	10,195,932
Purchase of investments	(10,987,035)	(8,602,738)
Interest income received	1,528	1,999
Net Cash Provided (Used) by Investing Activities	(435,220)	1,595,193
Decrease in Cash	(719,483)	(447,218)
Cash - Beginning (Includes Restricted Cash)	2,541,269	2,988,487
Cash - Ending (Includes Restricted Cash)	$ 1,821,786	$ 2,541,269
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,315,776	$ 1,581,028
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	580,303	536,937
Prepaid rent and other	1,304,083	1,304,085
Due from FIU	(156,070)	15,145
Due from Foundation	(218,000)	56,100
Increase (decrease) in:		
Accounts payable	(8,530)	9,415
Deferred revenue	(512,452)	(539,875)
Due to FIU	2,328	292
Total Adjustments	991,662	1,382,099
Net Cash Provided By Operating Activities	$ 2,307,438	$ 2,963,127
Non-Cash Investing and Financing Activities		
Change in fair value derivative liability	$ (86,744)	$ (1,794,938)
Change in deferred amount on debt refundings	$ 26,220	$ 26,220
Amortization of derivative liability	$ 96,845	$ 96,845

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The FIU Athletics Finance Corporation (the "Athletics Finance Corporation" or the "Organization"), a Florida not-for-profit corporation, is a direct support organization and a component unit of Florida International University ("FIU") 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 Florida International University ("FIU" or the "University") 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.

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.

For the year ended June 30, 2014, the Organization implemented GASB Statement No. 65 "*Items Previously Reported as Assets and Liabilities.*" This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources,

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

certain items that were previously reported as assets and liabilities. Specifically, the deferred amount on debt refundings was reclassified from bonds payable to a deferred outflow of resources on the Statement of Net Position and the unamortized bond issue costs were written off to current operations.

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.

INVESTMENTS

The Athletics Finance Corporation participates in investment pools through the State Board of Administration in accordance with the provisions of §17.61 and §215.49, Florida Statutes. These are investments with Florida PRIME administered by the State Board of Administration. Currently, no investments are held in Florida PRIME. Fund B, which is also administered by the State Board of Administration, is classified as an investment. These investment pools operate under investment guidelines established by §215.47, Florida Statutes. The Organization also invests in SEC Rule 2a-7 eligible money market funds.

All investments of the Organization, except Florida PRIME and Fund B, are reported at fair value using quoted market prices. The Florida PRIME and Fund B are recorded at reported values as provided by the State Board of Administration, which is equivalent to fair value. Income or loss is recorded as it is earned.

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 statement 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 statement of net position as a hedging derivative in deferred outflows of resources. See Note 6 for additional information on the interest rate swap.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 year ended June 30, 2014.

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, 2014, 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. Management believes the Organization is no longer subject to income tax examinations for years prior to 2011.

LONG-TERM DEBT

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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.

OPERATING REVENUE AND EXPENSES

The Athletics Finance Corporation's statement of revenues, expenses, and changes in net assets distinguishes 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 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.

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.

INVESTMENTS

In addition, the Athletics Finance Corporation maintains investment accounts with financial institutions that are not insured by the FDIC. Fund shares are not guaranteed by the U.S. government. Current and future portfolio holdings are subject to risk. At June 30, 2014, $3,798,036 was 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.

NOTE 3 - INVESTMENTS

Investments are made in accordance with the trust indenture. The Athletics Finance Corporation's investments at June 30, 2014, are reported at fair value, as follows:

Investment Type	Amount
Florida State Board of Administration:	
Florida PRIME	$ --
Fund B	110,267
Money Market Mutual Fund	3,687,769
Total Investments (Includes Restricted Investments)	$ 3,798,036

The Athletics Finance Corporation reported investments at fair value totaling $110,267 at June 30, 2014, in the Fund B Surplus Funds Trust Fund administered by State Board of Administration ("SBA") pursuant to Section 218.405, Florida Statutes. The State Board of Administration governs the trust fund under Ch. 19-7 of the Florida Administrative Code.

As a participant of Fund B, the entity invests in a pool of investments whereby the entity owns a share of the respective pool, not the underlying securities. The SBA's interpretation in regards to Fund B is that it does not meet the requirements of an SEC 2a7-like fund; therefore, SBA provided a fair value factor of 1.84438408 as of June 30, 2014 (i.e., total net asset value of Fund B divided by total participant balances of Fund B). The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME.

The Florida PRIME fund investments are also pooled. As a participant of Florida PRIME, the entity invests in a pool of investments whereby the entity owns a share of the respective pool, not the underlying securities. The SBA considers Florida PRIME an SEC "2a-7-like" fund with the primary objective of preservation of principal. The account balance is considered the fair value of the investment. A 2a-7 like pool is an external investment pool that is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940. This rule permits money market funds to use amortized cost to maintain a constant NAV of $1.00 per share, provided that such funds meet certain conditions. There was no balance in Florida PRIME at June 30, 2014. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other government agency.

NOTE 3 – INVESTMENTS (CONTINUED)

The Organization also invests in a Federated Government Obligations Fund. This is a money market mutual 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. The fund complies with the requirements of Rule 2a-7 under the Investment Company Act of 1940 Act, which sets forth portfolio quality and diversification restrictions for money market mutual funds. 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.

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, 2014, the money market mutual fund investments were rated AAAm by Standard & Poor's. Fund B is not rated by any nationally recognized statistical rating agency.

CONCENTRATION CREDIT RISK

Investments that exceed 5% or more of the portfolio in any one issuer are as follows: investments held in the Fund B administered by the State Board of Administration (SBA) consist of approximately 3% of total investments. Approximately, 97% of the investments are held with Regions Morgan Keegan in a money market mutual fund. According to the bond indenture, the Organization can invest the bond proceeds in these investment vehicles; there are no stated limitations on the amount that can be invested in any one issuer. The short term nature of the investments is due to liquidity needs, since those funds are being used for operating expenses, debt service payments and stadium construction costs.

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.

The WAM of the Florida PRIME at June 30, 2014 is 40 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK (CONTINUED)

Due to the nature of the securities in Fund B, the interest rate risk information is not available. An estimated weighted average life (WAL) is available. In the calculation of WAL, the time at which an expected principal amount is to be received (measured in years) is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL (based on expected cash flows) of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

The Federated Government Obligations 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, 2014 is 44 days while the WAL is 86 days.

NOTE 4 - BOND ISSUANCE COSTS

As of June 30, 2014, issuance costs related to both the tax exempt and taxable bonds (FIU Athletics Finance Corporation Capital Improvement Revenue Bonds Series 2009A and 2009B) in the amount of $217,074 were no longer capitalized as a result of the implementation of GASB 65. Because this amount was not material, they were written off to current operations rather than presented as an adjustment to beginning net position.

NOTE 5 - LONG-TERM DEBT

The debt activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	$30,000,000	$ --	$ --	$30,000,000	$ --
2009 Taxable Capital Improvement Revenue Bonds (Series B)	2,748,923	--	656,479	2,092,444	676,567
	$32,748,923	$ --	$656,479	$32,092,444	$676,567

NOTE 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. The interest rate on the Series 2009A Bonds is equal to the sum of 63.7% of three-month LIBOR plus 1.90%. The interest rate on the Series 2009B Bonds shall be at a rate equal to three-month LIBOR plus 2.65%. The total proceeds from the new bond issue were used solely to retire and current refund the outstanding Series 2007 A and B bonds and pay costs of issuance of the bonds and other refinancing costs. The bonds are secured by operating and non-operating revenues as well as University athletic fees, not to exceed 5% of the total athletic fees collected. Total principal due at June 30, 2014 was $32,092,444.

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 currently totals $2,648,876 and is presented in restricted investments.

The Athletics Finance Corporation is required to maintain minimum deposits of $1,500,000 with Regions Bank. The deposit is to be held in an interest-bearing additional reserve fund and is presented in restricted cash.

The interest rate on these bonds is both fixed and variable and is subject to a hedge agreement (see Note 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.

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The aggregate maturities of these bonds as of June 30, 2014 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2015	$ 676,567	$ 1,719,051	$ 2,395,618
2016	697,270	1,684,647	2,381,917
2017	1,090,035	1,649,191	2,739,226
2018	1,300,000	1,592,684	2,892,684
2019	1,357,143	1,522,802	2,879,945
2020 - 2024	7,778,571	6,449,448	14,228,019
2025 - 2029	9,714,286	4,159,869	13,874,155
2030 - 2033	9,478,572	1,302,408	10,780,980
Total	$32,092,444	$20,080,100	$52,172,544

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

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%.

TERMS

On December 22, 2009, Athletics Finance Corporation entered into an interest rate swap agreement to hedge the floating rate on $21,000,000 of the principal amount of the 2009A Bonds. This represents the fixed portion of the tax exempt bonds payable mentioned in Note 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.

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE

As of June 30, 2014, the Athletics Finance Corporation swap has a derivative liability of $4,058,774 as reported in the statement of net position. The negative fair value was determined using a Mark-to-Market Value and represents the closing mid-market values.

As of June 30, 2014, the fair value of the Series 2007A ineffective interest rate swap was $1,815,844. This interest rate swap was not terminated when the bonds were refunded in December 2009. The interest rate on the refunded Series 2009A bonds reflects a higher rate due to not terminating this interest rate swap. Accordingly, the fair value of $1,815,844 of the ineffective Series 2007A interest rate swap 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 statement of net position as a deferred outflow of resources in the amount of $2,242,930.

CREDIT RISK

As of June 30, 2014, 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 Baa3 by Moody's Investors Service, BBB by Standard and Poor's and BBB- by Fitch Ratings.

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.

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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.

SWAP PAYMENTS AND ASSOCIATED DEBT

Using rates as of June 30, 2014, debt service requirements of the variable-rate portion of the debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

For the Year Ending	Variable-Rate Bond		Interest Rate	
June 30,	Principal	Interest	Swap, Net	Total
2015	$ --	$ 399,314	755,686	$ 1,155,000
2016	--	399,314	755,686	1,155,000
2017	260,000	399,314	755,686	1,415,000
2018	910,000	394,370	746,330	2,050,700
2019	950,000	377,066	713,584	2,040,650
2020 - 2024	5,445,000	1,596,971	3,022,205	10,064,176
2025 - 2029	6,800,000	1,030,040	1,949,310	9,779,350
2030 - 2033	6,635,000	322,492	610,307	7,567,799
Total	$21,000,000	$ 4,918,881	$ 9,308,794	$35,227,675

As rates vary, variable-rate bond interest payments and net swap payments will vary. Principal payments will not vary and are included in the debt maturity schedule on page 20.

NOTE 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, naming rights revenues. Non-operating revenues include capital gifts and investment revenues related to any of the above. Operating revenues related to the sale of football stadium suites and club seats have been deferred. Revenues are unavailable until the year they are earned. Suite sales will be recognized annually based on their corresponding contracts.

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

For the Year Ending June 30,	Amount
2015	$ 348,360
2016	200,000
2017	40,000
2018	40,000
2019	40,000
2020 - 2021	80,000
Total	$ 748,360

NOTE 8 – RELATED PARTY TRANSACTIONS

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 year ended June 30, 2014 the Athletics Finance Corporation received revenue for NCAA and conference payments, athletic support, suite revenue, ticket sales, sponsorship revenues, rental income, contributions and other operating revenues. The total of these revenues was $3,558,821. As of June 30, 2014, the Athletics Finance Corporation had amounts due from FIU related to these revenues of approximately $270,000.

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

LEASE COMMITMENTS

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

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

For the Year Ending June 30,	Amount
2015	$ 1,304,083
2016	1,304,083
2017	1,304,083
2018	1,304,083
2019	1,304,083
2020 - 2024	6,520,416
2025 - 2029	6,520,416
2030 - 2033	5,107,659
	$24,668,906

Reconciliation of the Statement of Net Position to the Lease Commitment:	
Current prepaid rent	$ 1,304,083
Non current prepaid rent	23,364,823
Total Prepaid rent	24,668,906
Other assets	30
	$24,668,936

As of June 30, 2014, 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 the current year.

REPORTING SECTION

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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*

INDEPENDENT AUDITORS' REPORT

Members of the Board of Directors and the
Assistant Vice President of Direct Support Organizations
FIU Athletics Finance Corporation
Miami, Florida

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 Florida International University Athletics Finance Corporation (the Organization), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated October 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

Marcum LLP

Miami, FL
October 21, 2014

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The Florida International University Board of Trustees
Finance and Audit Committee
January 14, 2015

Subject: Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit, 2013-14

Proposed Committee Action:

Recommend approval 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 2013-14 Fiscal Year and authorize the Executive Director of the Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The FIU HCN Financial Audit for the 2013-14 fiscal year was submitted and approved by the Florida International University Academic Health Center Health Care Network Faculty Group Practice Board of Directors on October 15, 2014, and the University President is recommending its approval.

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

Supporting Documentation: Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit, 2013-14

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

FOR THE YEAR ENDED JUNE 30, 2014

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

CONTENTS

INDEPENDENT AUDITORS' REPORT

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

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 direct support organization and component unit of Florida International University, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 controls relevant to the preparation and fair presentation of financial statements that are fee 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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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.

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, 2014, and the changes in net position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the FIU HCN's 2013 financial statements, and our report dated October 29, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 – 9 be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 15, 2014 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 FIU HCN's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
October 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the "FIU HCN") for the fiscal year ended June 30, 2014, 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 FIU HCN assets totaled $2.7 million at June 30, 2014. While assets remained consistent, liabilities increased by $1.5 million, totaling $6.7 million at June 30, 2014, compared to $5.2 million at June 30, 2013. The increase in liabilities was a result of the following: (a) accounts payable increases due to growth in operations; (b) deferred revenues increases from the agreement with the American University of Antigua; and (c) from additional borrowings on the loan agreement with Florida International University (the "University" of "FIU"), whereby the University will loan the FIU HCN $5.3 million to provide working capital and build out capital to fund the expansion of the faculty practice plan. As of June 30, 2014, the draw downs on the loan totaled $5.5 million, which includes accrued interest. As a result, the FIU HCN's net position decreased by $1.5 million, reaching a year-end deficit of $4.1 million.

The FIU HCN's operating revenues totaled $4.5 million for the 2014 fiscal year, a $3.2 million increase from the 2013 fiscal year. This increase was comprised of primary care and specialty care physician clinical services (approximately $2.2 million), as well as other operating revenues generated by the HCN relating to non-clinical practice services (approximately $1 million). Operating expenses totaled $7.3 million for the 2014 fiscal year, representing an increase of $4.1 million over the 2013 fiscal year due to increases in the following: (a) salaries of administrative, clinical and support staff of the Herbert Wertheim College of Medicine and their associated benefits; (b) rent and lease expense; (c) non-capitalized equipment and medical supplies; (d) higher billing and collection fees due to increased clinical service revenues; (e) additional software and increased user licenses and (f) consulting, professional, marketing and other expenses, many related to the Department of Health – NHELP Community Collaborative project, for which the FIU HCN received $1.4 million in non-reciprocal funding from FIU. These operating expenses and equipment all were incurred related to the expansion of medical services and the administrative capabilities for the faculty practice plan.

OVERVIEW OF FINANCIAL STATEMENTS

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

Statement of Net Position

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

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

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

	2014	2013	2012
Assets			
Current assets	$ 1,164	$ 1,348	$ 380
Noncurrent assets	1,498	1,316	1,475
Total Assets	$ 2,662	$ 2,664	$ 1,855
Liabilities			
Current liabilities	$ 1,198	$ 263	$ 129
Noncurrent liabilities	5,525	4,916	3,823
Total Liabilities	$ 6,723	$ 5,179	$ 3,952
Net Position			
Unrestricted	$ (4,061)	$ (2,515)	$ (2,097)
Total Net Position	$ (4,061)	$ (2,515)	$ (2,097)

The statement of net position reflects the FIU HCN's expansion of operations. Current assets mainly depict cash and receivables.

In summary, total assets remained flat, while total liabilities increased by $1.5 million. As a result, the net position balance at June 30, 2014, had an unfavorable decrease of $1.5 million.

For more detailed information, see the statement of net position on page 10 of the financial statements.

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

	2014	2013	2012
Operating revenues	$ 4,482	$ 1,329	$ 322
Operating expenses	7,308	3,152	2,164
Operating Income	(2,826)	(1,823)	(1,842)
Non-operating expenses	(100)	(78)	(29)
Non-operating income	1,380	1,483	--
Change in Net Position	(1,546)	(418)	(1,871)
Net Position - Beginning of Year	(2,515)	(2,097)	(226)
Net Position - End of Year	$ (4,061)	$ (2,515)	$ (2,097)

Operating Revenues

The FIU HCN categorizes revenues as either operating or non-operating. Operating revenues are derived from direct patient care services provided by employed physicians of Florida International University's Herbert Wertheim College of Medicine ("HWCOM") and from revenues derived from administrative, management and business development services performed (non-patient care services).

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)

	2014	2013	2012
Net patient service revenue	$ 3,009	$ 810	$ 267
Other revenues	1,473	519	55
Total Operating Revenues	$ 4,482	$ 1,329	$ 322

Prior to 2014, the activities of the FIU HCN primarily consist of the provision of specialty and primary care clinical services to patients of the local community, as well as the University's faculty and staff. During 2014, the growth in the FIU HCN clinical operations was through service expansion at its clinical sites (i.e. Pain Management, Ob/Gyn, Cardiology and Internal

Medicine); and the addition of new clinical sites (i.e. Department of Health Sexually Transmitted Infections clinic). Specialty and primary care services growth is attributable to both inpatient and outpatient services to patients who are insured through commercial managed care payers, as well as Medicare and Medicaid.

Other revenues represent the following: (a) rental income from leasing physicians and (b) $1.4 million of management services and program revenues relating to the HWCOM Certificate Program, which currently has enrolled 3rd Year international medical students from the American University of Antigua.

Operating Expenses

The FIU HCN categorizes expenses as operating or non-operating. 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)

	2014	2013	2012
Contractual personnel services	$ 5,307	$ 2,204	$ 1,392
Contracted professional and consulting services	829	191	154
Rentals and leases	331	223	167
Other operating	206	124	44
Depreciation	187	185	164
Supplies - medical	155	53	37
Utilities	73	54	34
Repairs and maintenance	61	8	7
Advertising and promotion	58	57	107
Insurance	58	22	13
Supplies - other	43	31	45
Total Operating Expenses	$ 7,308	$ 3,152	$ 2,164

Operating expenses totaled $7.3 million for the 2014 fiscal year. This represents a $4.1 million increase over the 2013 fiscal year and was primarily due to increases in: (a) salaries of administrative, clinical and support staff of the HWCOM and their associated benefits; (b) rent and lease expense: (c) medical, office and non-capitalized equipment supplies; (d) higher billing and collection fees due to increased clinical service revenues; (e) additional software and increased user licenses and (f) consulting, professional, marketing and other expenses, many related to the Department of Health – NHELP Community Collaborative project for which the FIU HCN received $1.4 million in non-reciprocal funding from FIU. These operating expenses all were incurred related to the expansion of medical services and the administrative capabilities for the faculty practice plan.

Non-Operating Expenses

Non-operating expenses include interest expense on the loans owed to the University for start-up costs, working capital and capital funding for the expansion of the faculty practice plan and other clinical activities. The following summarizes the FIU HCN's non-operating expenses for the fiscal years ended June 30:

Non-Operating Revenues (Expenses)
(In Thousands)

	2014	2013	2012
Interest Expense	$ (100)	$ (78)	$ (29)
Non-Operating Expenses	$ (100)	$ (78)	$ (29)

Non-Operating Income

Non-operating income for 2014 represents the proceeds received from the State of Florida Department of Health (DOH) in connection with expenses attributable to the $4.5 million grant funding approved by the Legislature in connection with the DOH - NHELP Community Collaborative project.

Non-operating income for 2013 represents the proceeds received from Miami Dade County as a recoupment of funds expended relating to the construction/build-out of the Faculty Group Practice and its related equipping. This is part of the greater Ambulatory Care Center building project that will be added to the Modesto Maidique Campus of FIU as a result of the $10 million grant from the Miami Dade County.

Additional information about the FIU HCN's obligations to the University is presented in the notes to financial statements on page 18.

Debt Administration

As of June 30, 2014, the FIU HCN had debt payable to FIU of approximately $5,525,000, representing an increase of approximately $609,000, from prior fiscal year.

Additional information about the FIU HCN's debt due to FIU is presented in Note 5 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The overall healthcare economy and environment will continue to present opportunities, challenges and benefits.

As it relates to the current funding of its operations, the FIU HCN is dependent upon the following funding sources: (a) clinical operating revenues; (b) management service revenues; and (c) physician lease revenue.

For the fiscal year ended June 30, 2014, a significant portion of the FIU HCN's clinical revenues is generated from operations at the ambulatory clinical practice location. Clinical operating revenues are expected to continue to increase in the coming year due to the following factors:

- ✓ Increased patient volume as patient referrals increase and as the clinical practice incorporate existing community physicians into its employed physician base
- ✓ Increased number of insurance options being accepted at the practice, including Medicare, Medicaid and other managed care payers
- ✓ Provision of additional ancillary services (i.e. ultrasound) and physician specialty services
- ✓ Provision of inpatient evaluation & management services by physicians in hospitals, nursing homes and rehabs

Management service opportunities within the HWCOM and throughout the University (i.e. Student Health) will continue to be evaluated and implemented. The management of the Graduate Certificate program through HWCOM for 3rd year international medical student clinical rotations here in South Florida is continuing to expand. The FIU HCN also expects to continue its expansion of physician services at its clinical practice locations through such programs as the DOH – NHELP Community Collaborative. The FIU HCN will also continue to monitor its operations and make appropriate business decisions to reduce operating expenses and improve cash flow availability.

Based on current market trends, the FIU HCN does not expect to experience a decrease in reimbursement rates, as the principal source of services is in primary care, which is a major focus of the federal government's Accountable Care Act. Additionally, the FIU HCN will continue to focus on physicians providing services in inpatient settings due to the higher reimbursement levels (i.e. surgeries, inpatient evaluation & management services). Revenue growth can be further impacted through the following:

- ✓ P4P (pay for performance) initiatives
- ✓ Increasing capitation membership with managed care
- ✓ Ability to become "participating" providers with managed care organizations

Revenue Lease Agreement

During October 2013, HWCOM executed a lease agreement on behalf of FIU HCN with a local hospital affiliate of HWCOM to operate an ambulatory surgery center as part of the broader Ambulatory Care Center project being constructed on the campus of FIU. The lease agreement provides for a rent free period of approximately 180 days subsequent to completion of the core Ambulatory Care Center building, which is expected to be January 2015.

The initial term of the non-cancelable lease agreement is for twenty (20) years with a ten (10) year renewal option. Monthly base rent plus operating expenses from the effective date through December 31, 2017 is $52,579 and then increases by CPI as further defined in the lease agreement.

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 Chief Financial Officer, The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc., 11200 S.W. 8th Street, Miami, Florida 33199.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION

JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2013)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 398,675	$ 1,189,627
Patient accounts receivable, net	412,265	86,348
Other receivables	296,766	21,767
Other current assets	56,212	49,837
Total Current Assets	1,163,918	1,347,579
Noncurrent Assets		
Depreciable capital assets, net	1,498,333	1,316,565
Total Assets	$ 2,662,251	$ 2,664,144
Liabilities		
Current Liabilities		
Accounts payable	$ 676,257	$ 173,478
Due to FIU	1,713	--
Unearned revenue	520,743	90,000
Total Current Liabilities	1,198,713	263,478
Noncurrent Liabilities		
Due to FIU	5,524,577	4,915,807
Total Liabilities	6,723,290	5,179,285
Unrestricted Net Position	$ (4,061,039)	$ (2,515,141)

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.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
Operating Revenues		
Net patient service revenue	$ 3,009,155	$ 809,670
Educational program	1,440,780	500,000
Rental income	14,785	9,270
Miscellaneous revenue	17,025	9,854
Total Operating Revenues	4,481,745	1,328,794
Operating Expenses		
Contractual personnel services	5,306,642	2,203,960
Contracted professional and consulting services	828,766	190,884
Rentals and leases	331,316	222,646
Other operating	205,889	123,875
Depreciation	186,513	184,568
Supplies - medical	156,675	53,424
Utilities	72,625	54,359
Repairs and maintenance	61,137	8,121
Advertising and promotion	58,283	57,285
Insurance	57,792	22,245
Supplies - other	42,361	31,079
Total Operating Expenses	7,307,999	3,152,446
Operating Loss	(2,826,254)	(1,823,652)
Non-Operating Expenses		
Interest expense	(99,645)	(77,660)
Non-Operating Income		
Contribution from FIU	1,380,001	1,482,964
Change in Net Position	(1,545,898)	(418,348)
Net Position - Beginning of Year	(2,515,141)	(2,096,793)
Net Position - End of Year	$ (4,061,039)	$ (2,515,141)

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.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
Cash Flows From Operating Activities		
Operating receipts	$ 3,183,237	$ 749,177
Other operating receipts	1,197,591	516,670
Payments to suppliers for goods and services	(4,938,313)	(358,148)
Net Cash and Cash Equivalents (Used in) Provided by Operations	(557,485)	907,699
Cash Flows From Non-Capital Financing Activities		
Payments to FIU	--	(28,573)
Net Cash and Cash Equivalents (Used in) Provided by Non-Capital Financing Activities	--	(28,573)
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(233,467)	--
Net Cash Used in Capital and Related Financing Activities	(233,467)	--
Net Change in Cash and Cash Equivalents	(790,952)	879,126
Cash and Cash Equivalents - Beginning of Year	1,189,627	310,501
Cash and Cash Equivalents - End of Year	$ 398,675	$ 1,189,627
Reconciliation of Operating Loss to Net Cash and Cash Equivalents (Used in) Provided by Operations		
Operating loss	$ (2,826,254)	$ (1,823,652)
Depreciation	186,513	184,568
Expenses paid by FIU	1,380,001	2,499,598
(Decrease) increase in operating assets:		
Patient accounts receivable	(325,917)	(60,493)
Other receivables	(274,999)	(2,454)
Other current assets	(6,375)	(25,315)
Increase (decrease) in operating liabilities:		
Accounts payable	878,803	135,447
Unearned revenue	430,743	--
Net Cash and Cash Equivalents (Used in) Provided by Operations	$ (557,485)	$ 907,699
Non-Cash Investing and Financing Activities		
Accrued interest on balance due to FIU	$ (99,645)	$ 76,761
Purchase of capital assets paid by FIU	$ 134,814	$ 26,477
Borrowings from FIU	$ 509,125	$ 2,499,598
Contributions from FIU	$ 1,380,001	$ 1,482,964

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the "FIU HCN" or the "Organization"), a Florida not-for-profit corporation, is a component unit of Florida International University ("FIU"). The Organization exists exclusively to support the mission of Florida International University to improve and support health education at the Florida International University 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 Organization has been granted tax-exempt organization status as defined by Section 501(c)(3) of the Internal Revenue Code.

The FIU HCN was organized in the State of Florida on February 21, 2008 and on August 9, 2012, the Organization 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.

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 Organization'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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

GASB Statement No. 65 *"Items Previously Reported as Assets and Liabilities"* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This implementation of this statement had no impact on the Organization's financial statement.

COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

OPERATING REVENUE AND EXPENSES

The FIU HCN's statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services, which is the FIU HCN's principal activity. Other sources of revenue, including investment earnings, are reported as non-operating revenue. Operating expenses include all expenses incurred to provide healthcare, other than external financing costs.

NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

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

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an allowance for contractual adjustments. Individual accounts are charged-off against the estimated allowance for uncollectible accounts when management determines that it is unlikely that the account will be collected. The

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE (CONTINUED)

contractual adjustments represent the difference between established billing rates and estimated reimbursement from patients and third party payors. The FIU HCN does not require collateral or other security for patient accounts receivable.

EDUCATIONAL PROGRAM REVENUE

Educational program revenues are earned under the terms of the agreement with the American University of Antigua and consist of monthly management fee revenues, as well as clinical program revenues earned at the start of each six (6) week clinical rotation cycle. Additionally, an advance payment of clinical program fees is amortized monthly on a pro-rata basis over the life of the agreement which is sixty four (64) months.

INCOME TAXES

The FIU HCN is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes, except for unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2014.

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, 2014, 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. Management believes the Organization is no longer subject to income tax examinations for years prior to 2011.

NOTE 2 – NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

Net patient service revenue is derived principally from professional fees generated by the faculty of the FIU Academic Health Center from treating patients. Net patient service revenue represents direct revenue from patient care. This revenue is derived from professional fees charged to individual patients and funded through third party payors and private patient payments based on established reimbursement rates. A reconciliation of the net patient service revenue and amounts of services provided to patients at established rates to direct revenue from patient care, as presented in the statement of revenue, expenses and changes in net position is as follows:

	Year Ending June 30,	
	2014	2013
Gross direct charges from patient care	$ 5,318,442	$ 1,242,428
Less: contractual adjustments	(2,085,459)	(432,758)
Less: bad debt expense	(223,828)	--
Total Net Patient Service Revenue	$ 3,009,155	$ 809,670

Contractual adjustments for 2014 included approximately $157,000 related to adjustments provided to self-insured patient accounts. The majority of these adjustments were for hospital services provided to unfunded patients, which represents individuals who are not enrolled in a health plan and must meet their financial obligations by using personal resources. These adjustments do not include allowances offered under a discount program according to the FIU HCN's self-pay discount policy, which were immaterial.

The following is a summary of the payment arrangements with major third party payors:

Medicare: As of June 30, 2014, all HWCOM faculty physicians are participating in the Medicare program. In most instances, Medicare pays 80% of the allowed charge with the patient being responsible for 20% co-payment and an annual deductible.

Medicaid: As of June 30, 2014, a number of the HWCOM faculty physicians are participating in the Medicaid program. Those physicians that meet the enhanced reimbursement requirement for Medicaid have been enrolled; all other faculty physicians are reimbursed at the current Medicaid fee schedule rates.

NOTE 2 – NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE (CONTINUED)

Other: HWCOM, on behalf of FIU, has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations ("HMO's") and preferred provider organizations ("PPO's"). The basis for payment, which is deposited into an FIU HCN account under these arrangements, varies. Many of the HMO and PPO arrangements are based on the third party's fee schedule or capitated arrangements with certain Medicare Advantage HMO's which have been executed. Capitation revenue for the year ended June 30, 2014 was approximately $240,000, which is included in net patient service revenue.

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

	Year Ending June 30,	
	2014	2013
Patient accounts receivable based on established charges	$ 1,467,238	$ 196,565
Less: contractual adjustments	(831,145)	(110,217)
Less: allowance for doubtful accounts	(223,828)	--
Patient Accounts Receivable, Net	$ 412,265	$ 86,348

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

	Year Ending June 30,	
	2014	2013
Commercial and managed care	$ 245,487	$ 66,010
Medicare	138,886	14,088
Medicaid	27,892	4,819
Self-pay	--	1,431
Patient Accounts Receivable, Net	$ 412,265	$ 86,348

NOTE 3 – EDUCATIONAL PROGRAM

Effective October 1, 2013, an Agreement was executed by HWCOM on behalf of the FIU HCN with the American University of Antigua (the "School") that allows for the opportunity for qualified School students to participate in an HWCOM Clinical Certificate Program that offers core clinical rotations in multiple medical specialties to third year students. The agreement is for a period of sixty four (64) months and will generate management and clinical program service 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, 2014, the unearned amount is approximately $431,000 and is included in unearned revenue as a liability.

For the year ended June 30, 2014, total revenues earned under the terms of this Agreement approximated $1,441,000 composed of $960,000 in management fees for the clinical certificate program and $481,000 for the clinical certificate program.

For the year ended June 30, 2013, the FIU HCN recognized $500,000 as revenue attributable to an initial agreement entered into with the School for the first phase of the project, which included establishing a clinical education agreement with a hospital affiliate that would provide the "home base" for the third year medical student rotations. The clinical education agreement was executed with Westchester General Hospital, Inc. on June 25, 2013.

NOTE 4 – DEPRECIABLE CAPITAL ASSETS

A summary of depreciable capital assets is as follows:

	Depreciable Capital Assets			
	Ending Balance June 30, 2013	Additions	Disposals	Ending Balance June 30, 2014
Medical equipment	$ 244,211	$ 368,281	$ --	$ 612,492
Leasehold improvements	1,422,715	--	--	1,422,715
Total Depreciable Capital Assets	$ 1,666,926	$ 368,281	$ --	$ 2,035,207

	Accumulated Depreciation			
	June 30, 2013	Depreciation	Disposals	June 30, 2014
Accumulated Depreciation Totals	$ (350,361)	$ (186,513)	$ --	$ (536,874)
Depreciable Capital Assets, Net	$ 1,316,565			$ 1,498,333

NOTE 5 – RELATED PARTY TRANSACTIONS

DUE TO FIU

Following is a rollforward of the due to FIU balance for the year ended June 30, 2014:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Due to FIU - Loan	$ 4,915,807	$ 608,770	$ --	$ 5,524,577	$ --
Total Due to FIU	$ 4,915,807	$ 608,770	$ --	$ 5,524,577	$ --

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. Interest on the loan accrues at 2.00% simple interest and is added to the principal balance. The loan is scheduled to mature on June 1, 2030. Draw downs on the loan through fiscal year ended June 30, 2014 totaled $5,321,198 and relate principally to expenses paid directly by FIU on behalf of FIU HCN. As of June 30, 2014 this loan had a balance of $5,524,577, which includes approximately $203,000 of accrued interest. Interest payments on the loan are scheduled to begin on June 1, 2015.

Estimated principal and interest payments for the life of the amounts due to FIU, based on the balance due as of June 30, 2014, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2015	$ --	$ 108,250	$ 108,250
2016	--	108,250	108,250
2017	--	108,250	108,250
2018	389,508	110,492	500,000
2019	397,299	102,701	500,000
2020-2024	2,108,909	391,091	2,500,000
2025-2029	2,328,406	171,594	2,500,000
2030	300,455	6,009	306,464
Total	$ 5,524,577	$ 1,106,637	$ 6,631,214

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

LEASE COMMITMENT

The University and the FIU HCN are parties to a space leasing agreement with an initial term of ten (10) years, expiring February 2021, which is for the Faculty Group Practice site at PG 5 Market Station. For the years ended June 30, 2014 and 2013, rent expense under this agreement amounted to $196,050 each year. Furthermore, certain space within this facility is subleased until March 2015. For the year ended June 30, 2014, the total sub-lease rental income was approximately $14,785.

Future minimum annual lease commitments are as follows:

For the Year Ending June 30,	Amount
2015	$ 182,040
2016	182,040
2017	182,040
2018	182,040
2019	182,040
Thereafter	293,106
Total	$ 1,203,306

OTHER

The FIU HCN received approximately $1.4 million in non-reciprocal funding from FIU for expenses and capital assets incurred during the 2014 fiscal year. Of this amount, $633,000 is attributable to legislative funding from the State of Florida, through the Department of Health, for an innovative community collaborative model involving the State of Florida Department of Health and Florida International University and its Herbert Wertheim College of Medicine. The remaining funds were for management and administrative expenses incurred by the FIU HCN on behalf of HWCOM.

NOTE 6 – OPERATING LEASES

The FIU HCN is party to a non-cancelable a medical equipment lease with an unrelated third party vendor, with a four (4) year term ending in February 2016.

During November 2013, FIU HCN entered into a medical office space lease for its FIU Health Sunset location in monthly installments of $9,049. The lease is for a one (1) year term ending in November 2014, and is automatically extended for consecutive one year terms unless terminated.

Future minimum rental payments required under this lease are as follows:

For the Year Ending June 30,	Amount
2015	$ 69,689
2016	14,259
Total	$ 83,948

For the year ended June 30, 2014, the FIU HCN recognized $87,787 in expenses related to these operating leases.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

SELF-INSURANCE PROGRAM

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

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

SELF-INSURANCE PROGRAM (CONTINUED)

As part of its mission to support the Academic Health Center and FIU, the FIU HCN will transfer a portion of its future surplus from operations to the Academic Health Center and FIU to fund the future cost of the SIP. This future surplus will be transferred to an appropriate FIU account as directed by the FIU's Division of Finance when such funds are available and budgeted by the Board of Directors of the FIU HCN for this purpose. FIU HCN will, when there is sufficient surplus from operations; fulfill its commitment to provide future SIP funding. Through June 30, 2014, FIU HCN has not made any transfers to this SIP.

HEALTHCARE INDUSTRY

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

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

FUTURE STRATEGIC INITIATIVES

As part of a strategic initiative between FIU and Miami-Dade County, a political subdivision of the State of Florida ("MDC"), $10 million from interest proceeds of a GOB bond funding has been granted for an on-campus Ambulatory Care Center. Approximately, $1.5 million was received during the 2013 fiscal year with the balance to be received through the end of fiscal 2015. No amounts were received during the 2014 fiscal year. FIU has entered into agreements with both an architectural and engineering firm, as well as a general contractor, to complete this project. The project is expected to be completed and occupied in January 2015.

COMPLIANCE SECTION

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*

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.
Miami, Florida

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 " Organization") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, as listed in the table of contents, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contrpacts, 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.

Marcum LLP

Miami, FL
October 15, 2014

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
January 14, 2015

Subject: Investment Policy Amendment

Proposed Committee Action:

Recommend to the Florida International University Board of Trustees (the BOT) adoption of revisions to the University's Investment Policy.

Background Information:

The University Investment Committee is an advisory committee created by the BOT to make recommendations to the University administration and BOT regarding University investments. The University is recommending approval of the proposed revisions to the Investment Policy. The proposed revisions were ratified by the University Investment Committee on November 20, 2014.

The first proposed change is to add the Credit Fixed Income category to the Fixed Income asset class. The proposed change would provide additional diversification and enable the University to focus on corporate fixed income investments.

The second proposed change is to add the Master Limited Partnership category to the Real Assets class. The proposed change would provide additional income, growth potential, portfolio diversification and a hedge against inflation.

The third proposed change is to update the Investment Grade Fixed Income category guidelines to provide additional clarity and flexibility to managers. It also creates consistency with and between the proposed Credit Fixed Income guidelines.

The fourth proposed change is to amend the Asset Allocation Guidelines to incorporate the Credit Fixed Income and Master Limited Partnership categories into the portfolio and maintains the most efficient structure for the target portfolio.

The BOT is authorized to adopt an investment policy pursuant to Sections 1011.42 and 218.415 of the Florida Statutes. The University's Investment Policy was last revised on September 10, 2013.

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

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FLORIDA INTERNATIONAL UNIVERSITY

OFFICIAL UNIVERSITY POLICY

University Community (faculty, staff and students)

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

POLICY STATEMENT (R*)

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

The investment of the University's operating funds investment pool (the "Portfolio") shall be based on an analysis that will, at a minimum, consider:

- The financial condition of the University
- The expected long term capital market outlook
- The University's risk tolerance
- Future planned capital expenditures and cash requirements
- Debt service requirements
- Current and projected expenses
- Inflation

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

I. GENERAL INVESTMENT GOALS AND OBJECTIVES

The general investment goals established herein are designed to broadly take into account the purpose of the Portfolio and articulate the philosophy and parameters by which the University will manage the Portfolio's assets.

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

i. Maintain the safety of the principal;
ii. Maintain the necessary liquidity to ensure funds are available to support operational needs;
iii. Obtain a reasonable return for a prudent level of risk.

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

II. GOVERNANCE

A. BOT Finance and Audit Committee

The Florida International University Board of Trustees (“BOT”) is responsible for the oversight and approval of this Policy (and any amendments thereto) and oversight of the University's implementation of the Policy.

This Policy addresses specifics relating to:

- Investment goals and objectives
- Asset allocation policy targets specifying minimum and maximum ranges
- Rebalancing policy
- Selection of investment managers
- Authorized investments

B. Investment Committee

The BOT’s Investment Committee recognizes that matters concerning the investment of the operating fund assets owned by the University merit serious attention and frequent consideration. The Investment Committee, at a minimum, will consist of:

- An individual designated by the BOT,
- The Chief Financial Officer of the University,
- The Treasurer of the University and
- A representative from University academics.

In addition, the Investment Committee may include up to two business community representatives and other representatives with specific expertise in investment and portfolio management to strengthen the Committee’s capabilities. The need for adding members will be determined by the Chair of the BOT, in consultation with the Chair of the Finance and Audit Committee.

The Investment Committee, with the guidance and recommendations of the investment consultant hired by the University, is responsible for:

- Directing all of its efforts toward the investment objectives stated herein
- Performing at least annually a review of the investment objectives stated herein
- Ensuring that the objectives stated in this Policy are practical and reflect the mission of the University
- Hiring an investment consultant, consistent with University procurement requirements
- Implementing and monitoring the asset allocation policy
- Conducting an annual formal review of the investment structure
- Developing an updated financial projection a minimum of every three years
- Selecting and monitoring of qualified, competent investment managers
- Terminating investment managers failing to maintain acceptable quantitative (e.g. risk/return profile) and/or qualitative (e.g. organizational changes) standards
- Developing and reviewing the objectives and guidelines given to each specific investment manager
- Meeting at least quarterly to review the results of the investment portfolios
- determining whether the investment objectives set forth herein are being met and whether the investment guidelines are being followed
- Providing the BOT with regular performance reports on the investment portfolios
- Completing annually eight (8) hours of continuing education in subjects or courses of study related to investment practices and procedures, or the Chief Financial officer shall complete this requirement.

C. Staff

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

- Administering the investments of the Portfolio at the lowest possible cost, being careful to avoid sacrificing quality
- Administering the rebalancing policy
- Day-to-day interaction with the consultants and investment managers

III. INVESTMENT GUIDELINES

The investment guidelines set forth herein establish parameters for the Portfolio and for the University's investment managers to follow in implementing their respective investment strategies. These guidelines address asset allocation, restricted transactions, diversification, quality and turnover.

A. Investment Pools*

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

2. WORKING CAPITAL POOL
This pool is intended to provide for the immediate normal operating requirements of the University (funds awaiting clearance), and other short-term investments of the University. This pool includes funds that must be invested in a restricted manner in accordance with federal and/or state law.

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

4. RESERVE POOL
This pool encompasses a state-mandated unencumbered reserve. This pool is intended to be invested over the medium-longer term.

*University and affiliated-organization bond proceeds are outside the purview of this Policy and will be invested in compliance with all relevant federal and state laws.

B. Asset Class/Category Characteristics

1. CASH EQUIVALENTS
The purpose of the cash equivalents portfolio is to provide liquidity to fund operational expenses, debt service and other short term cash needs.

2. FIXED INCOME

Investment Grade
This asset class is intended to be representative of the overall U.S. investment grade bond market. The purpose of the fixed income asset class is to provide a high level of current income to provide liquidity for

intermediate cash flow needs and to provide diversification benefits during periods of a stock market decline.

Credit Fixed Income

This asset class is intended to be representative of the overall U.S. corporate credit bond market. The purpose of this asset class is to provide a high level of current income, total return enhancement, and diversification benefits. An active investment manager with strong credit research capabilities will be used to implement this exposure.

High Yield

This asset class is intended to be representative of the non-investment grade U.S. bond market (bonds rated BB or lower). The purpose of this fixed income asset class is to provide a higher level of current income to compensate for the additional level of credit risk employed. The purpose of this asset class is to provide some return enhancement and diversification benefit in order for the Portfolio to realize long-term growth above inflation.

3. EQUITIES

U.S. Equity

This asset class is intended to be representative of the overall U.S. stock market. The purpose of the equity asset class is to provide a high level of capital appreciation in order for the Portfolio to realize long-term growth above inflation.

International Equity

The purpose of the international equity asset class is to provide exposure to equities in international equity markets. Exposure to international equities enhances returns of the combined equity portfolio while reducing return volatility.

Private Equity

The purpose of the private equity asset class is to provide a global exposure to private equity markets that is diversified by geography, investment type (venture capital, growth equity, buyout, mezzanine, distressed and special situations) and vintage year. Exposure to the private equity market is expected to provide access to outsized returns as compared to the public equity market.

4. REAL ASSETS

Treasury Inflation Protected Securities (TIPS)

This asset class is intended to be representative of the fixed income investments in which the principal is adjusted periodically based on changes in CPI. The purpose of the TIPS asset class is to provide fixed income returns with the additional diversification benefits of inflation protection.

Real Estate Investment Trusts (REITS)

This asset class is intended to be representative of the Real Estate Investment Trust market. The purpose of the REIT asset class is to provide a higher level of current income and capital appreciation than fixed income with diversification benefits from its low correlation to both stocks and bonds.

Commodities

This asset class is intended to be a passively managed representation of a direct investment in a diversified commodities strategy. A direct investment is either through the purchase of the physical commodity (e.g., crude oil, metals) or the purchase of derivatives (e.g., futures). The principal roles for commodities in the Portfolio are as a risk diversifier, and an inflation hedge, providing an expected offset to assets such as fixed rate instruments, which typically lose value during periods of unexpected inflation.

Master Limited Partnerships (MLPs)

This asset class is intended to be representative of an actively managed investment in energy Master Limited Partnerships. The investment will provide exposure to businesses that primarily engage in in the midstream portion of the energy chain – i.e pipelines, storage terminals, gathering and processing. The principal roles for MLPs in the Portfolio are for income generation, high growth potential, portfolio diversification, and a hedge against inflation.

5. ABSOLUTE RETURN

This asset class is intended to be representative of a broadly diversified hedge fund strategy intended to provide an "absolute return" in any market environment with low to intermediate level of risk. This strategy is intended to provide modest return enhancement to that of fixed income with diversification benefits derived from its low correlation to other asset classes.

C. Authorized Investments and Restrictions

The following authorized investments and restrictions establish the parameters the University's investment managers must follow in implementing their respective investment strategies. Each underlying manager will have a specific set of guidelines that may be more restrictive than those set forth herein.

Investment Guidelines - Investment Grade Fixed Income	
Authorized Investments:	**Status**
Fixed Income securities issued in the U.S. investment grade bond market	Authorized
Rule 144A securities	Authorized
Non dollar securities and securities of issuers outside the U.S.	Authorized
U.S. Treasury, Agency, Eurodollar, and Swap financials futures	Authorized
Interest rate swaps	Authorized
Options on securities otherwise allowable under the guidelines	Authorized
Agency mortgage dollar rolls	Authorized
Cash vehicle through trustee	Authorized
Restrictions:	**Guideline**
Maximum invested in securities not paying in US dollars	10% of account market value
Maximum invested in issuers domiciled outside the US	10% of account market value
Maximum invested in non US dollar-denominated assets	10% of account market value
Cross-currency hedging	Prohibited
Rated by any two of S&P / Moody's / Fitch (except US government and agency securities)	Required
Must be rated BB- / Ba3 or better at time of purchase	Required
Weighted average credit quality must average at a minimum BBB / Baa	Required
Convertible securities and preferred stocks	Prohibited
Maximum position in securities not rated or rated BB+ /Bal or lower	5% of account market value
Collateralized securities must have a credit quality rated AAA by S&P and rated Aaa by Moody's	Required
Interest-only (IO) securities	Prohibited
Collateralized Bond Obligations, Collateralized Debt Obligations, and Collateralized Loan Obligations	Prohibited
Credit derivatives	Prohibited
Maximum per any one issuer	5% of account market value
Maximum duration exposure derived from futures, options or swaps	20%
Borrowing and/or lending of funds or securities	Prohibited
Explicit leverage at the vehicle level	Prohibited

Investment Guidelines - Credit Fixed Income	
Authorized Investments:	**Status**
Fixed Income securities issued in the U.S. investment grade bond market	Authorized
Rule 144A securities	Authorized
Non dollar securities and securities of issuers outside the U.S.	Authorized
U.S. Treasury, Agency, Eurodollar, and Swap financials futures	Authorized
Interest rate swaps	Authorized
Options on securities otherwise allowable under the guidelines	Authorized
Agency mortgage dollar rolls	Authorized
Cash vehicle through trustee	Authorized
Restrictions:	**Guideline**
Maximum invested in non US dollar-denominated assets	10% of account market value
Maximum invested in High Yield (as rated by S&P, Moody’s, And Fitch)	20% of account market value
Maximum invested in Mortgage, Commercial Mortgage, and ABS	10% of account market value
Rated by any two of S&P / Moody's / Fitch (except US government and agency securities)	Required
Must be rated BB- / Ba3 or better at time of purchase	Required
Weighted average credit quality must average at a minimum BBB / Baa	Required
Convertible securities and preferred stocks	Prohibited
Interest-only (IO) securities	Prohibited
Collateralized Bond Obligations, Collateralized Debt Obligations, and Collateralized Loan Obligations	Prohibited
Credit derivatives	Prohibited
Maximum per any one issuer	5% of account market value
Maximum duration exposure derived from futures, options or swaps	20%
Borrowing and/or lending of funds or securities	Prohibited
Explicit Leverage at the vehicle level	Prohibited

Investment Guidelines - High Yield Fixed Income	
Authorized Investments:	**Status**
Registered high yield and Rule 144A, with registration rights, fixed income securities and debt obligations issued by public, corporate, and sovereign entities	Authorized
Securities issue or guaranteed by the US government, its agencies and instrumentalities	Authorized
Forward contracts on "eligible" securities	Authorized
Common stock, preferred stock and options or warrants to purchase common or preferred stock only where included in a unit with, or attached to, fixed income securities or upon conversion of a convertible security or exercise of a warrant or option or received in a reorganization	Authorized
Convertible securities and preferred stocks, if most of their value is attributable to their yield and other fixed income features	Authorized
Cash vehicle through trustee	Authorized
Restrictions:	**Guideline**
Maximum position in an individual security (excluding Government securities)	5% of account market value
Maximum position in any one issuer (excluding Government securities)	5% of account market value
Maximum position in Rule 144A, with registration rights, securities	5% of account market value
Maximum position in emerging market debt (corporate or sovereign debt of countries with credit rating BB+/Ball or lower)	5% of account market value
Purchase of securities on margin	Prohibited
Short sales	Prohibited
Securities lending	Prohibited
Employ leverage	Prohibited
Structured securities (e.g. ABS, CMBS, CDO) except for equipment trust certificates	Prohibited
Maximum position in equipment trust certificates	5% of account market value
Investment in direct real estate or real estate mortgage loans	Prohibited
Debt issued by corporate entities involved in real estate otherwise allowed under these guidelines	Permitted
Investment in commodities or commodity contracts	Prohibited
All securities at the time of purchase must be rated single-B or higher by both S&P and Moody's (securities issued w/o rating are exempt if one can be reasonable expected within one month of issuance)	Required
Maximum invested in securities not rated single-B or higher by both S&P and Moody's and any equity securities received into the account	5% of account market value

Investment Guidelines - US Equity	
Authorized Investments:	**Status**
Equity denominated in US dollars and traded on recognized US exchanges include NASDAQ Common and preferred stock, securities convertible into common and preferred stock, rights and warrants, depository receipts	Authorized
Cash vehicle available through the trustee	Authorized
Restrictions	**Guideline**
Maximum investment in an individual company	5% of account market value
Maximum ownership of an individual company's outstanding shares	10%
Maximum cash or cash equivalent position	10% of account market value
Maximum position in preferred stocks	5% of account market value
Maximum position in convertible securities	5% of account market value
Maximum position in rights and warrants	10% of account market value
Maximum position in depository receipts	10% of account market value
Margined stocks	Prohibited
Short sales	Prohibited
Real or personal property	Prohibited
Commodities or commodity contracts	Prohibited
Swaps, options, or other derivatives	Prohibited
Limited partnerships	Prohibited
Venture capital	Prohibited
Letter stock and other securities restricted as to public resale	Prohibited
Borrowing and/or lending funds or securities	Prohibited
Maximum position in dollar-denominated equity securities issued by non-US domiciled companies but traded on a recognized US exchange	10% of account market value
Investments with a market capitalization less than the smallest security or greater than the largest security in the Benchmark at time of purchase	Prohibited
Maximum position in investments with a market capitalization less than the smallest security or greater than the largest security in the Benchmark	5% of account market value

Investment Guidelines - International Equity	
Authorized Investments:	**Status**
Countries represented in the MSCI ACWI ex-US (net) benchmark	Authorized
Equity securities of companies domiciled in countries represented in the MSCI ACWI ex-US (net) benchmark Common and preferred Stock, securities convertible into common and preferred stock, rights and warrants, depository receipts, Rule 144A securities	Authorized
Foreign currency and currency forwards of countries allowable under the guidelines	Authorized
International index futures contracts used solely for hedging purposes	Authorized
Cash vehicle available through the trustee	Authorized
Restrictions:	**Guideline**
Maximum investment in an individual company	5% of account market value
Maximum ownership of an individual company's outstanding shares	10%
Maximum cash or cash equivalent position	10% of account market value
Maximum position in preferred stocks	5% of account market value
Maximum position in convertible securities	5% of account market value
Maximum position in rights and warrants	10% of account market value
Maximum position in private placement securities eligible for resale pursuant to Rule 144A	10% of account market value
Private placements outside of Rule 144A	Prohibited
Maximum position in depository receipts	10% of account market value
Margined stocks	Prohibited
Shorts sales	Prohibited
Real or personal property	Prohibited
Commodities or commodity contracts	Prohibited
Swaps, options, or other derivatives	Prohibited
Limited partnerships	Prohibited
Venture capital	Prohibited
Letter stock and other securities restricted as to public resale	Prohibited
Foreign currency and currency forward contracts for hedging purposes	Permitted
Use of derivatives to expose more than 100% of the net assets of the account to equity securities	Prohibited
Net aggregate holdings of foreign currency exposure in excess of net assets of the account	Prohibited
Borrowing and/or lending of funds or securities	Prohibited

Investment Guidelines - Private Equity	
Authorized Investments:	**Status**
Private equity investments should be invested in institutionally-oriented, globally diversified fund-of-funds vehicles	Authorized
Buyout	Authorized
Venture Capital	Authorized
Special Situations	Authorized
Primary partnerships	Authorized
Secondary partnerships	Authorized
Direct / Co-investments	Authorized
Restrictions:	**Guideline**
Investment Vehicle	Fund of funds only
Allowable range for Total Private Equity investments:	
Buyout	40% - 60%
Venture Capital	0% - 30%
Special Situations	10% - 40%
Primary Partnerships	Up to 100%
Secondary Partnerships	Up to 40%
Direct / Co-investments	Up to 20%
Allowable geographic diversification for Total Private Equity investments:	
United States	40% - 70%
Europe	25% - 50%
Latin America	Up to 25%
Asia / Pacific	Up to 40%
Vintage year diversification must be achieved within each fund of funds structure	Minimum of three years
General Partners must demonstrate acceptance through retention of other institutionally-oriented clients	Required
General Partners must have capital committed in the private partnership	Required
General Partner must have a track record demonstrating investment capabilities with previous funds of funds and sizable assets	Required

Guidelines for Commodities

This asset class is intended to be representative of a passively managed commodities portfolio. It requires staying current at all times with the objectives of the manager's investment policy for discretionary commodity portfolios and the requirements of these guidelines.

The manager may buy or sell futures, forwards, options and swaps on both individual commodities as well as the derivatives on commodity indices. Although this account is intended to be passively managed, should the account migrate to an active management strategy, a short duration fixed income portfolio will be maintained as collateral. The guidelines for investment grade fixed income portfolios contained herein must be followed.

A portion of this investment may hold cash and cash instruments, including short-term investment vehicles. Although certain investments may exhibit characteristics of leveraged transactions, the overall commodities investments will be managed to produce an unleveraged return. The investment will not borrow money or use derivatives in a manner that has the purpose of creating investment leverage.

The firm responsible for managing these investments must be registered with the SEC. Specific investment guidelines will be reviewed and approved by the Investment Committee prior to the implementation of such an investment vehicle.

Investment Guidelines - Commodities	
Authorized Investments:	**Status**
Securities represented in the DJ - UBS Commodity Index	Authorized
Commodity Groups Currently Included in the Dow Jones-UBS Commodity Index Energy, Agriculture, Industrial Metals, Precious Metals, Livestock	Authorized
Commodities Currently Included in the Dow Jones-UBS Commodity Index Aluminum, Coffee, Copper, Corn, Cotton, Crude Oil, Gold, Heating Oil, Lean Hogs, Live Cattle, Natural Gas, Nickel, Silver, Soybeans, Soybean Oil, Sugar, Unleaded Gasoline, Wheat and Zinc	Authorized
Futures, Forwards, Options and Total Return Swaps	Authorized
Commodity or Commodity Contracts	Authorized
Restrictions:	**Guideline**
Maximum weight to any commodity group	33% of account market value
Minimum weight to any single commodity	2% of account market value

Investment Guidelines - MLPs	
Authorized Investments:	**Status**
Companies must be master limited partnerships or C-corporations principally engaged in the energy industry	Authorized
A company is considered to be "principally engaged in the energy industry" if the company owns or operates midstream energy assets or is engaged in the transportation, processing, or storage of natural resources, including, but not limited to, natural gas, crude oil, and refined petroleum products	Authorized
Companies' publicly traded securities must have a minimum market capitalization of $100 million	Authorized
Restrictions:	**Guideline**
Long-only mandate	No leverage
Diversification	Account should have at least 20 securities
Maximum exposure to single security	20% of account market value
Maximum exposure to private investments (i.e. PIPEs)	10% of account market value
Maximum weight to cash and cash equivalents	10% of account market value

Guidelines for Hedge Funds

The Absolute Return asset class shall be implemented through a fund-of-funds investment vehicle. The organization managing the fund-of-funds vehicle must be registered with the SEC. Specific investment guidelines will be reviewed and approved by the Investment Committee prior to the implementation of such an investment vehicle.

Guidelines for Commingled Investment Vehicles and/or Mutual Funds

Investment may be made in commingled vehicles and/or mutual funds in which a specified set of guidelines developed for a broad number of institutions are already predetermined. These investments will be managed in a manner consistent with the authorized investments and restrictions set forth herein. These guidelines will be reviewed and approved by the Investment Committee prior to the implementation of such an investment vehicle.

IV. ASSET ALLOCATION GUIDELINES

The long-term allocation guidelines herein are expressed in terms of a target and ranges for each asset class to provide sufficient flexibility to take advantage of shorter-term market opportunities as they may occur. The asset allocation shall be sufficiently diversified to maintain risk at a reasonable level without imprudently sacrificing return.

The target allocation to each asset class will differ between the various pools as denoted in a previous section of this Policy. The asset allocation of each of the individual investment pools and the total combined pool are summarized in **Appendix I – Asset Allocation Targets and Rebalancing Policy**.

V. MANAGER SELECTION

For the Strategic Capital and Reserve Pools, the Investment Committee, with the guidance and recommendations of the consultant, is responsible for the selection and continued monitoring of qualified, competent investment managers in accordance with University policy and Florida law.

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

- Florida State Treasury
- State Board of Administration
- Qualified Public Depositories as defined by the State of Florida
- U.S. Government and its Agencies
- Money Market and Short Term Fixed Income Funds rated AA or higher by at least two of the following ratings agencies: Moody's Investors Service, Standard & Poor's and Fitch.

VI. PERFORMANCE MEASUREMENT & EVALUATION

Investment objectives provide quantifiable standards to measure and evaluate the progress of both the investment pools and each individual investment manager. For the purpose of monitoring and evaluating the ongoing investment activity and results, both relative and comparative performance standards and objectives are defined.

Relative standards are used to review the return and risk at both the pool and individual manager level. The relative standards for the pool level will represent a target policy index that will be constructed from the relative market indices weighted by the Portfolio's target allocation to each asset class. Each individual investment manager will be evaluated relative to an appropriate benchmark. An appropriate benchmark is defined as an identifiable market index or a "normal" portfolio that is constructed to replicate the manager's investment style. Benchmarks for each investment manager are identified in the Individual Manager section of this document.

Comparative standards are used to evaluate the returns of both the pool and each of its asset class components.

Investment objectives are established to measure the long-term (3 to 5 years) results of the Total Pool and each investment manager. The Committee must recognize the limitations of reviewing results over short-term horizons; however, current performance can serve as an early indication of the Portfolio's progress toward meeting the more fundamental primary objectives.

The Portfolio's performance objectives may be divided into two components: objectives for the overall fund and objectives for the individual portfolio components. Both levels of objectives will be incorporated into quarterly reviews of the Portfolio's performance. The performance objectives for each individual investment pool and the Total Combined Pool are detailed in **Appendix II – Performance Objectives**.

REASON FOR POLICY (O*)

This document will provide the framework for the investment management of the Portfolio. Specifically, it will address:

- The general goals of the investment Portfolio
- The guidelines and parameters for the management of the Portfolio
- The asset allocation guidelines
- Performance objectives

This Policy is intended to allow for sufficient flexibility in the management process to capture investment opportunities as they may occur, yet set forth reasonable parameters to ensure prudence and care in the execution of the investment program.

RELATED INFORMATION (O*)

APPENDIX I – Asset Allocation Targets & Rebalancing Policy

Asset Allocation Guidelines

The asset allocation guidelines differ between the various pools, and are summarized as follows:

	Working Capital Pool	Strategic Capital Pool	Reserve Pool	Total Combined Pool
% of Total Combined Pool	**30%**	**60%**	**10%**	**100%**
Cash Equivalents	40.00%	0.00%	0.00%	12.00%
Short-Int. Fixed Income	60.00%	0.00%	0.00%	18.00%
Fixed Income (Inv. Grade)	0.00%	18.60%	18.60%	13.00%
High Yield	0.00%	8.50%	8.50%	6.00%
Credit Fixed Income	0.00%	5.70%	5.70%	4.00%
Total Fixed Income	**100.00%**	**32.80%**	**32.80%**	**53.00%**
TIPS	0.00%	14.30%	14.30%	10.00%
Commodities	0.00%	9.30%	9.30%	6.50%
REITS	0.00%	4.30%	4.30%	3.00%
MLPs	0.00%	7.10%	7.10%	5.00%
Total Real Assets	**0.00%**	**35.00%**	**35.00%**	**24.50%**
Domestic Equity	0.00%	4.30%	4.30%	3.00%
International Equity	0.00%	4.30%	4.30%	3.00%
Private Equity	0.00%	9.30%	9.30%	6.50%
Total Equity	**0.00%**	**17.90%**	**17.90%**	**12.50%**
Absolute Return	**0.00%**	**14.30%**	**14.30%**	**10.00%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Asset Allocation Ranges and Rebalancing

Asset allocation refers to the strategic deployment of assets among the major classes of investments such as domestic equity, fixed income and cash equivalents. The asset allocation decision reflects the Portfolio's return requirements as well as the Portfolio's tolerance for return variability (risk) within the context of the expected liabilities of the fund. Asset allocation is widely recognized and accepted as the primary source of return and risk for an investment program. It is used for setting the parameters for long term risk and return in order to meet the University's long-term financial objectives.

The tables below set forth the asset allocation for the Portfolio, the strategic target weights and the allowable ranges around the target weights:

Total Combined Pool	**Target (%)**	**Minimum (%)**	**Maximum (%)**
Working Capital Pool	30.00%	25.00%	93.00%
Strategic Capital Pool	60.00%	0.00%	70.00%
Reserve Pool	10.00%	7.00%	20.00%

Working Capital Pool	**Target (%)**	**Minimum (%)**	**Maximum (%)**
Cash Equivalents	40.00%	0.00%	100.00%
Short Term Fixed Income	60.00%	0.00%	90.00%

Strategic/Reserve Capital Pools	Target (%)	Minimum (%)	Maximum (%)
Fixed Income (Inv. Grade)	18.60%	13.60%	23.60%
High Yield	8.50%	5.00%	12.00%
Credit Fixed Income	5.70%	3.00%	8.00%
TIPS	14.30%	5.00%	19.00%
Commodities	9.30%	6.00%	13.00%
REITS	4.30%	2.50%	8.00%
MLPs	7.10%	4.00%	10.00%
Domestic Equity	4.30%	2.50%	8.00%
International Equity	4.30%	2.50%	8.00%
Private Equity	9.30%	5.00%	13.00%
Absolute Return	14.30%	10.00%	17.00%

Portfolio rebalancing is designed to provide a disciplined approach to control the risk exposure of the Portfolio to the investment categories that have deviated from the established target policy weights. Rebalancing parameters are addressed at the asset class level. Rebalancing requires a reallocation to be made whenever the quarter-end allocations exceed the minimum or maximum allocations specified above. Naturally occurring cash flows shall be used to the fullest extent possible to minimize transaction costs and rebalance toward policy targets.

The funding of the private equity asset class occurs over the term of the investment. In order to maintain the Policy's overall target allocation to equity, the Portfolio may maintain an overweight (or underweight) position to public equity no greater than the corresponding underweight (or overweight) target allocation to private equity. The staff and consultants will annually review the rebalancing to take into account the funding of private equity.

Appendix II – Performance Objectives

The performance objectives for the overall fund are threefold:

1. Objective relative to asset allocation targets
2. Objective relative to capital market assumptions
3. Objective relative to inflation

The first objective results in a comparative index that reflects the University's unique asset allocation policy (see example in Table 1). Exceeding this objective indicates that the active management of the various portfolio components has added value over a passively-managed fund with a similar asset mix. The second objective, to compare asset class performance to the capital market assumptions, ensures that the asset mix continues to achieve the long-term goals of the Portfolio. The inflation objective requires that the investment performance provide an adequate real return over the expected rate of inflation, the primary driver of costs.

Individual portfolio components also have performance objectives reflecting the unique investment style of each category. The investment style and performance benchmarks are also shown below:

Five-Year Performance Objectives Methodology
Relative to asset allocation targets, indexes that represent appropriate asset classes

Target Portfolio Weight x Representative cash equivalent portfolio
Target Portfolio Weight x Investment grade fixed income index
Target Portfolio Weight x TIPS index
Target Portfolio Weight x Credit fixed income index
Target Portfolio Weight x Absolute return benchmark
Target Portfolio Weight x High yield fixed income index
Target Portfolio Weight x Global REIT index
Target Portfolio Weight x Commodity index
Target Portfolio Weight x MLP index
Target Portfolio Weight x Broad U.S equity index
Target Portfolio Weight x International equity index
Target Portfolio Weight x Private equity benchmark
100% Total Portfolio Benchmark

Total Combined Pool Objectives (net of all fees and costs)
Relative to asset allocation targets, index weighted by:

30.00% x 91-Day Treasury Bill rate
13.00% x Barclays U.S. Aggregate Bond Index
10.00% x Barclays TIPS Index
4.00% x Barclays U.S. Credit Index
6.00% x ML High Yield Master II Index
10.00% x CPI + 3.25% (Absolute Return benchmark)
6.50% x Dow Jones - UBS Commodity Index
5.00% x Alerian MLP Index
3.00% x FTSE EPRA / NAREIT Developed Real Estate
3.00% x Wilshire 5000 Index (US Equity broad market)
3.00% x MSCI All Country World ex-U.S. Index (int'l equity market)
6.50% x Wilshire 5000 (1-quarter lag) + 3%
100.00% Total Combined Pool Benchmark

Relative to inflation: Consumer Price Index + 3.5%

Working Capital Pool Objectives (net of all fees and costs)
Relative to asset allocation targets, index weighted by:

100.00% x 91-Day Treasury Bill rate
100.00% Working Capital Pool Benchmark

Strategic Capital and Reserve Pool Objectives (net of all fees and costs)
Relative to asset allocation targets, index weighted by:

18.60% x Barclays U.S. Aggregate Bond Index
14.30% x Barclays TIPS Index
5.70% x Barclays U.S. Credit Index
14.30% x CPI + 3.25% (Absolute Return benchmark)
8.50% x ML High Yield Master II Index
4.30% x FTSE EPRA / NAREIT Developed Real Estate
9.30% x Dow Jones – UBS Commodity Index
7.10% x Alerian MLP Index
4.30% x Wilshire 5000 Index (US Equity broad market)
4.30% x MSCI All Country World ex-U.S. Index (int'l equity market)
9.30% x Wilshire 5000 (1-quarter lag) + 3%
100.00% Strategic Capital or Reserve Pool Benchmark

Relative to capital market assumptions: (Wilshire's Asset Allocation Return and Risk Assumptions, most recent published date, or equivalent publication).

RESPONSIBILITIES (O*)
LEGAL AUTHORITY:
The BOT is authorized to adopt an Investment Policy pursuant to Section 1011.42 and 218.415 of the Florida Statutes.

HISTORY (R*)
Effective Date: June 29, 2005; Revision Date(s): September 11, 2007; March 12, 2008; March 30, 2009; June 12, 2009; September 24, 2010, March 14, 2012, September 10, 2013 and January 14, 2015. .

RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R*)	
Office of the Treasurer Finance and Administration **RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R*)** University Treasurer Florida International University 11200 S.W. Eighth Street, MARC 110 Miami, Florida 33199 Telephone: (305) 348-2544 Facsimile: (305) 348-2990	The University Policies and Procedures Library is updated regularly. In order to ensure a printed copy of this document is current, please access it online at http://policies.fiu.edu/ . For any questions or comments, the "Document Details" view for this policy online provides complete contact information.

FORMS/ONLINE PROCESSES (O*)
Links to the above referenced Form(s) available in the "Document Details" Section of the online version of this policy document.

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

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FLORIDA INTERNATIONAL UNIVERSITY

OFFICIAL UNIVERSITY POLICY

University Community (faculty, staff and students)

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

POLICY STATEMENT (R*)

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

The investment of the University's operating funds investment pool (the "Portfolio") shall be based on an analysis that will, at a minimum, consider:

- The financial condition of the University
- The expected long term capital market outlook
- The University's risk tolerance
- Future planned capital expenditures and cash requirements
- Debt service requirements
- Current and projected expenses
- Inflation

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

I. GENERAL INVESTMENT GOALS AND OBJECTIVES

The general investment goals established herein are designed to broadly take into account the purpose of the Portfolio and articulate the philosophy and parameters by which the University will manage the Portfolio's assets.

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

i. Maintain the safety of the principal;
ii. Maintain the necessary liquidity to ensure funds are available to support operational needs;
iii. Obtain a reasonable return for a prudent level of risk.

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

II. GOVERNANCE

A. BOT Finance and Audit Committee

The Florida International University Board of Trustees (“BOT”) is responsible for the oversight and approval of this Policy (and any amendments thereto) and oversight of the University's implementation of the Policy.

This Policy addresses specifics relating to:

- Investment goals and objectives
- Asset allocation policy targets specifying minimum and maximum ranges
- Rebalancing policy
- Selection of investment managers
- Authorized investments

B. Investment Committee

The BOT’s Investment Committee recognizes that matters concerning the investment of the operating fund assets owned by the University merit serious attention and frequent consideration. The Investment Committee, at a minimum, will consist of:

- An individual designated by the BOT,
- The Chief Financial Officer of the University,
- The Treasurer of the University and
- A representative from University academics.

In addition, the Investment Committee may include up to two business community representatives and other representatives with specific expertise in investment and portfolio management to strengthen the Committee’s capabilities. The need for adding members will be determined by the Chair of the BOT, in consultation with the Chair of the Finance and Audit Committee.

The Investment Committee, with the guidance and recommendations of the investment consultant hired by the University, is responsible for:

- Directing all of its efforts toward the investment objectives stated herein
- Performing at least annually a review of the investment objectives stated herein
- Ensuring that the objectives stated in this Policy are practical and reflect the mission of the University
- Hiring an investment consultant, consistent with University procurement requirements
- Implementing and monitoring the asset allocation policy
- Conducting an annual formal review of the investment structure
- Developing an updated financial projection a minimum of every three years
- Selecting and monitoring of qualified, competent investment managers
- Terminating investment managers failing to maintain acceptable quantitative (e.g. risk/return profile) and/or qualitative (e.g. organizational changes) standards
- Developing and reviewing the objectives and guidelines given to each specific investment manager
- Meeting at least quarterly to review the results of the investment portfolios
- determining whether the investment objectives set forth herein are being met and whether the investment guidelines are being followed
- Providing the BOT with regular performance reports on the investment portfolios
- Completing annually eight (8) hours of continuing education in subjects or courses of study related to investment practices and procedures, or the Chief Financial officer shall complete this requirement.

C. Staff

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

- Administering the investments of the Portfolio at the lowest possible cost, being careful to avoid sacrificing quality
- Administering the rebalancing policy
- Day-to-day interaction with the consultants and investment managers

III. INVESTMENT GUIDELINES

The investment guidelines set forth herein establish parameters for the Portfolio and for the University's investment managers to follow in implementing their respective investment strategies. These guidelines address asset allocation, restricted transactions, diversification, quality and turnover.

A. Investment Pools*

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

2. WORKING CAPITAL POOL
This pool is intended to provide for the immediate normal operating requirements of the University (funds awaiting clearance), and other short-term investments of the University. This pool includes funds that must be invested in a restricted manner in accordance with federal and/or state law.

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

4. RESERVE POOL
This pool encompasses a state-mandated unencumbered reserve. This pool is intended to be invested over the medium-longer term.

*University and affiliated-organization bond proceeds are outside the purview of this Policy and will be invested in compliance with all relevant federal and state laws.

B. Asset Class/Category Characteristics

1. CASH EQUIVALENTS
The purpose of the cash equivalents portfolio is to provide liquidity to fund operational expenses, debt service and other short term cash needs.

2. FIXED INCOME

Investment Grade
This asset class is intended to be representative of the overall U.S. investment grade bond market. The purpose of the fixed income asset class is to provide a high level of current income to provide liquidity for

intermediate cash flow needs and to provide diversification benefits during periods of a stock market decline.

Credit Fixed Income
This asset class is intended to be representative of the overall U.S. corporate credit bond market. The purpose of this asset class is to provide a high level of current income, total return enhancement, and diversification benefits. An active investment manager with strong credit research capabilities will be used to implement this exposure.

High Yield
This asset class is intended to be representative of the non-investment grade U.S. bond market (bonds rated BB or lower). The purpose of this fixed income asset class is to provide a higher level of current income to compensate for the additional level of credit risk employed. The purpose of this asset class is to provide some return enhancement and diversification benefit in order for the Portfolio to realize long-term growth above inflation.

3. EQUITIES

U.S. Equity
This asset class is intended to be representative of the overall U.S. stock market. The purpose of the equity asset class is to provide a high level of capital appreciation in order for the Portfolio to realize long-term growth above inflation.

International Equity
The purpose of the international equity asset class is to provide exposure to equities in international equity markets. Exposure to international equities enhances returns of the combined equity portfolio while reducing return volatility.

Private Equity
The purpose of the private equity asset class is to provide a global exposure to private equity markets that is diversified by geography, investment type (venture capital, growth equity, buyout, mezzanine, distressed and special situations) and vintage year. Exposure to the private equity market is expected to provide access to outsized returns as compared to the public equity market.

4. REAL ASSETS

Treasury Inflation Protected Securities (TIPS)
This asset class is intended to be representative of the fixed income investments in which the principal is adjusted periodically based on changes in CPI. The purpose of the TIPS asset class is to provide fixed income returns with the additional diversification benefits of inflation protection.

Real Estate Investment Trusts (REITS)
This asset class is intended to be representative of the Real Estate Investment Trust market. The purpose of the REIT asset class is to provide a higher level of current income and capital appreciation than fixed income with diversification benefits from its low correlation to both stocks and bonds.

Commodities
This asset class is intended to be a passively managed representation of a direct investment in a diversified commodities strategy. A direct investment is either through the purchase of the physical commodity (e.g., crude oil, metals) or the purchase of derivatives (e.g., futures). The principal roles for commodities in the Portfolio are as a risk diversifier, and an inflation hedge, providing an expected offset to assets such as fixed rate instruments, which typically lose value during periods of unexpected inflation.

Master Limited Partnerships (MLPs)
This asset class is intended to be representative of an actively managed investment in energy Master Limited Partnerships. The investment will provide exposure to businesses that primarily engage in in the midstream portion of the energy chain – i.e pipelines, storage terminals, gathering and processing. The principal roles for MLPs in the Portfolio are for income generation, high growth potential, portfolio diversification, and a hedge against inflation.

5. ABSOLUTE RETURN

This asset class is intended to be representative of a broadly diversified hedge fund strategy intended to provide an "absolute return" in any market environment with low to intermediate level of risk. This strategy is intended to provide modest return enhancement to that of fixed income with diversification benefits derived from its low correlation to other asset classes.

C. Authorized Investments and Restrictions

The following authorized investments and restrictions establish the parameters the University's investment managers must follow in implementing their respective investment strategies. Each underlying manager will have a specific set of guidelines that may be more restrictive than those set forth herein.

Investment Guidelines - Investment Grade Fixed Income	
Authorized Investments:	**Status**
Fixed Income securities issued in the U.S. investment grade bond market	Authorized
Rule 144A securities ~~with registration rights~~	Authorized
Non dollar securities and securities of issuers outside the U.S.	Authorized
U.S. Treasury, Agency, Eurodollar, and Swap financials futures	Authorized
Interest rate swaps	Authorized
Options on securities otherwise allowable under the guidelines	Authorized
Agency mortgage dollar rolls	Authorized
Cash vehicle through trustee	Authorized
Restrictions:	**Guideline**
Maximum invested in securities not paying in US dollars	10% of account market value
Maximum invested in issuers domiciled outside the US	10% of account market value
Maximum invested in non US dollar-denominated assets	10% of account market value
Cross-currency hedging	Prohibited
Rated by ~~both~~ any two of S&P / Moody's / Fitch (except US government and agency securities)	Required
Must be rated BB~~B~~- / Ba~~a~~3 or better at time of purchase	Required
Weighted average credit quality must average at a minimum BBB / Baa	Required
Convertible securities and preferred stocks	Prohibited
Maximum position in securities not rated or rated BB+ /Ba1 or lower	5% of account market value
Collateralized securities must have a credit quality rated AAA by S&P and rated Aaa by Moody's	Required
Interest-only (IO) securities	Prohibited
Collateralized Bond Obligations, Collateralized Debt Obligations, and Collateralized Loan Obligations	Prohibited
Credit derivatives	Prohibited
Maximum per any one issuer	5% of account market value
Maximum duration exposure derived from futures, options or swaps	20%
Borrowing and/or lending of funds or securities	Prohibited
Explicit leverage at the vehicle level	Prohibited

Investment Guidelines - Credit Fixed Income	
Authorized Investments:	**Status**
Fixed Income securities issued in the U.S. investment grade bond market	Authorized
Rule 144A securities	Authorized
Non dollar securities and securities of issuers outside the U.S.	Authorized
U.S. Treasury, Agency, Eurodollar, and Swap financials futures	Authorized
Interest rate swaps	Authorized
Options on securities otherwise allowable under the guidelines	Authorized
Agency mortgage dollar rolls	Authorized
Cash vehicle through trustee	Authorized
Restrictions:	**Guideline**
Maximum invested in non US dollar-denominated assets	10% of account market value
Maximum invested in High Yield (as rated by S&P, Moody's, And Fitch)	20% of account market value
Maximum invested in Mortgage, Commercial Mortgage, and ABS	10% of account market value
Rated by any two of S&P / Moody's / Fitch (except US government and agency securities)	Required
Must be rated BB- / Ba3 or better at time of purchase	Required
Weighted average credit quality must average at a minimum BBB / Baa	Required
Convertible securities and preferred stocks	Prohibited
Interest-only (IO) securities	Prohibited
Collateralized Bond Obligations, Collateralized Debt Obligations, and Collateralized Loan Obligations	Prohibited
Credit derivatives	Prohibited
Maximum per any one issuer	5% of account market value
Maximum duration exposure derived from futures, options or swaps	20%
Borrowing and/or lending of funds or securities	Prohibited
Explicit Leverage at the vehicle level	Prohibited

Investment Guidelines - High Yield Fixed Income	
Authorized Investments:	**Status**
Registered high yield and Rule 144A, with registration rights, fixed income securities and debt obligations issued by public, corporate, and sovereign entities	Authorized
Securities issue or guaranteed by the US government, its agencies and instrumentalities	Authorized
Forward contracts on "eligible" securities	Authorized
Common stock, preferred stock and options or warrants to purchase common or preferred stock only where included in a unit with, or attached to, fixed income securities or upon conversion of a convertible security or exercise of a warrant or option or received in a reorganization	Authorized
Convertible securities and preferred stocks, if most of their value is attributable to their yield and other fixed income features	Authorized
Cash vehicle through trustee	Authorized
Restrictions:	**Guideline**
Maximum position in an individual security (excluding Government securities)	5% of account market value
Maximum position in any one issuer (excluding Government securities)	5% of account market value
Maximum position in Rule 144A, with registration rights, securities	5% of account market value
Maximum position in emerging market debt (corporate or sovereign debt of countries with credit rating BB+/Ball or lower)	5% of account market value
Purchase of securities on margin	Prohibited
Short sales	Prohibited
Securities lending	Prohibited
Employ leverage	Prohibited
Structured securities (e.g. ABS, CMBS, CDO) except for equipment trust certificates	Prohibited
Maximum position in equipment trust certificates	5% of account market value
Investment in direct real estate or real estate mortgage loans	Prohibited
Debt issued by corporate entities involved in real estate otherwise allowed under these guidelines	Permitted
Investment in commodities or commodity contracts	Prohibited
All securities at the time of purchase must be rated single-B or higher by both S&P and Moody's (securities issued w/o rating are exempt if one can be reasonable expected within one month of issuance)	Required
Maximum invested in securities not rated single-B or higher by both S&P and Moody's and any equity securities received into the account	5% of account market value

Investment Guidelines - US Equity	
Authorized Investments:	**Status**
Equity denominated in US dollars and traded on recognized US exchanges include NASDAQ Common and preferred stock, securities convertible into common and preferred stock, rights and warrants, depository receipts	Authorized
Cash vehicle available through the trustee	Authorized
Restrictions	**Guideline**
Maximum investment in an individual company	5% of account market value
Maximum ownership of an individual company's outstanding shares	10%
Maximum cash or cash equivalent position	10% of account market value
Maximum position in preferred stocks	5% of account market value
Maximum position in convertible securities	5% of account market value
Maximum position in rights and warrants	10% of account market value
Maximum position in depository receipts	10% of account market value
Margined stocks	Prohibited
Short sales	Prohibited
Real or personal property	Prohibited
Commodities or commodity contracts	Prohibited
Swaps, options, or other derivatives	Prohibited
Limited partnerships	Prohibited
Venture capital	Prohibited
Letter stock and other securities restricted as to public resale	Prohibited
Borrowing and/or lending funds or securities	Prohibited
Maximum position in dollar-denominated equity securities issued by non-US domiciled companies but traded on a recognized US exchange	10% of account market value
Investments with a market capitalization less than the smallest security or greater than the largest security in the Benchmark at time of purchase	Prohibited
Maximum position in investments with a market capitalization less than the smallest security or greater than the largest security in the Benchmark	5% of account market value

Investment Guidelines - International Equity	
Authorized Investments:	**Status**
Countries represented in the MSCI ACWI ex-US (net) benchmark	Authorized
Equity securities of companies domiciled in countries represented in the MSCI ACWI ex-US (net) benchmark Common and preferred Stock, securities convertible into common and preferred stock, rights and warrants, depository receipts, Rule 144A securities	Authorized
Foreign currency and currency forwards of countries allowable under the guidelines	Authorized
International index futures contracts used solely for hedging purposes	Authorized
Cash vehicle available through the trustee	Authorized
Restrictions:	**Guideline**
Maximum investment in an individual company	5% of account market value
Maximum ownership of an individual company's outstanding shares	10%
Maximum cash or cash equivalent position	10% of account market value
Maximum position in preferred stocks	5% of account market value
Maximum position in convertible securities	5% of account market value
Maximum position in rights and warrants	10% of account market value
Maximum position in private placement securities eligible for resale pursuant to Rule 144A	10% of account market value
Private placements outside of Rule 144A	Prohibited
Maximum position in depository receipts	10% of account market value
Margined stocks	Prohibited
Shorts sales	Prohibited
Real or personal property	Prohibited
Commodities or commodity contracts	Prohibited
Swaps, options, or other derivatives	Prohibited
Limited partnerships	Prohibited
Venture capital	Prohibited
Letter stock and other securities restricted as to public resale	Prohibited
Foreign currency and currency forward contracts for hedging purposes	Permitted
Use of derivatives to expose more than 100% of the net assets of the account to equity securities	Prohibited
Net aggregate holdings of foreign currency exposure in excess of net assets of the account	Prohibited
Borrowing and/or lending of funds or securities	Prohibited

Investment Guidelines - Private Equity	
Authorized Investments:	**Status**
Private equity investments should be invested in institutionally-oriented, globally diversified fund-of-funds vehicles	Authorized
Buyout	Authorized
Venture Capital	Authorized
Special Situations	Authorized
Primary partnerships	Authorized
Secondary partnerships	Authorized
Direct / Co-investments	Authorized
Restrictions:	**Guideline**
Investment Vehicle	Fund of funds only
Allowable range for Total Private Equity investments:	
Buyout	40% - 60%
Venture Capital	0% - 30%
Special Situations	10% - 40%
Primary Partnerships	Up to 100%
Secondary Partnerships	Up to 40%
Direct / Co-investments	Up to 20%
Allowable geographic diversification for Total Private Equity investments:	
United States	40% - 70%
Europe	25% - 50%
Latin America	Up to 25%
Asia / Pacific	Up to 40%
Vintage year diversification must be achieved within each fund of funds structure	Minimum of three years
General Partners must demonstrate acceptance through retention of other institutionally-oriented clients	Required
General Partners must have capital committed in the private partnership	Required
General Partner must have a track record demonstrating investment capabilities with previous funds of funds and sizable assets	Required

Guidelines for Commodities

This asset class is intended to be representative of a passively managed commodities portfolio. It requires staying current at all times with the objectives of the manager's investment policy for discretionary commodity portfolios and the requirements of these guidelines.

The manager may buy or sell futures, forwards, options and swaps on both individual commodities as well as the derivatives on commodity indices. Although this account is intended to be passively managed, should the account migrate to an active management strategy, a short duration fixed income portfolio will be maintained as collateral. The guidelines for investment grade fixed income portfolios contained herein must be followed.

A portion of this investment may hold cash and cash instruments, including short-term investment vehicles. Although certain investments may exhibit characteristics of leveraged transactions, the overall commodities investments will be managed to produce an unleveraged return. The investment will not borrow money or use derivatives in a manner that has the purpose of creating investment leverage.

The firm responsible for managing these investments must be registered with the SEC. Specific investment guidelines will be reviewed and approved by the Investment Committee prior to the implementation of such an investment vehicle.

Investment Guidelines - Commodities	
Authorized Investments:	**Status**
Securities represented in the DJ - UBS Commodity Index	Authorized
Commodity Groups Currently Included in the Dow Jones-UBS Commodity Index Energy, Agriculture, Industrial Metals, Precious Metals, Livestock	Authorized
Commodities Currently Included in the Dow Jones-UBS Commodity Index Aluminum, Coffee, Copper, Corn, Cotton, Crude Oil, Gold, Heating Oil, Lean Hogs, Live Cattle, Natural Gas, Nickel, Silver, Soybeans, Soybean Oil, Sugar, Unleaded Gasoline, Wheat and Zinc	Authorized
Futures, Forwards, Options and Total Return Swaps	Authorized
Commodity or Commodity Contracts	Authorized
Restrictions:	**Guideline**
Maximum weight to any commodity group	33% of account market value
Minimum weight to any single commodity	2% of account market value

Investment Guidelines - MLPs	
Authorized Investments:	**Status**
Companies must be master limited partnerships or C-corporations principally engaged in the energy industry	Authorized
A company is considered to be "principally engaged in the energy industry" if the company owns or operates midstream energy assets or is engaged in the transportation, processing, or storage of natural resources, including, but not limited to, natural gas, crude oil, and refined petroleum products	Authorized
Companies' publicly traded securities must have a minimum market capitalization of $100 million	Authorized
Restrictions:	**Guideline**
Long-only mandate	No leverage
Diversification	Account should have at least 20 securities
Maximum exposure to single security	20% of account market value
Maximum exposure to private investments (i.e. PIPEs)	10% of account market value
Maximum weight to cash and cash equivalents	10% of account market value

Guidelines for Hedge Funds

The Absolute Return asset class shall be implemented through a fund-of-funds investment vehicle. The organization managing the fund-of-funds vehicle must be registered with the SEC. Specific investment guidelines will be reviewed and approved by the Investment Committee prior to the implementation of such an investment vehicle.

Guidelines for Commingled Investment Vehicles and/or Mutual Funds

Investment may be made in commingled vehicles and/or mutual funds in which a specified set of guidelines developed for a broad number of institutions are already predetermined. These investments will be managed in a manner consistent with the authorized investments and restrictions set forth herein. These guidelines will be reviewed and approved by the Investment Committee prior to the implementation of such an investment vehicle.

IV. ASSET ALLOCATION GUIDELINES

The long-term allocation guidelines herein are expressed in terms of a target and ranges for each asset class to provide sufficient flexibility to take advantage of shorter-term market opportunities as they may occur. The asset allocation shall be sufficiently diversified to maintain risk at a reasonable level without imprudently sacrificing return.

The target allocation to each asset class will differ between the various pools as denoted in a previous section of this Policy. The asset allocation of each of the individual investment pools and the total combined pool are summarized in **Appendix I – Asset Allocation Targets and Rebalancing Policy**.

V. MANAGER SELECTION

For the Strategic Capital and Reserve Pools, the Investment Committee, with the guidance and recommendations of the consultant, is responsible for the selection and continued monitoring of qualified, competent investment managers in accordance with University policy and Florida law.

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

- Florida State Treasury
- State Board of Administration
- Qualified Public Depositories as defined by the State of Florida
- U.S. Government and its Agencies
- Money Market and Short Term Fixed Income Funds rated AA or higher by at least two of the following ratings agencies: Moody's Investors Service, Standard & Poor's and Fitch.

VI. PERFORMANCE MEASUREMENT & EVALUATION

Investment objectives provide quantifiable standards to measure and evaluate the progress of both the investment pools and each individual investment manager. For the purpose of monitoring and evaluating the ongoing investment activity and results, both relative and comparative performance standards and objectives are defined.

Relative standards are used to review the return and risk at both the pool and individual manager level. The relative standards for the pool level will represent a target policy index that will be constructed from the relative market indices weighted by the Portfolio's target allocation to each asset class. Each individual investment manager will be evaluated relative to an appropriate benchmark. An appropriate benchmark is defined as an identifiable market index or a "normal" portfolio that is constructed to replicate the manager's investment style. Benchmarks for each investment manager are identified in the Individual Manager section of this document.

Comparative standards are used to evaluate the returns of both the pool and each of its asset class components.

Investment objectives are established to measure the long-term (3 to 5 years) results of the Total Pool and each investment manager. The Committee must recognize the limitations of reviewing results over short-term horizons; however, current performance can serve as an early indication of the Portfolio's progress toward meeting the more fundamental primary objectives.

The Portfolio's performance objectives may be divided into two components: objectives for the overall fund and objectives for the individual portfolio components. Both levels of objectives will be incorporated into quarterly reviews of the Portfolio's performance. The performance objectives for each individual investment pool and the Total Combined Pool are detailed in **Appendix II – Performance Objectives**.

REASON FOR POLICY (O*)

This document will provide the framework for the investment management of the Portfolio. Specifically, it will address:

- The general goals of the investment Portfolio
- The guidelines and parameters for the management of the Portfolio
- The asset allocation guidelines
- Performance objectives

This Policy is intended to allow for sufficient flexibility in the management process to capture investment opportunities as they may occur, yet set forth reasonable parameters to ensure prudence and care in the execution of the investment program.

RELATED INFORMATION (O*)

APPENDIX I – Asset Allocation Targets & Rebalancing Policy

Asset Allocation Guidelines

The asset allocation guidelines differ between the various pools, and are summarized as follows:

	Working Capital Pool	Strategic Capital Pool	Reserve Pool	Total Combined Pool
% of Total Combined Pool	**30%**	**60%**	**10%**	**100%**
Cash Equivalents	40.00%	0.00%	0.00%	12.00%
Short-Int. Fixed Income	60.00%	0.00%	0.00%	18.00%
Fixed Income (Inv. Grade)	0.00%	18.60~~29.50~~%	18.60~~29.50~~%	13.00~~20.65~~%
High Yield	0.00%	8.50~~10.00~~%	8.50~~10.00~~%	6~~7~~.00%
Credit Fixed Income	0.00%	5.70%	5.70%	4.00%
Total Fixed Income	**100.00%**	**32.80~~39.50~~%**	**32.80~~39.50~~%**	**53.00~~57.65~~%**
TIPS	0.00%	14.3~~0~~0%	14.3~~0~~0%	10.00~~9.80~~%
Commodities	0.00%	9.30~~10.00~~%	9.30~~10.00~~%	6.50~~7.00~~%
REITS	0.00%	4.30~~5.50~~%	4.30~~5.50~~%	3.00~~85~~%
MLPs	0.00%	7.10%	7.10%	5.00%
Total Real Assets	**0.00%**	**35.00~~29.50~~%**	**35.00~~29.50~~%**	**24.50~~20.65~~%**
Domestic Equity	0.00%	4.30~~5.50~~%	4.30~~5.50~~%	3.00~~85~~%
International Equity	0.00%	4.30~~5.50~~%	4.30~~5.50~~%	3.00~~85~~%
Private Equity	0.00%	9.30~~10.00~~%	9.30~~10.00~~%	6.50~~7.00~~%
Total Equity	**0.00%**	**17.90~~21.00~~%**	**17.90~~21.00~~%**	**12.50~~14.70~~%**
Absolute Return	**0.00%**	**14.30~~10.00%~~**	**14.30~~10.00~~%**	**10~~7~~.00%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Asset Allocation Ranges and Rebalancing

Asset allocation refers to the strategic deployment of assets among the major classes of investments such as domestic equity, fixed income and cash equivalents. The asset allocation decision reflects the Portfolio's return requirements as well as the Portfolio's tolerance for return variability (risk) within the context of the expected liabilities of the fund. Asset allocation is widely recognized and accepted as the primary source of return and risk for an investment program. It is used for setting the parameters for long term risk and return in order to meet the University's long-term financial objectives.

The tables below set forth the asset allocation for the Portfolio, the strategic target weights and the allowable ranges around the target weights:

Total Combined Pool	**Target (%)**	**Minimum (%)**	**Maximum (%)**
Working Capital Pool	30.00%	25.00%	93.00%
Strategic Capital Pool	60.00%	0.00%	70.00%
Reserve Pool	10.00%	7.00%	20.00%

Working Capital Pool	**Target (%)**	**Minimum (%)**	**Maximum (%)**
Cash Equivalents	40.00%	0.00%	100.00%
Short Term Fixed Income	60.00%	0.00%	90.00%

Strategic/Reserve Capital Pools	Target (%)	Minimum (%)	Maximum (%)
Fixed Income (Inv. Grade)	18.60%	13.60%	23.60%
High Yield	8.50%	5.00%	12.00%
Credit Fixed Income	5.70%	3.00%	8.00%
TIPS	14.30%	5.00%	19.00%
Commodities	9.30%	6.00%	13.00%
REITS	4.30%	2.50%	8.00%
MLPs	7.10%	4.00%	10.00%
Domestic Equity	4.30%	2.50%	8.00%
International Equity	4.30%	2.50%	8.00%
Private Equity	9.30%	5.00%	13.00%
Absolute Return	14.30%	10.00%	17.00%

~~Strategic Capital Pool~~	~~Target (%)~~	~~Minimum (%)~~	~~Maximum (%)~~
~~Cash Equivalents~~	~~0.00%~~	~~0.00%~~	~~5.00%~~
~~Fixed Income (Investment. Grade)~~	~~29.50%~~	~~20.50%~~	~~34.50%~~
~~TIPS~~	~~14.00%~~	~~5.00%~~	~~19.00%~~
~~Absolute Return~~	~~10.00%~~	~~5.00%~~	~~15.00%~~
~~High Yield~~	~~10.00%~~	~~5.00%~~	~~15.00%~~
~~Commodities~~	~~10.00%~~	~~7.50%~~	~~12.50%~~
~~REITS~~	~~5.50%~~	~~3.00%~~	~~12.00%~~
~~International Equity~~	~~5.50%~~	~~2.50%~~	~~8.50%~~
~~Domestic Equity~~	~~5.50%~~	~~2.50%~~	~~8.50%~~
~~Private Equity~~	~~10.00%~~	~~5.00%~~	~~15.00%~~

Reserve Pool	Target (%)	Minimum (%)	Maximum (%)
~~Cash Equivalents~~	~~0.00%~~	~~0.00%~~	~~5.00%~~
~~Fixed Income (Investment. Grade)~~	~~29.50%~~	~~20.50%~~	~~34.50%~~
~~TIPS~~	~~14.00%~~	~~5.00%~~	~~19.00%~~
~~Absolute Return~~	~~10.00%~~	~~5.00%~~	~~15.00%~~
~~High Yield~~	~~10.00%~~	~~5.00%~~	~~15.00%~~
~~Commodities~~	~~10.00%~~	~~7.50%~~	~~12.50%~~
~~REITS~~	~~5.50%~~	~~3.00%~~	~~12.00%~~
~~International Equity~~	~~5.50%~~	~~2.50%~~	~~8.50%~~
~~Domestic Equity~~	~~5.50%~~	~~2.50%~~	~~8.50%~~
~~Private Equity~~	~~10.00%~~	~~5.00%~~	~~15.00%~~

Portfolio rebalancing is designed to provide a disciplined approach to control the risk exposure of the Portfolio to the investment categories that have deviated from the established target policy weights. Rebalancing parameters are addressed at the asset class level. Rebalancing requires a reallocation to be made whenever the quarter-end allocations exceed the minimum or maximum allocations specified above. Naturally occurring cash flows shall be used to the fullest extent possible to minimize transaction costs and rebalance toward policy targets.

The funding of the private equity asset class occurs over the term of the investment. In order to maintain the Policy's overall target allocation to equity, the Portfolio may maintain an overweight (or underweight) position to public equity no greater than the corresponding underweight (or overweight) target allocation to private equity. The staff and consultants will annually review the rebalancing to take into account the funding of private equity.

Appendix II – Performance Objectives

The performance objectives for the overall fund are threefold:

1. Objective relative to asset allocation targets
2. Objective relative to capital market assumptions
3. Objective relative to inflation

The first objective results in a comparative index that reflects the University's unique asset allocation policy (see example in Table 1). Exceeding this objective indicates that the active management of the various portfolio components has added value over a passively-managed fund with a similar asset mix. The second objective, to compare asset class performance to the capital market assumptions, ensures that the asset mix continues to achieve the long-term goals of the Portfolio. The inflation objective requires that the investment performance provide an adequate real return over the expected rate of inflation, the primary driver of costs.

Individual portfolio components also have performance objectives reflecting the unique investment style of each category. The investment style and performance benchmarks are also shown below:

Five-Year Performance Objectives Methodology
Relative to asset allocation targets, indexes that represent appropriate asset classes

Target Portfolio Weight x Representative cash equivalent portfolio
Target Portfolio Weight x Investment grade fixed income index
Target Portfolio Weight x TIPS index
Target Portfolio Weight x Credit fixed income index
Target Portfolio Weight x Absolute return benchmark
Target Portfolio Weight x High yield fixed income index
Target Portfolio Weight x Global REIT index
Target Portfolio Weight x Commodity index
Target Portfolio Weight x MLP index
Target Portfolio Weight x Broad U.S equity index
Target Portfolio Weight x International equity index
Target Portfolio Weight x Private equity benchmark
100% Total Portfolio Benchmark

Total Combined Pool Objectives (net of all fees and costs)
Relative to asset allocation targets, index weighted by:

30.00% x 91-Day Treasury Bill rate
13.00~~20.65~~% x Barclays U.S. Aggregate Bond Index
10.00~~9.80~~% x Barclays TIPS Index
4.00% x Barclays U.S. Credit Index
6~~7~~.00% x ML High Yield Master II Index
10~~7~~.00% x CPI + 3.25% (Absolute Return benchmark)
6.50~~7.00~~% x Dow Jones - UBS Commodity Index
5.00% x Alerian MLP Index
3.00~~85~~% x FTSE EPRA / NAREIT Developed Real Estate
3.00~~85~~% x Wilshire 5000 Index (US Equity broad market)
3.00~~85~~% x MSCI All Country World ex-U.S. Index (int'l equity market)
6.50~~7.00~~% x Wilshire 5000 (1-quarter lag) + 3%
100.00% Total Combined Pool Benchmark

Relative to inflation: Consumer Price Index + 3.5%

Working Capital Pool Objectives (net of all fees and costs)
Relative to asset allocation targets, index weighted by:

100.00% x 91-Day Treasury Bill rate
100.00% Working Capital Pool Benchmark

Strategic Capital and Reserve Pool Objectives (net of all fees and costs)
Relative to asset allocation targets, index weighted by:

18.60~~29.50~~% x Barclays U.S. Aggregate Bond Index
14.30~~00~~% x Barclays TIPS Index
5.70% x Barclays U.S. Credit Index
14.30~~10.00~~% x CPI + 3.25% (Absolute Return benchmark)
8.50~~10.00~~% x ML High Yield Master II Index
4.30~~5.50~~% x FTSE EPRA / NAREIT Developed Real Estate
9.30~~10.00~~% x Dow Jones – UBS Commodity Index
7.10% x Alerian MLP Index
4.30~~5.50~~% x Wilshire 5000 Index (US Equity broad market)
4.30~~5.50~~% x MSCI All Country World ex-U.S. Index (int’l equity market)
9.30~~10.00~~% x Wilshire 5000 (1-quarter lag) + 3%
100.00% Strategic Capital or Reserve Pool Benchmark

Relative to capital market assumptions: (Wilshire’s Asset Allocation Return and Risk Assumptions, most recent published date, or equivalent publication).

RESPONSIBILITIES (O*)

LEGAL AUTHORITY:

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

HISTORY (R*)

Effective Date: June 29, 2005; Revision Date(s): September 11, 2007; March 12, 2008; March 30, 2009; June 12, 2009; September 24, 2010, March 14, 2012, ~~and~~ September 10, 2013 and January 14, 2015.
.

RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R*)	
Office of the Treasurer Finance and Administration **RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R*)** University Treasurer Florida International University 11200 S.W. Eighth Street, MARC 110 Miami, Florida 33199 Telephone: (305) 348-2544 Facsimile: (305) 348-2990	The University Policies and Procedures Library is updated regularly. In order to ensure a printed copy of this document is current, please access it online at http://policies.fiu.edu/ . For any questions or comments, the “Document Details” view for this policy online provides complete contact information.

FORMS/ONLINE PROCESSES (O*)

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

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

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
January 14, 2015

Subject: Performance Based Funding Metrics
A. Performance Base Funding – Data Integrity Certification
B. Audit of Performance Based Funding Metrics: Good Process Controls Contribute to their Reliability

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Proposed Committee Action:

Recommend that the Florida International University Board of Trustees:

1. Approve the Performance Base Funding – Data Integrity Certification to be signed by the Chairman of the Board of Trustees; and

2. Approve the Audit Report - Audit of Performance Based Funding Metrics: Good Process Controls Contribute to their Reliability

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Background Information:

This item is presented pursuant to a request from the State University System of Florida Board of Governors (BOG) dated June 27, 2014. At the direction of the FIU Board of Trustees (the BOT), the Chairman of the BOT and President of the University shall execute a Data Integrity Certification furnished by the BOG and approve an audit performed by the University's Internal Audit Director to ensure the completeness, accuracy and timeliness of data submissions to the Board of Governors.

Supporting Documentation:	Data Integrity Certification
	Good Process Controls Contribute to their Reliability
Facilitator/Presenter:	Allen Vann

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Attachment 1

STATE UNIVERSITY SYSTEM of FLORIDA
Board of Governors

Performance Based Funding

Data Integrity Certification

Name of University: Florida International University

Period Ending: Academic Year 2013-14

INSTRUCTIONS: Please respond "Yes," "No" or "N/A" in the blocks below for each representation. Explain any "No" or "N/A" responses to ensure clarity of the representation and include copies of supporting documentation as attachment(s).

Performance Based Funding Data Integrity Certification Representations	Yes	No	N/A	Comment / Reference
1. I am responsible for establishing and maintaining, and have established and maintained, effective internal controls and monitoring over my university's collection and reporting of data submitted to the Board Office which will be used by the Board of Governors in Performance Based Funding decision-making.	☑	☐	☐	
2. These internal controls and monitoring activities include, but are not limited to, reliable processes, controls, and procedures designed to ensure that data required in reports filed with my Board of Trustees and the Board of Governors are recorded, processed, summarized and reported in a manner which ensures its accuracy and completeness.	☑	☐	☐	
3. In accordance with Board of Governors Regulation 1.001(3), my Board of Trustees has required that I maintain an effective information system to provide accurate, timely, and cost-effective information about the university, and shall require that all data and reporting requirements of the Board of Governors are met.	☑	☐	☐	
4. In accordance with Board of Governors Regulation 3.007, my university shall provide accurate data to the Board of Governors Office.	☑	☐	☐	

Performance Based Funding

Data Integrity Certification

Performance Based Funding Data Integrity Certification Representations				
	Yes	No	N/A	Comment / Reference
5. In accordance with Board of Governors Regulation 3.007, I have appointed a Data Administrator to certify and manage the submission of data to the Board of Governors Office.	☑	☐	☐	
6. In accordance with Board of Governors Regulation 3.007, I have tasked my Data Administrator to ensure the data file (prior to submission) is consistent with the criteria established by the Board of Governors Data Committee. The due diligence includes performing tests on the file using applications/processes provided by the Board of Governors Information Resource Management (IRM) office.	☑	☐	☐	
7. When critical errors are identified, through the processes identified in item #6, a written explanation of the critical errors were included with the file submission.	☑	☐	☐	
8. In accordance with Board of Governors Regulation 3.007, my Data Administrator has submitted data files, to the Board of Governors Office, in accordance with the specified schedule including any necessary resubmissions.	☑	☐	☐	
9. In accordance with Board of Governors Regulation 3.007, for each data file submission, my Data Administrator provided a certification indicating **"I certify that this file/data represents the position of this University for the term being reported."**	☑	☐	☐	
10. I am responsible for taking timely and appropriate preventive / corrective actions for deficiencies noted through reviews, audits, and investigations.	☑	☐	☐	
11. I recognize that the Board's Performance Based Funding initiative will drive university policy on a wide range of university operations – from admissions through graduation. I certify that university policy changes and decisions impacting this initiative have been made to bring the university's operations and practices in line with	☑	☐	☐	

Performance Based Funding

Data Integrity Certification

Performance Based Funding Data Integrity Certification Representations	Yes	No	N/A	Comment / Reference
State University System Strategic Plan goals and have not been made for the purposes of artificially inflating performance metrics.				

I certify that all information provided as part of the Board of Governors Performance Based Funding Data Integrity Certification is true and correct to the best of my knowledge and I understand that any unsubstantiated, false, misleading or withheld information relating to these statements render this certification void. My signature below acknowledges that I have read and understand these statements. I certify that this information will be reported to the board of trustees and the Board of Governors.

Certification: ______________________ Date 1/5/15
President

I certify that this Board of Governors Performance Based Funding Data Integrity Certification has been approved by the university board of trustees and is true and correct to the best of my knowledge.

Certification: ______________________ Date ______________
Board of Trustees Chair

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FIU | FLORIDA INTERNATIONAL UNIVERSITY

Office of Internal Audit

AUDIT OF PERFORMANCE BASED FUNDING METRICS: GOOD PROCESS CONTROLS CONTRIBUTE TO THEIR RELIABILITY

REPORT NO. 14/15-06

DECEMBER 18, 2014

FIU | FLORIDA INTERNATIONAL UNIVERSITY

OFFICE OF INTERNAL AUDIT

Date: December 18, 2014

To: Kenneth G. Furton, Provost and Executive Vice President
Jeffery Gonzalez, Vice Provost, Academic Affairs, Planning & Institutional Research

From: Allen Vann, Audit Director Allen Vann

Subject: Audit of Performance Based Funding Metrics: Good Process Controls Contribute To Their Reliability, Report No. 14/15-06

Pursuant to a request by the State University System of Florida - Board of Governors (BOG), we have completed an audit relating to the University's performance based funding metrics. The primary objectives of our audit were to:

1) Determine whether the processes established by the University ensures the completeness, accuracy and timeliness of data submissions to the BOG, which support the Performance Based Funding Metrics; and,

2) Provide an objective basis of support for the University Board of Trustees Chair and President to sign the representations made in the *Performance Based Funding - Data Integrity Certification* which will be submitted to the Board of Trustees and filed with the BOG by March 1, 2015.

Overall, our audit disclosed that the University has good process controls for maintaining and reporting performance metrics data. In our opinion, the system in all material respects is functioning in a reliable manner. We made four recommendations to further reduce risk that management agreed to implement.

I would like to take this opportunity to express our appreciation for the cooperation and courtesies extended to us by your staff during this audit.

C: Albert Maury, Chairman Board of Trustees
Sukrit Agrawal, Chair, BOT Finance and Audit Committee and Committee Members
Mark B. Rosenberg, University President
Javier I. Marques, Chief of Staff, Office of the President
Kristina Raattama, General Counsel

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OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to a request by the State University System of Florida - Board of Governors (BOG), we have completed an audit of the Data Integrity over the University's Performance Based Funding Metrics. The primary objectives of our audit were to:

(a) Determine whether the processes established by the University ensures the completeness, accuracy and timeliness of data submissions to the BOG, which support the Performance Based Funding Metrics; and,

(b) Provide an objective basis of support for the University Board of Trustees Chair and President to sign the representations made in the *Performance Based Funding - Data Integrity Certification* which will be submitted to the Board of Trustees and filed with the BOG by March 1, 2015.

The BOG requested that at a minimum, our audit include a review of:

BOG Minimum Audit Objectives

1.	The appointment of the Data Administrator by the University President and that duties related to these responsibilities are incorporated into the Data Administrator's official position description.
2.	The processes used by the Data Administrator to ensure the completeness, accuracy and timely submission of data to the Board of Governors.
3.	Any available documentation including policies, procedures, desk manuals of appropriate staff and to assess their adequacy for ensuring data integrity for university data submissions to the Board of Governors.
4.	System access controls and user privileges to evaluate if they are properly assigned and periodically reviewed to ensure only those authorized to make data changes do so.
5.	Testing of data accuracy through tracing sampled items to source documents.
6.	The veracity of the university Data Administrator's data submission statements that indicate, "I certify that this file/data represents the position of this University for the term being reported."
7.	The consistency of data submissions with the data definitions and guidance provided by the Board of Governors through the Data Committee and communications from data workshops.
8.	The University Data Administrator's data resubmissions to the Board of Governors with a view toward ensuring these resubmissions are both necessary and authorized. This review should also evaluate how to minimize the need for data resubmissions.

Our audit was conducted in accordance with *the International Standards for the Professional Practice of Internal Auditing*, and included tests of the supporting records and such other auditing procedures as we considered necessary under the circumstances. We also applied the following frameworks and standards: 1) Control Objective for Information and Related Technology 5.0 framework (COBIT), and 2) National Institute of Standards and Technology special publication 800–53A Revision 1 guidelines (NIST).

During the audit we:

1. Obtained an understanding of the process flow of data for all of the relevant data files from the transactional level to their submission to the BOG;

2. Reviewed all BOG data definitions;

3. Interviewed key personnel including the University's Data Administrator, functional unit leads, and those responsible for developing and maintaining the information systems;

4. Observed current practices and processing techniques;

5. Tested the latest data files for the 10 performance based funding metrics submitted to the BOG as of September 30, 2014. Sample sizes and transactions selected for testing were determined on a judgmental basis; and

6. Tested the system access controls and user privileges within the State University Database System (SUDS) staging tables and production environment.

Audit fieldwork was conducted from July to November 2014. There were no external or internal audit reports issued within the past three years related to the scope and objectives of this audit, which would otherwise require follow-up.

BACKGROUND

The Florida Board of Governors (BOG) has broad governance responsibilities affecting administrative and budgetary matters for Florida's 12 public universities. Beginning in fiscal year 2013-2014, the BOG instituted a performance funding program, which is based on 10 performance metrics used to evaluate the institutions on a range of issues including graduation and retention rates, job placement, and cost per degree, among other things. Two of the 10 metrics are Choice metrics; one picked by the BOG and one by each University's Boards of Trustees. These metrics were chosen after reviewing over 40 metrics identified in the Universities' Work Plans.

The BOG model has four guiding principles:

1) use metrics that align with SUS Strategic Plan goals;

2) reward Excellence or Improvement;

3) have a few clear, simple metrics; and

4) acknowledge the unique mission of the different institutions.

The Performance Funding Program also has four key components:

1) Institutions are evaluated and receive a numeric score for either Excellence or Improvement relating to each metric;

2) Data is based on one-year data;

3) The benchmarks for Excellence were based on the Board of Governors 2025 System Strategic Plan goals and analysis of relevant data trends, whereas the benchmarks for Improvement were decided after reviewing data trends for each metric; and

4) The Florida Legislature approved $100 million in new funding for performance funding and a proportional amount totaling $65 million came from each university's recurring state base appropriation and another $35 million came from other system initiatives.

The following table summarizes the performance funds allocated for the fiscal year 2014-2015 using the performance metrics results from 2012-2013, wherein FIU earned 34 points.

Florida Board of Governors Performance Funding Allocation, 2014-2015						
	Points *	**Allocation of New Funds**	**Restoration of 2013-2014 Base Funds[1]**	**Allocation of Funds Previously used in 2013-2014 for the Team Grants[2]**	**Allocation of 2013-2014 Performance Funds[3]**	**Total Performance Funding Allocation**
UF	42	$ 22,453,117	$ 12,199,069	$ 3,367,967	$ 1,739,130	$ 39,759,283
USF	37	$ 17,099,675	$ 9,004,505	$ 2,564,951	$ 2,608,696	$ 31,277,827
FIU	**34**	**$ 13,912,467**	**$ 7,103,925**	**$ 2,086,870**	**$ 2,173,913**	**$ 25,277,175**
UCF	34	$ 16,757,792	$ 8,953,386	$ 2,513,669	$ 2,608,696	$ 30,833,543
FSU	33	$ 16,426,934	$ 10,677,507	$ 2,464,040	$ 2,173,913	$ 31,742,394
FGCU	30	$ 3,297,844	$ 2,143,599	$ 494,677	$ 2,173,913	$ 8,110,033
FAMU	29	$ 5,541,681	$ 3,602,093	$ 831,252	$ 869,565	$ 10,844,591
UNF	29	$ 4,510,490	$ 2,931,819	$ 676,574	$ 2,173,913	$ 10,292,796
Sub – Total		$100,000,000	$ 56,615,903	$ 15,000,000	$ 16,521,739	$188,137,642

			2013-2014 Base Funds at Risk		**2013-2014 Performance Funds at Risk**	**Total Funds at Risk**
NCF	25		$ 645,594		$ 434,783	$ 1,080,377
FAU	24		$ 5,213,263		$ 1,739,130	$ 6,952,393
UWF	21		$ 2,525,240		$ 1,304,348	$ 3,829,588
Sub – Total		$ 0	$ 8,384,097	$ 0	$ 3,478,261	$ 11,862,358
Total		**$100,000,000**	**$ 65,000,000**	**$15,000,000**	**$20,000,000**	**$200,000,000**

*The maximum point an institution can score is 50. Institutions scoring 25 points or less do not receive any new funds. Funds at risk will be restored if the improvement plan approved by the BOG is successfully implemented.

Notes:

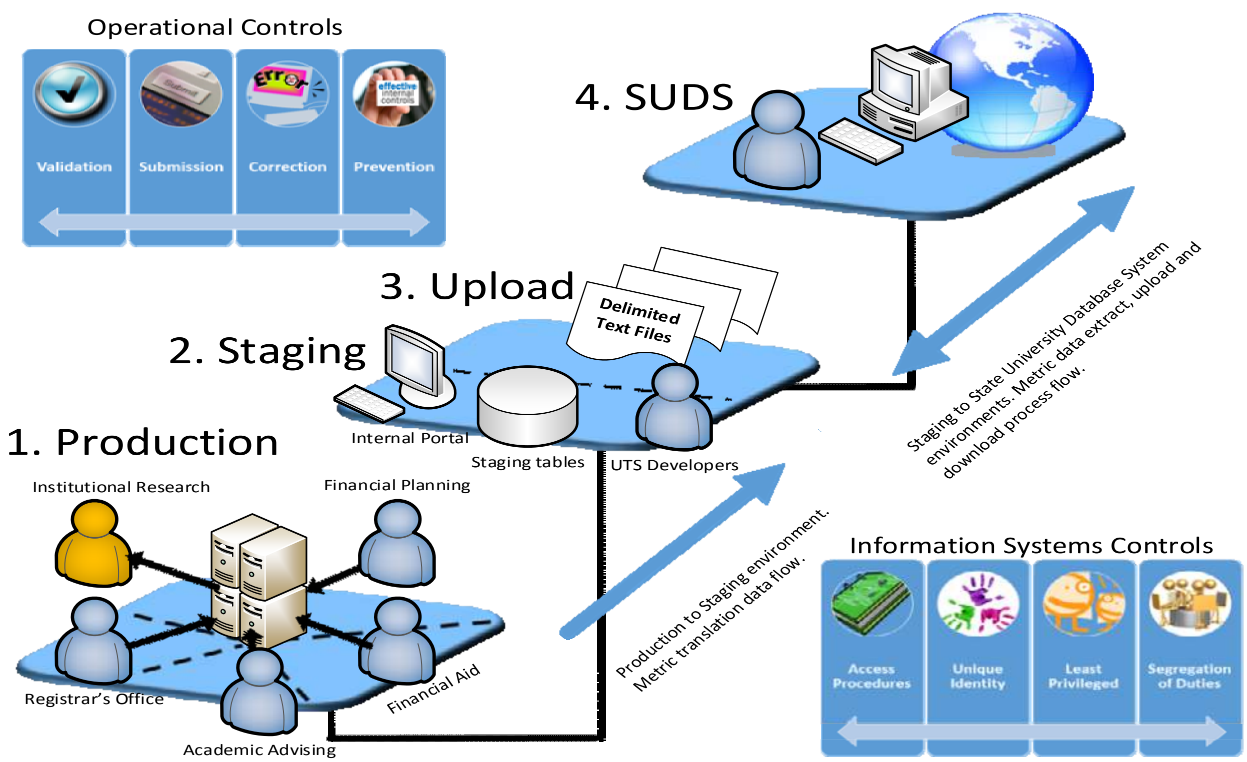
1 Each university contributed a portion of their base budget, for a total of $65 million, to be allocated based on performance. Universities that had 26 points or higher receive their full base funding restored. Universities with 25 points or less have to submit an improvement plan to be approved by the BOG. Restoration of their base funding is contingent upon successful implementation of the improvement plan.

2 In 2013-2014, $15 million was provided to the BOG to provide grants to address targeted program areas as identified in the GAP Analysis Report prepared by the Commission on Florida Higher Education Access & Attainment. These funds are reallocated in 2014–2015 pursuant to the BOG's performance model.

3 In 2013-2014, $20 million was provided for performance funding to be allocated based on 3 metrics identified in legislation. These funds are reallocated pursuant to the BOG's approved methodology adopted in November, 2013. However, universities that scored 25 points or less on the Board's performance model will only receive these funds upon successful implementation of the improvement plan.

The Office of Planning and Institutional Research (OPIR) is the official source of FIU's statistics. The OPIR provides statistical information to support decision making processes within all academic and administrative units at FIU, prepares reports and files for submission to the BOG and other agencies. OPIR is also responsible for data administration, surveys, assessment of instruction, enrollment planning, and strategic planning. The OPIR, through the Data Administrator who reports to the Associate Provost, is responsible for gathering data from all applicable University units, preparing the data to meet BOG data definitions and requirements, and submitting the data.

At FIU, the Performance Funding Metrics reporting process flow consists of four layers that range from the University Production environment to the State University Database System application: (1) The Production data originated at the functional units, the Registrar's Office, Academic Advising, Financial Aid, and Financial Planning departments is sent to (2) Staging tables. In the Staging environment, dedicated developers perform data element calculations that are based on BOG guidelines and are also used to develop the Internal Portal. Once the calculations are completed, the data elements are formatted into text files and moved to the (3) Upload folder. Users then log into the (4) State University Database System (SUDS) and depending on their roles, either upload, validate, or submit the data. The diagram below illustrates our testing on the effectiveness of the operational controls and the information system access controls currently implemented in the overall data element process flow.



FINDINGS

Based on our audit we concluded that there are no material weaknesses or significant deficiencies in the processes established by the University to report required data to the Board of Governors in support of their Performance Based Funding Metrics. While there is always room for improvement as outlined in the detailed findings and recommendations that follow, the system is functioning in a manner that can be relied upon to provide complete, accurate and relatively timely data.

Accordingly, in our opinion, this report provides an objective basis of support for the Board of Trustees Chair and the University President to sign the representations made in the BOG Performance Based Funding – Data Integrity Certification, which the BOG requested be filed with them by March 1, 2015.

Our evaluation of FIU's operational and system access controls that fall within the scope of our audit is summarized in the following table:

INTERNAL CONTROLS RATING			
CRITERIA	**SATISFACTORY**	**FAIR**	**INADEQUATE**
Process Controls	x		
Policy & Procedures Compliance	x		
Effect	x		
Information Risk	x		
External Risk	x		
INTERNAL CONTROLS LEGEND			
CRITERIA	**SATISFACTORY**	**FAIR**	**INADEQUATE**
Process Controls	Effective	Opportunities exist to improve effectiveness	Do not exist or are not reliable
Policy & Procedures Compliance	Non-compliance issues are minor	Non-compliance Issues may be systemic	Non-compliance issues are pervasive, significant, or have severe consequences
Effect	Not likely to impact operations or program outcomes	Impact on outcomes contained	Negative impact on outcomes
Information Risk	Information systems are reliable	Data systems are mostly accurate but can be improved	Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions
External Risk	None or low	Potential for damage	Severe risk of damage

Our detailed review of the BOG's minimum audit objectives and their results follows:

1. Data Administrator Authority and Responsibility

BOG Request: Review the appointment of the Data Administrator by the University President and that duties related to these responsibilities are incorporated into the Data Administrator's official position description.

BOG Regulation 3.007(2), states, "Each University President shall appoint an Institutional Data Administrator to certify and manage the submission of data to the SUS management information system." The Division of Human Resources provided us a copy of a letter signed on August 26, 2014 by the University President, appointing the Institutional Data Administrator for FIU.

Although the Data Administrator has been performing the duties since 2006, her position description and remuneration changed on January 18, 2014 to include duties related to the BOG data submission; one of the duties added to the Data Administrator's position description was "compile, verify and organize the data to fulfill the BOG requirements for the university's ongoing program review." In addition, another duty listed in the job description read, "provides relevant, timely and accurate institutional information to university administrators, the university community at large, the external community, and external agencies; provides institution-wide support for obtaining data and information and performing analyses in a variety of higher education areas, such as enrollment management, finances, faculty and staffing, service delivery, student affairs, and academic support."

Conclusion:

Although the Data Administrator's appointment by the University President occurred in late August 2014, after our audit fieldwork began, the duties and added responsibilities of the position were appropriately re-defined and approved by the Division of Human Resources in January 2014.

2. Review of Processes Used by the Data Administrator

BOG Request: Review of the processes used by the Data Administrator to ensure the completeness, accuracy and timely submission of data to the Board of Governors.

The Data Administrator provided us with an understanding of how the University ensures the completeness, accuracy and timely submission of data to the BOG. OPIR developed a tool within PeopleSoft that generates edit reports similar to the ones found in the State University Database System (SUDS). This tool allows functional unit users more time to work on their file(s) since the BOG edits are released closer to the submission deadline. The purpose of the review is for functional unit users to correct any problems concerning transactional errors before submitting the files. We found that the Registrar's Office, which handles 5 of the 10 metrics, uses this tool. The Data Administrator's team then routinely reviews the error reports and summary reports to identify and correct any data inconsistencies. According to OPIR they plan to extend the use of the tool to all appropriate users.

In addition to the internal reports, the BOG has built into SUDS a data validation process through many diagnostic edits that generate errors by critical level. SUDS also provides summary reports and frequency counts that allows for trend analysis. The OPIR team reviews the SUDS reports and spot–checks records to verify the accuracy of the data. Once satisfied as to the validity of the data, the file is approved for submission.

We also met with the Vice Provost for the Office of Planning and Institutional Research, the Director of Institutional Research (Data Administrator) and the Assistant Director of Institutional Research to gain an understanding of the processes in place to gather, test, and ensure that only valid data, as defined by the BOG, is timely submitted to the BOG. The OPIR staff explained that the Data Administrator's team is responsible for the day-to-day reporting and understands the functional process flow, and that the Assistant Director of University Computer Systems is responsible for the data and understands the technical process flow.

OPIR and University Technology Services (UTS) developed flow charts for us describing the process flow to prepare and submit data to the BOG for each of the 10 metrics. The BOG files submission cycle (listed below), were reviewed, observed and tested.

Steps	**BOG Files Submission Cycle & Related Audit Observations**
1.	The PeopleSoft team extracts data from the PeopleSoft database. Data are formatted according to BOG data elements definitions and table layouts. (We identified data elements definitions for each file and determined the formatting matches BOG definition.)
2.	The PeopleSoft team uploads data to SUDS and runs edits.
3.	SUDS edits the data for possible errors and generates dynamic reports. (We observed data errors for the last submittal, spring 2014, in order to identify and document the type and causes of errors.)

Steps	BOG Files Submission Cycle & Related Audit Observations
4.	Functional unit users are notified that edits are ready to be reviewed. (The Data Administrator provided us with a sample of emails between OPIR, functional unit users, and BOG discussing errors, corrections, and re-submissions.)
5.	Functional unit users review the edits and make any required transactional corrections in the PeopleSoft database.
6.	OPIR Lead/PS Team/Functional unit users communicate by email, phone or in person about any questions/issues related to the file.
7.	Steps 1-6 are repeated until the freeze date.
8.	On the freeze date a final snapshot of the production data is taken.
9.	The file is finalized, making sure all Level-9 (critical) errors were corrected or can be explained.
10.	OPIR Lead reviews SUDS reports, spots-checks data and contacts functional unit users if there are any pending questions. (However, there was no documentation of the review of SUDS reports or technique used for spot-checking data.)

In summary, the data is extracted from the PeopleSoft system and moved to a staging table where data calculation is performed for the elements required by the BOG. The data extraction from the source document (PeopleSoft) and formatting according to BOG requirement was reviewed for all 10 metrics and each element/field was examined to determine the mapping of the production and staging fields. There are four layers within the data process flow that included Production, Staging, Upload and the SUDS application. The Production Data element is extracted from Financial Planning, Financial Aid, Academic Advising and the Registrar's Office. The OPIR in collaboration with two application development teams from UTS translated the production data into separate staging database tables where the data elements were then programmatically calculated. Data was then extracted from the Staging tables, formatted into specific file formats, and then uploaded to the SUDS online application.

As for the timely submission of data, the OPIR used the due date schedule provided by the BOG as part of the SUS data workshop to keep track of the files due for submittal and their due dates. The OPIR also maintains a schedule for each of the files to be submitted, which includes meeting dates with the functional unit leads, file freeze date, file due date, and actions (deliverables) for each date on the schedule. We observed that the file submission date was not evident. Thus, we requested and were provided with the actual file submission dates noted below.

The following table reflects the due dates and actual submittal dates of the four most recent files due for the 2014-2015 submission period:

File	Title	Term	Due Date	Submitted Date
SIFD	Degrees Awarded File	Summer 2014	10/07/2014	10/08/2014
SIFP	Student Instruction File – Preliminary	Fall 2014	10/10/2014	10/30/2014
HTD	Hours To Degree File	Annual 2013	10/21/2014	11/19/2014
EA	Expenditure Analysis File	Annual 2013	10/28/2014	11/14/2014

We also reviewed data submission timeliness for select files with 2013-2014 due dates and observed they were similarly submitted late:

- ADM – The Admissions File for fall 2013 term due on 9/27/13 was submitted on the due date but was not accepted by the BOG until 10/21/13. The Office of Planning and Institutional Research explained that the BOG's delay in accepting the fall 2013 Admissions File resulted in a delay in submitting the fall 2013 SIFP File. The SIFP File was due on 10/11/2014 and was submitted on 10/22/2014, the day after the BOG accepted the ADM File.

- HTD – The Hours To Degree File for annual 2012 due on 10/15/2013 was submitted on 11/4/2013. The Office of Planning and Institutional Research informed us that the delay in submitting the HTD File was due to the BOG releasing the HTD 2012-2013 edit on SUDS production late on 10/2/2013, nine days before the due date. Email correspondence with BOG staff documents FIU's request for clarifications. The last email correspondence was on 10/31/2013 where BOG staff provided clarification to FIU staff's valid concerns relating to new BOG definitions.

- EA – The Expenditure Analysis File for annual 2012 due on 10/22/2013 was submitted 10/24/2013, two days late.

Conclusion:

Our review disclosed that the process used by the Data Administrator provides reasonable assurance that complete, accurate and for the most part timely submissions occurred. There were instances where submissions were late. Apart from the aforementioned BOG interactions, we could not find any systemic reasons for such delays. And while we found no material weaknesses, the process would benefit from better documentation of data validation and the review process undertaken.

3. Review Adequacy of Policies and Procedures

BOG Request: Review of any available documentation including policies, procedures, desk manuals of appropriate staff and assess their adequacy for ensuring data integrity for University data submissions to the Board of Governors.

The Office of Planning and Institutional Research provided a set of memos issued by the BOG between 2005 and 2008 as procedures followed by OPIR. We found these memos to be outdated as the personnel and the systems documented in these memos were not current. The BOG Legacy Master files documentation included: Admissions File, Expenditure Analysis File, Instruction and Research File, Operating Budget File, and Student Data Course File. However, the OPIR staff informed us that updates related to new or revised data elements, table layouts, and other file changes have been made since those records were published and provided the following:

- SUDS Database Table Layout (2013-2014)
- SUDS Database Cumulative Release Notes (2013-2014)
- BOG 2013 Data Workshop proceedings
- SUDS Basic Guide (adapted from the BOG SUDS Basic Guide)

OPIR staff uses the BOG website for new information and were very familiar with all the BOG requirements and updates. However, staff in functional units responsible for original source data indicated that they were not familiar with the process involved in ensuring the BOG data submission integrity. All but the Registrar's Office functional unit simply provides the data to the OPIR and makes corrections to data when they are informed of an error. The Registrar's Office uses the in-house developed PeopleSoft tool to validate data accuracy and correct any data errors prior to submittal and uploading to SUDS. The tool helps prepare data for timely upload and minimize errors as the submittal window provided by the BOG was categorized by FIU staff as very short. As previously noted, the Data Administrator informed us that the plan is to roll out the PeopleSoft tool to all of the appropriate functional units.

We requested the Data Administrator to provide a narrative of any internal policies, procedures, minutes of staff meetings, or other documentation which evidence FIU's effort to ensure integrity of data. The Data Administrator explained that, "As part of the procedures to validate for ensuring data integrity for University data submissions to the Board of Governors, [they] set a list of milestones with deadlines for each file that is shared with the functional users. [They] meet to discuss the deadlines/schedule to ensure that they are realistic and to discuss any foreseeable issues that may affect data integrity or the timely submission of the file. During the meetings [they] verify that all individuals who will be involved in data validation have the necessary system access and understanding of what is expected from them. [They] also follow-up with additional meetings, as needed, emails and phone calls."

Conclusion:

Although the staff at the OPIR is knowledgeable of the BOG requirements and updates, we observed that there were no formal policies and procedures or written documentation over the process of data gathering, review and submittal to ensure data integrity for submission to the BOG.

4. System Access Controls and User Privileges

BOG Request: Review system access controls and user privileges to evaluate if they are properly assigned and periodically reviewed to ensure only those authorized to make data changes do so.

<u>Identity Access Management</u>

There are four layers within the data process flow that included Production, Staging, Upload and the State University Database System application. Figure 1 – *Production Data Elements Process Flow* illustrated the four departments of Financial Planning, Financial Aid, Academic Advising and the Registrar's Office's data that feed into the production system available to the Office of Planning and Institutional Research for analysis. There is a dedicated two-member application development team that translates production data into separate staging database tables where the data elements are then programmatically calculated. Data is then extracted from the Staging tables, formatted into specific file formats, and then uploaded to the State University Database System (SUDS) online application (see Background-*Data Elements Process Flow diagram*).

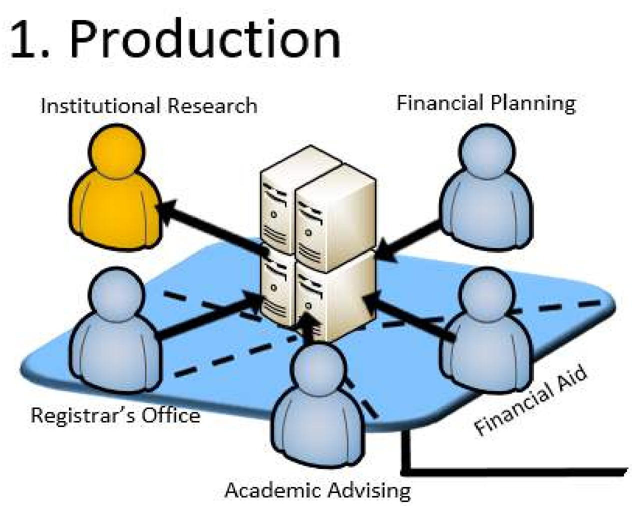


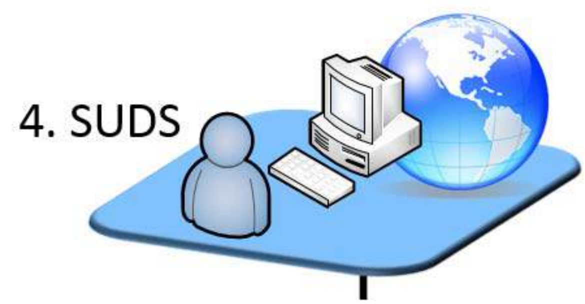
Figure 1 – Production Data Elements Process Flow

Identity Access Management controls reviewed included system access policies, procedures, unique user identity, least privileged systems access and segregation of duties within the identified four layers of data flow process.

<u>Policies</u>

The PeopleSoft Campus Solutions Security Strategy manual is the access policy to the staging tables, which are the midway point between production data and the SUDS. The manual states that user access procedures for database tables will vary by database instances. Emails are used as formal access authorizations for the staging database tables.

Figure 2 - State University Database System Online



For use of the State University Database System, the Master File Submission Subsystem Basic User Guide states that it is up to the Data Administrator and University policy to determine the granularity of the user access security and also encouraged the designation of at least one Submitter and one Security Manager. Currently, the Office of Planning and Institutional Research acknowledges that there is no formal access policy implemented but they are working on an online process to keep track of SUDS access requests. Without a formal access policy, the Office of Planning and Institutional Research's user access procedures could potentially be performed ineffectively and lead to inappropriate access.

Procedures

In the Staging environment, there were two new Database Administrators added to the staging tables. Their access was appropriately documented in accordance to the PeopleSoft Campus Solutions Security Strategy manual.

The State University Database System access changes were initiated from informal requests made in meetings and conversations with the Data Administrator and the Assistant Director of the University Computer Systems. Of the 11 new submission privileges granted to the State University Database System, 7 did not have formal request documentation associated with their access. For deactivated user accounts, 6 of the 21 user accounts were not deactivated timely. These 6 users were still active for 666 days on average after their termination date, as illustrated in Figure 3.

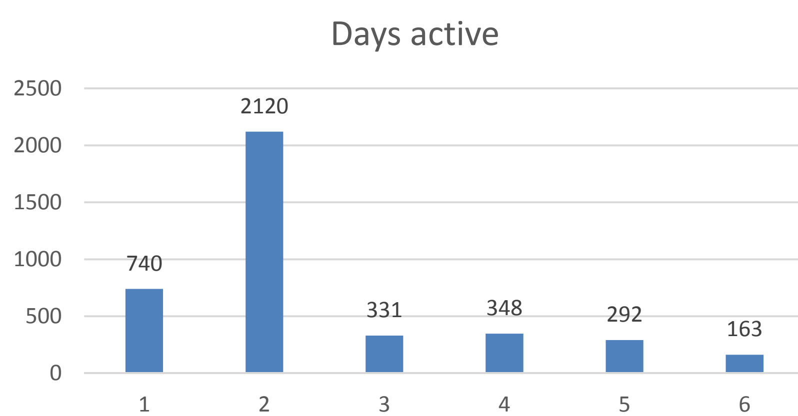


Figure 3- SUDS deactivated user accounts

The Master File Submission Subsystem Basic User Guide specifies that passwords should expire every 90 days and a new password should be required 4 times a year. One user was terminated on 7/7/2012. However, her State University Database System password expired 555 days later on 1/13/2014.

The lack of formal access request documentation, untimely user deactivation, and the continued use of a terminated user accounts increases the risk of inappropriate access within the State University Database System.

Unique Identity

According to FIU Policy No. 1930.020a, electronic data must be accessed by way of a unique name or number for identifying and tracking the user's identity. Of the 43 State University Database System user accounts, 29 staging database user accounts, and 5 upload folder user access accounts examined, we found three identified generically-named user accounts which were used as system object connections but were not directly accessible to users. This would indicate that the accounts are a low access risk. Additionally, there was one generic installation account that still had its default password activated, however the account had no assigned privileges. It is good practice to change default passwords to decrease the risk of unauthorized data access.

Least Privileged

According to COBIT 5.0 DSS05.04.01 and DSS06.03.03, user access privileges should be allocated and maintained based on what is only required to perform their job activities, business functions and process requirements. Of the total 43 State University Database System users only one individual no longer needed access. As information is pulled from production and copied to the staging environment, tests were performed to identify whether the 17 individuals directly involved in the data process flow had the ability to edit production data used in the calculations to the 79 in-scope data elements. Inappropriate access included software developers and senior management with edit privileges to 18 production data fields that were used in the calculation of 16 data elements. Access privileges that are not part of their job responsibilities increase the risk to the integrity of the data elements.

Segregation of Duties

The overall process is adequately segregated as our testing revealed that no one individual had access to the production, staging and upload environments and also had the ability to submit files.

Conclusion:

The combination of system access control deficiencies noted above, while less severe than a material weakness in internal control, should nevertheless be promptly corrected or mitigated to reduce the likelihood that an unauthorized data change can be made and go undetected.

5. Data Accuracy Testing

BOG Request: Test data accuracy through tracing sampled items to source documents.

We identified the main data files and tables related to the calculations of the 10 performance based funding metrics, as follows:

- Degrees Awarded File;
- Enrollments Table;
- Expenditure Analysis File;
- Retention File;
- Student Instruction File;
- Student Financial Aid File;
- Courses To Degree Table;
- Hours To Degree File; and
- Person Demographic Table

The BOG provided us with the in-scope data elements for each of the files (see Appendix A – In-scope BOG Data Elements).

We tested data accuracy for each of the 10 metrics through the review of the corresponding data files, tables and elements and by tracing them to the source document data in PeopleSoft. We also performed a number of reconciliations. We limited our testing to the PeopleSoft data itself, as the objectives of our testing were to corroborate that the data submitted was in fact unabridged from/identical to the data contained in the University's PeopleSoft system.

Metrics Testing

The University's 10 performance based funding metrics were as follows:

Key Metrics Common to All Universities:

1. Percent of Bachelor's Graduates Employed and/or Continuing their Education Further 1 Year after Graduation.
2. Median Average Full-time Wages of Undergraduates Employed in Florida 1 Year after Graduation.
3. Average Cost per Undergraduate Degree to the Institution.
4. Six Year Graduation Rate Full-time and Part-time FTIC.
5. Academic Progress Rate 2nd Year Retention with GPA Above 2.0.
6. Bachelor's Degrees Awarded in Areas of Strategic Emphasis (includes STEM).
7. University Access Rate Percent of Undergraduates with a Pell-grant.
8. Graduate Degrees Awarded in Areas of Strategic Emphasis (includes STEM).

Institution-Specific Metrics:

9. Percent of Bachelor's Degrees without Excess Hours.
10. Bachelor's Degrees Awarded to Minorities.

Metrics 1, 2, 6, 8, and 10

The Degrees Awarded File is used for 5 of the 10 performance based funding metrics. We obtained the most current submission file contiguous with our audit fieldwork, which was submitted to the BOG in spring 2014. (The File is uploaded every semester, thus the spring 2014 uploaded in June 2014 was the most current file as of September 30, 2014.)

The Degrees Awarded File we reviewed contained 4,617 students. This included out-of-term degrees from spring, summer, and fall of 2013 and excluded 49 spring degrees that were posted late and in turn were reported in summer 2014 as out-of-term degrees.

Among the 4,617 degrees, there were 474 double majors. The BOG rule allows for multiple degrees to be counted individually, but not double majors. Thus, double majors are counted as half (.5). Our reconciliation of the Degrees Awarded File submitted to the BOG and the file provided to us by the Office of the Registrar resulted in differences in the number of degrees reported due to timing differences in posting the degrees (out-of-term degrees). We determined that the 49 degrees posted late, were reported in summer 2014 as out-of-term degrees. We then tested 10 students with two majors in the data file against the student's record in PeopleSoft and found they had all been awarded two majors in spring 2014. We then tested 10 students with two individual degrees (as opposed to a double major) in the data file against the student's record in PeopleSoft and found they had all been properly awarded two majors in spring 2014.

We examined all the BOG specified data elements in the Degrees Awarded File, including the CIP (Classification of Instructional Programs) code for Areas of Strategic Emphasis (Metrics 6 and 8), and the person demographic elements (Metric 10). To calculate the results of Metrics 1 & 2, aside from using the data in the Degrees Awarded File, the BOG also uses non-FIU derived employment and education data, which we considered outside of the scope of the audit.

Data for 21 sample students from the Degrees Awarded File were traced to the source document (student records and enrollment in PeopleSoft system) and we verified that the information for the elements being tested as reported to the BOG were the same as the data in the student information maintained in the University's PeopleSoft system. We reviewed each of the 21 students' status and determined that 20 students graduated in spring 2014 and 1 student graduated in summer 2013, however, the one student was not included in the data submitted for summer or fall 2013. OPIR personnel informed us that late degrees are reported in a subsequent submission, as required.

We also tested data reported for 15 sample students from the Enrollments Table and verified that the student's Ethnicity/Race reported to the BOG matched the data in PeopleSoft, as part of our testing of Metric 10.

The results of our testing found no differences in any of the data elements reviewed as part of the Degrees Awarded File reported in spring 2014.

Metric 3

The Expenditure Analysis (EA) File is used for Metric 3 (Average Cost per Undergraduate Degree to the Institution). The file tested was submitted in October 2013, the latest available as of September 30, 2014. This metric identifies the full cost of instruction for each approved undergraduate program by the state. The complete cost of the programs is made up of direct instruction and indirect instruction expenditures. The data for this file originates from two other files, the Operating Budget (OB) File and the Instruction and Research (IRD) File, and involves the calculations coming from a Crossover File, which provides for the percentages of expenditures based on Classification of Instructional Programs (CIP) codes.

We obtained the EA File submitted, which contained over 363,000 records of program expenditures, analyzed each element and reconciled total expenditures in the OB to the EA File. We selected 10 department numbers to test with their corresponding expenditures to ensure the data was properly captured from the OB File and matched properly with the EA File being reported to the BOG. Finally, using the same 10 department numbers we recalculated the expenditures related to one specific CIP code. For this test we utilized the Crossover File which provided us the total percentage code allocation by CIP code, as determined by the University. Thus, the selected CIP code percentage allocation from the Crossover File was multiplied by the department number's expenditures to recalculate the specific CIP code expenditures based on the OB File, which was then agreed to the EA File expenditures filtered by that specific CIP code.

The results yielded no discrepancies. The OB File reconciled with the EA File as total expenditures submitted to the BOG in the amount of $424,781,382.73 matched in both files. The 10 sample department numbers and their expenditures matched, as well as to each department's percentage allocation recalculation based on the one CIP code.

Metrics 4 and 5

The Retention File is used for *2* of the 10 performance based funding metrics and is generated by the BOG from FIU's SIF and SIFD Files. Our tests of the SIF and SIFD Files are covered under other metrics. As the Retention File data is generated by the BOG, FIU's Office of Planning and Institutional Research simply reconciles the data in the Retention File to the SIF and SIFD Files submitted to the BOG, and investigates and resolves any differences. We reviewed the OPIR's reconciliation process conducted in January 2014 for the 2012-2013 file.

We concluded that OPIR staff adequately performed the reconciliation of data provided by the BOG against FIU data. We reviewed a sample of errors found in the reconciliation and were satisfied with the process. For example, in one instance, the BOG reported a Person ID mismatch that FIU staff determined had been previously updated by FIU, but was not reflected by the BOG.

Metric 7

The Student Instruction File is used for Metric 7 (University Access Rate Percent of Undergraduates with a Pell-grant). This metric is based on the number of undergraduates enrolled during the fall term who received a Pell-grant during the term.

We obtained the Enrollments Table for spring 2014 and the Student Financial Awards (SFA) File for the 2012-2013 academic year as these were the most current submissions as of September 30, 2014. The Enrollments Table contained enrollment records for 50,083 students and the SFA File contained financial aid award information for 37,947 students.

We also obtained the financial aid award records for the 2012- 2013 academic year as of November 2014 from Office of the Financial Aid and compared it to the SFA File submitted to the BOG. We identified 1,385 students with different award amounts reported to the BOG as compared to the file provided by the Office of Financial Aid. We reviewed select students' financial aid award records in PeopleSoft and determined that the difference in the awarded amount was due to adjustments or additional awards that occurred after the submission to the BOG. We also noted that financial compensation such as Federal Work Study was made by the University's Division of Human Resources, therefore, not captured by the Office of Financial Aid. All BOG files are point-in-time submissions and are certified by the functional unit users at the point of submission. The difference between what was reported on the 2012-2013 BOG Student Financial Aid File and the data in the file provided by the Office of Financial Aid was due to timing.

As part of testing the Enrollments Table, we selected a sample of 27 students and verified that the data provided to the BOG, specifically the BOG specified elements matched the University's data maintained in PeopleSoft. We found no differences in any of the 5 elements reviewed against the data submitted to the BOG for the 27 students tested, except one student's most recent admission date, which was 1 of the 5 tested elements. We determined that the student was admitted in fall 2011 as an undergraduate student and in spring 2014 as a certificate – seeking student. The student enrollment record in PeopleSoft had both of the admission dates for the student and his most recent admission was reported to the BOG. OPIR staff informed us that in this case the student's admission date for his undergraduate degree is what should be used and are currently in discussions with the Registrar's Office to adjust for these occurrences.

Metric 9

The Hours To Degree (HTD) File is used for Metric 9 (Percent of Bachelor's Degrees without Excess Hours). We obtained the Hours To Degree File submitted on 10/13/13 for fall 2013, as the file is uploaded every year during fall and was the most current file as of September 30, 2014. The Degrees Awarded File submitted in fall 2013 contained 6,565 students with degrees awarded for summer 2012, fall 2012, and spring 2013.

As part of our testing of the HTD File, we also obtained the Courses To Degree Table for all the students as this was needed to vouch the specific courses to the PeopleSoft system. We sampled data for 12 students and verified that the students' courses and related information in the Courses To Degree Table matched the data in PeopleSoft and found no differences in any of the 7 elements reviewed against the data submitted to the BOG for the 12 students tested.

Conclusion:

We successfully traced reported data to source documents on a sample basis, except for Metric 7 testing where we found one anomaly in handling data relating to multiple admission dates for one student.

6. Veracity of Data Administrator's Certification

BOG Request: Review the veracity of the University Data Administrator's data submission statements that indicate, "I certify that this file/data represents the position of this University for the term being reported."

We were informed by the Data Administrator that prior to the current data system a facsimile was sent to the BOG with the statement, "I certify that this file/data represents the position of this University for the term being reported". However, after the replacement of the legacy system with SUDS it was agreed at a BOG Data Administrators' meeting that the SUDS submittal was sufficient as digital signature and assertion that the data represents the position of the University for the term(s) being reported. We inquired from the BOG and confirmed that there is no physical certification statement that the Data Administrator has to sign and that the IRM will work on adding such a screen to the submission tool.

Nonetheless, we asked the Data Administrator to explain what provides her reasonable assurance to assert that the data represents the position of the University for the term(s) being reported when submitting digitally. The Data Administrator stated: "In addition to the BOG edits and the PeopleSoft edit tool previously described, to be satisfied with the validity of the data, my team and I use spot checking to review data at the transactional level. This includes selecting individual records and verifying that the data being reported accurately reflects what is in the production system. Any inconsistencies found are exhaustively investigated and the functional unit responsible is notified. Finally, after I have verified that any known inconsistencies are resolved, I certify the submission."

As previously discussed in Finding No. 2, other than the flow chart (prepared on our behalf) describing the steps documenting data submission cycle there were no formal documentation of the steps taken, such as the spot checking and review of data at the transactional level as described by the Data Administrator to verify data accuracy by the Office of Planning and Institutional Research. The only documentation provided to us as support for data verification were examples of email communications with the functional units documenting how errors identified by the SUDS system are addressed. When asked how the Data Administrator knows data is accurate, she stated that by examining the data and recognizing when the data does not seem reasonable compared to the prior year's submission or the University's records.

On October 8, 2014 we observed submission of the SIFD File that was due on October 7, 2014. The submission process included running the file in the SUDS and identifying any errors and warnings. We observed that the OPIR team worked with functional unit leads to correct or explain the errors.

Conclusion:

We found no material weaknesses or significant deficiencies other than the fact that the process would benefit from better documentation. The body of evidence appears to support the confidence the Data Administrator places in the established process controls when making the data submission to the BOG.

7. Consistency of Data Submissions with BOG Definitions

BOG Request: Review the consistency of data submissions with the data definitions and guidance provided by the Board of Governors through the Data Committee and communications from data workshops.

The Data Administrator described to us the efforts of the OPIR to ensure integrity of data through such means as BOG sponsored workshops, communications with the BOG Data Committee, internal discussions and communications, and adherence to procedures which require use of up-to-date data file definitions published by the BOG. The Data Administrator's stated that, "Every year, my team and I attend the annual BOG sponsored Data Workshop to learn of any changes to the data definitions and receive guidance from the BOG staff for the next collection cycle. During this workshop, there are several specialized meetings, such as the one for data administrators, where we can provide feedback on impending changes to the files. This is also the opportunity to have meaningful discussions with the fellow SUS data administrators regarding best practices at their institution. In addition, whenever there is a change to the file, the BOG notified the data administrators and SUDS users by way of 'cumulative release notes'… In addition, the SUS data administrators have quarterly conference calls to discuss policy and data matters. Finally, whenever there is any ambiguity about a data element definition we contact the BOG staff for further guidance".

We observed that the Data Administrator/OPIR had BOG Data Workshop updates and cumulative release notes and they informed us that they attend the yearly Data Workshop and receive all updates. It was evident that the Data Administrator and the Assistant Director of Institutional Research were knowledgeable of the data definitions and the BOG requirements.

We were informed that the SUDS system is programed to accept data with the required changes only, therefore, if OPIR attempts to submit data without the required updates the SUDS system will reject the data.

As part of evaluating data validity controls to ensure that data extracted from the primary systems of record are accurate and complete we reviewed the changes implemented as a result of the IRM Data Workshop. According to COBIT 5.0 Align, Plan and Organize (APO) 11.01.02, 11.01.03, and 11.01.04, effective change management procedures should include defined roles, decision rights and responsibilities; defined objectives that are in alignment with documented criteria; and are monitored for their effectiveness. The 4 selected changes requested from the June 6, 2013 Higher Education Summit/SUS Data Workshop directly affecting the Expenditure Analysis, Hours To Degree, and Student Financial Aid submission files; along with the 13 change management tickets highlighted in the application code for the Retention and Graduation Rates and Percent of Bachelor's Degrees Awarded Without Excess Hours, adequately documented the stakeholder, business analyst, developer, tester and approver to ensure that changes made to the data elements were in alignment with BOG criteria.

We also observed that change management tickets are created in the “PAWS” ticketing system and adequately documented the description, resolution, stakeholder, creator, developer, tester and approver for each of the 8 tickets tested.

Conclusion:

There were no reportable material weaknesses or significant control deficiencies that surfaced relating to consistency of data submissions with the data definitions and guidance provided by the Board of Governors through the Data Committee and communications from data workshops. We also found that change management practices were proper.

8. Data Resubmissions

BOG Request: Review the University Data Administrator's data resubmissions to the Board of Governors with a view toward ensuring these resubmissions are both necessary and authorized. This review should also evaluate how to minimize the need for data resubmissions.

We requested the Data Administrator to describe the nature and frequency of data resubmissions and to provide correspondence between the BOG and the University related to data resubmissions, to discuss lessons learned and determine if any future actions can be taken by the Office of Planning and Institutional Research that would reduce the need for resubmissions.

The Data Administrator's response was as follows, "Resubmissions are needed in the case of data inconsistencies detected by us or the BOG staff after the file has been submitted. Of course, our goal is to prevent any resubmissions; however, there are some instances when this happens. A common reason for not detecting the error before submission is because there are some inconsistencies that only arise when the data is cross-validated among multiple files... We used the resubmission process as a learning tool to identify ways to prevent having the same problems in the future. When logic changes are implemented or added it is an additional edit in our internal tool. In regards to the frequency of the resubmissions, we did a search in SUDS for files with due dates between July 1, 2012 and June 30, 2013 and found that we submitted 31 files to the BOG and resubmitted 4 files." In addition, for the period from July 1, 2013 through September 30, 2014, we were informed that 38 files were submitted and there were 10 resubmissions, 7 of which related to the performance funding metrics.

The following table describes the 7 files resubmitted and the reasons for resubmission.

No.	Due Date	File Submission	Term/ Year	Reason for Resubmission
1	8/19/2013	Operating Budget	Annual 2013	Resubmitted because the Tuition Differential on the Supplemental form did not tie with the Schedule I report 625; and the Summary Schedule I and the E&G Schedule I - Tuition and Fees did not tie with report 580.
2	9/13/2013	Student Instruction	Summer 2013	Resubmitted at BOG's request to remove 2 Personal ID changes that were conflicting with BOG data.
3	10/8/2013	Instruction & Research	Annual 2012	Resubmitted to correct length of dept. activity id and some other issues found while working in the EA File.
4	1/17/2014	Student Instruction	Fall 2013	Resubmitted at BOG's request to fix one Personal ID change that was conflicting with BOG data.

No.	Due Date	File Submission	Term/ Year	Reason for Resubmission
5	2/7/2014	Degrees Awarded	Fall 2013	Resubmitted to fix Fee Classification Kind for some students from G to P.
6	6/12/2014	Student Instruction	Spring 2014	Resubmitted to correct total transfer credits for several students who graduated in spring 2014. While working on the SIFD spring 2014 file, OPIR noted that transfer credits were posted after SIF was submitted.
7	6/25/2014	Degrees Awarded	Spring 2014	Resubmitted because the BOG had a technical issue. After SIF was approved and SIFD was submitted, the system rejected SIF and it looked like SIF was not approved. Eventually, SIF was approved again and OPIR had to resubmit SIFD.

In our review of the reasons for resubmissions, we found that requests were originated by both the BOG and FIU. The reasons for resubmission varied, such as the BOG requesting edits/additional information when a file does not reconcile with other records, FIU discovering some errors after submission, or when FIU brought up issues with the SUDS system that is either flagging the data with an error even though the information is accurate or rejects data filed (in such instance, FIU and BOG staff discuss the issue and SUDS system is reopened for resubmission). In regards to the resubmissions being authorized, we observed that in all instances the BOG staff authorized the resubmission by reopening the SUDS system for resubmission.

The 7 resubmissions were necessary and authorized, and as the Data Administrator explained above, some of the reasons for the resubmission are the subject of discussions between FIU and the BOG on how the process could be improved.

Finally, we requested certain information from the BOG staff, which would allow us to independently confirm and reconcile the number and content of data submissions FIU staff provided to us. However, to date, we have not received the requested information.

Conclusion:

There were no reportable material weaknesses or significant control deficiencies that surfaced relating to resubmissions.

RECOMMENDATIONS

The Office of Planning and Institutional Research should:	
1.	Prepare internal written procedures that serve to enhance documentation of the steps taken to ensure data integrity including: data gathering, review, verification and analysis processes, and submission procedures.
2.	Further examine past instances of submittal delays to determine what steps can be taken to provide for timelier submittals. For example, rolling out OPIR's internal edit tools to other users may speed up the process.
3.	Implement formal user access procedures that provides for : a) Tracking SUDS access requests and timely deactivation of terminated user's access to the State University Database System; b) Limiting access to production data as appropriate; and c) The deactivation of the delivered generically-named user account.
4.	Continue to work with the Office of the Registrar to resolve how to properly report those limited instances where there are multiple admission dates for individual students.

Management Response/Action Plan:

1. The Office of Planning and Institutional Research (OPIR), in coordination with the BOG PantherSoft Team, will enhance the current BOG documentation with a manual of written procedures that document the steps taken to ensure the data integrity of the files before submission.

   Implementation date: March 2015

2. In reviewing prior instances of submission delays, OPIR found that many of them were caused by the late release of the SUDS (State University Database System) edits by the BOG which do not provide users sufficient time to resolve transactional errors. To address this problem, the OPIR with the technical assistance of the BOG PantherSoft Team, developed an internal BOG edit and reports tool within the PantherSoft system. The internal edit tool provides edit reports to functional users months prior to the BOG deadline. Thus, allowing more time for the functional users to review the edit reports and correct the transactional errors.

The design phase for the tool began in January 2014. In February 2014, OPIR and the PantherSoft BOG team performed a parallel run with the official BOG edits to confirm that the new tool was working properly. By April 2014, the functional users of Undergraduate Admissions, Graduate Admissions and the Office of the Registrar were given access to the tool and were provided training on how to use it.

Between July and December 2014, OPIR extended the use of the internal edit tool to the following functional units: Chapman Graduate Admissions, University Graduate School, Enrollment Services, Class Management, Student Financials, Undergraduate Education and University College. Additionally, OPIR has trained these staff members to use the tool.

Currently, the tool has edit reports for the Student Instruction File (Preliminary and Final) and the Admissions File. OPIR will enhance the existing edit tool to include additional files and edit reports and roll out access to the tool to the following functional areas: Office of the Registrar (Graduation Degrees Awarded File in January 2015); Office of Financial Aid (Student Financial Aid File in July 2015); and Office of Academic Advising Technology (Hours to Degrees File in August 2015).

Implementation date: August 2015

3. a. The Office of Planning and Institutional Research is developing an electronic access request form using the PAWS system. PAWS will allow us to keep track of the requests and the final actions taken. The form will also be utilized to request user's access deactivation. It should be noted that, with the exception of the few employees authorized to upload data or to submit the files, access to SUDS is limited to a "validator" role that provides only view access to the data.

   Currently, we are in the development and testing phases. Once these phases are finalized, the functional units will be provided with an access policy/training guide and the form will be launched. The guide will include a deactivation process where the directors of the functional units will be required to inform OPIR of any changes in their employees' access requirements. OPIR will also schedule an annual review of SUDS users at the beginning of each fall term to confirm that all SUDS users meet the requirements to keep their access.

   Implementation date: March 2015

   b. The Office of Planning and Institutional Research does not control access to production database systems but will establish annual communications with all Vice Presidents and Directors to remind them the importance of data integrity; particularly as it relates to the data that feeds the performance metrics and encourage them to manage production access appropriately.

   Implementation date: January 2015

c. The PantherSoft team removed the generically-named user account from the development database.

   Implementation date: Immediately

4. The Office of Planning and Institutional Research will continue to have communications with the University Registrar quarterly to discuss any issues related to data integrity.

   Implementation date: January 2015

APPENDIX A

In-Scope BOG Data Elements				
No.	**Metric**	**Definition**	**Submission/Table/Element Information**	**Relevant Submission(s)**
1	Percent of Bachelor's Graduates Employed Full- time in Florida or Continuing their Education in the U.S. One Year After Graduation	This metric is based on the percentage of a graduating class of bachelor's degree recipients who are employed full- time in Florida or continuing their education somewhere in the United States. Students who do not have valid social security numbers are excluded. Note: Board staff have been in discussions with the Department of Economic Opportunity staff about the possibility of adding non-Florida employment data (from Wage Record Interchange System (WRIS2) to this metric for future evaluation. *Sources: State University Database System (SUDS), Florida Education & Training Placement Information Program (FETPIP), National Student Clearinghouse.*	**Submission:** SIFD **Table:** Degrees Awarded **Elements:** 01081 – Degree - Level Granted 01412 – Term Degree Granted 01045 – Reporting Institution	June 25, 2014
			Submission: Admissions **Table:** Person Demographic **Elements:** 01091 – Person Name -First 01092 – Person Name - Middle 01033 – Person Name - Last 01024 – Date of Birth 02016 – Person Name - Suffix	August 31, 2011 December 31, 2011 May 31, 2012
2	Median Wages of Bachelor's Graduates Employed Full-time in Florida One Year After Graduation	This metric is based on annualized Unemployment Insurance (UI) wage data from the fourth fiscal quarter after graduation for bachelor's recipients. UI wage data does not include individuals who are self-employed, employed out of state, employed by the military or federal government, those without a valid social security number, or making less than minimum wage. *Sources: State University Database System (SUDS), Florida Education & Training Placement Information Program (FETPIP), National Student Clearinghouse.*	Same as No. 1 above.	
3	Cost per Undergraduate Degree	For each of the last four years of data, the annual total undergraduate instructional expenditures were divided by the total fundable student credit hours to create a cost per credit hour for each year. This cost per credit hour was then multiplied by 30 credit hours to derive an average annual cost. The average annual cost for each of the four years was summed to provide an average cost per degree for a baccalaureate degree that requires 120 credit hours. *Sources: State University Database System (SUDS), Expenditure Analysis: Report IV (2009-2010 through 2012-2013).*	**Submission:** IRD/OB **Table:** Expenditure Analysis Extract **Elements:** 01045 – Reporting Institution 01629 – Year - Fiscal 01297 – Budget Entity Code 01303 – Cost Activity 01507 – College (Subcomponent) 01506 – Account/Department Number, Activity 01798 – University Budget Identifier 01509 – Instruction and Research Activities 01301 – Appropriation Category 01302 – Object Code 01516 – Instructor Portion of Fundable SCHs for the Course Section 01176 – Person Years 01307 – Actual/Estimated Expenditures 01043 – Classification of Instructional Programs (CIP)	October 22, 2013
4	Six Year FTIC Graduation Rate	This metric is based on the percentage of first-time-in-college (FTIC) students who started in the Fall (or summer continuing to Fall) term and had graduated from the same institution within six years.	**Submission:** SIFD **Table:** Degrees Awarded **Elements:** 02001 – Reporting Time Frame	June 25, 2014

In-Scope BOG Data Elements				
No.	**Metric**	**Definition**	**Submission/Table/Element Information**	**Relevant Submission(s)**
		Students of degree programs longer than four years (e.g., PharmD) are included in the cohorts. Students who are active duty military are not included in the data.	**Submission:** SIFP **Table:** Enrollments **Elements:** 01063 – Current Term Course Load 01067 – Last Institution Code 01068 – Type of Student at Date of Entry 01085 – Institutional Hours for GPA 01086 – Total Institutional Grade Points 01088 – Term Credit Hours for GPA 01089 – Term Credit Hours Earned 01090 – Term Grade Points Earned	August, 2013
			Submission: SIF **Table:** Enrollments **Elements:** 01060 – Student Classification Level 01112 – Degree Highest Held 01107 – Fee Classification Kind 01420 – Date of Most Recent Admission 01413 – Type of Student at Time of Most Recent Admission 01411 – Institution Granting Highest Degree 01801 – University GPA (CUM & TERM) 01433 – Full-time/Part-time Indicator	June 12, 2014
			Submission: Retention **Table:** Retention Cohort Changes **Elements:** 01429 – Cohort Type 01437 – Student – Right-to-Know (SRK) Flag 01442 – Cohort Adjustment Flag	2012-2013 academic year
5	Academic Progress Rate *2nd Year Retention with GPA Above 2.0*	This metric is based on the percentage of first-time-in-college (FTIC) students who started in the Fall (or summer continuing to Fall) term and were enrolled full- time in their first semester and were still enrolled in the same institution during the Fall term following their first year with had a grade point average (GPA) of at least 2.0 at the end of their first year (Fall, Spring, Summer)	Same as No. 4 above.	
6	Bachelor's Degrees Awarded within Programs of Strategic Emphasis (includes STEM)	This metric is based on the number of baccalaureate degrees awarded within the programs designated by the Board of Governors as 'Programs of Strategic Emphasis'. A student who has multiple majors in the subset of targeted Classification of Instruction Program codes will be counted twice (i.e., double-majors are included).	**Submission:** SIFD **Table:** Degrees Awarded **Elements:** 01082 – Degree Program Category 01083 – Degree Program Fraction of Degree Granted (This field is a summed field) 01045 – Reporting Institution 01412 – Term Degree Granted 01081 – Degree Level Granted 02015 – Major Indicator	June 25, 2014
7	University Access Rate *Percent of Undergraduates with a Pell-grant*	This metric is based the number of undergraduates, enrolled during the fall term, who received a Pell-grant during the fall term. Unclassified students, who are not eligible for Pell-grants, were excluded from this metric.	**Submission:** SIF **Table:** Enrollments **Elements:** 02041 – Demo Time Frame 01045 – Reporting University 01413 – Student at Most Recent Admission Type 01060 – Student Classification Level 01053 – Degree Level Sought 01107 – Fee Classification Kind	June 12, 2014

In-Scope BOG Data Elements				
No.	**Metric**	**Definition**	**Submission/Table/Element Information**	**Relevant Submission(s)**
			Submission: SFA **Table:** Financial Aid Awards **Elements:** 01045 – Reporting University 02040 – Award Payment Term 02037 – Term Amount 01253 – Financial Aid Award Program Identifier	2012-2013 academic year
8	Graduate Degrees Awarded within Programs of Strategic Emphasis (includes STEM) *Note: NCF does not award graduate degrees.*	This metric is based on the number of graduate degrees awarded within the programs designated by the Board of Governors as 'Programs of Strategic Emphasis'. A student who has multiple majors in the subset of targeted Classification of Instruction Program codes will be counted twice (i.e., double-majors are included).	Same as No. 6 above.	
9	Percent of Bachelor's degrees without excess hours *Applies to: FAMU, FAU, **FIU**, FGCU, UCF, UNF, USF, UWF*	This metric is based on the percentage of baccalaureate degrees awarded within 110% of the credit hours required for a degree based on the Board of Governors Academic Program Inventory. Note: It is important to note that the statutory provisions of the "Excess Hour Surcharge" (1009.286, *FS)* have been modified several times by the Florida Legislature, resulting in a phased – in approach that has created three different cohorts of students with different requirements. The performance funding metric data is based on the latest statutory requirements that mandate 110% of required hours as the threshold. In accordance with statute, this metric excludes the following types of student credits (i.e., accelerated mechanisms, remedial coursework, non-native credit hours that are not used toward the degree, non-native credit hours from failed, incomplete, withdrawn, or repeated courses, credit hours from internship programs, credit hours up to 10 foreign language credit hours for transfer students in Florida, and credit hours earned in military science courses that are part of the Reserve Officers' Training Corps (ROTC) program).	**Submission:** HTD **Table:** Courses to Degree **Elements:** 01484 – Course System Code 01485 – Course Grouping Code 01489 – Credit Hour Usage Indicator 01459 – Section Credit(Credit Hours) 01488 – Credit Hour Testing Method 01104 – Course Section Type **Table:** Hours to Degree **Elements:** 01477 – Catalog – Hours to Degree	July 22, 2014
10	Bachelor's Degrees Awarded to Minorities (BOT Metric)	This metric is the number, or percentage, of baccalaureate degrees granted in an academic year to Non-Hispanic Black and Hispanic students. This metric does not include students classified as Non-Resident Alien or students with a missing race code.	**Submission:** SIFD **Table:** Degrees Awarded **Elements:** 01082 – Degree Program Category 01083 – Degree Program Fraction of Degree Granted (This field is a summed field) 01045 – Reporting Institution 01412 – Term Degree Granted 01081 – Degree Level Granted	June 25, 2014

In-Scope BOG Data Elements				
No.	**Metric**	**Definition**	**Submission/Table/Element Information**	**Relevant Submission(s)**
			Submission: SIFD **Table:** Person Demographic **Elements:** 01044 – Racial/Ethnic Group 01491 – Hispanic or Latino 01492 – American Indian/Alaska Native 01493 – Asian 01494 – Black or African American 01495 – Native Hawaiian or Other Pacific Islander 01496 – White 02043 – Non – resident Alien Flag 01497 – No Race Reported	August 31, 2011 December 31, 2011 May 31, 2012

Definition Source for 4 – 10: State University Database System (SUDS).

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
January 14, 2015

Subject: Quality Assessment of FIU Office of Internal Audit

Proposed Committee Action:

Recommend that the Florida International University Board of Trustees approve the report on the Independent Validation Quality Assessment of Florida International University Office of Internal Audit

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Background Information

According to the University's *Office of Internal Audit (OIA) Policy and Charter:* "The activities of the OIA shall be conducted in accordance with the standards for the Professional Practice of Internal Auditing." This requires an external assessment of the internal audit department's adherence with the standards at least every five years. The external assessment was performed subsequent to an internal self-assessment included as an attachment in the Independent validator's report.

Supporting Documentation:	Independent Validation Quality Assessment of FIU Office of Internal Audit
Facilitator/Presenter:	Allen Vann

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INDEPENDENT VALIDATION
QUALITY ASSESSMENT OF
FLORIDA INTERNATIONAL UNIVERSITY
OFFICE OF INTERNAL AUDIT

Drummond Kahn, MS, CIA, CGFM, CGAP

December 6, 2014

December 6, 2014

Mr. Allen Vann
Audit Director
Office of Internal Audit
Florida International University
University Park, CSC 446
11555 SW 17th Street
Miami, Florida 33199

Dear Mr. Vann:

I conducted an independent validation of your internal Quality Assessment of Florida International University's internal audit function – FIU's Office of Internal Audit. This letter and its attachments summarize the results of my independent validation, and contain additional documentation explaining the scope of the independent validation, as well as additional comments and suggestions to further bolster the quality of FIU's internal audit function.

I appreciated the assistance and cooperation that you and your office extended to me during my work, as well as the input from the many individuals and offices involved in my review, including the Chair of the Finance and Audit Committee and the Chair of FIU's Board of Trustees, the Chief of Staff to the President of FIU, and the Chief Financial Officer, among many others.

FIU has a strong internal audit function, and attention to quality assessment is one key ingredient in maintaining the high performance of this important function.

Thank you for the opportunity to perform this independent validation of your Quality Assessment of FIU's audit function. Please feel free to contact me if you have questions or comments about my validation or the additional documentation.

Sincerely,

Drummond Kahn, M.S., CIA, CGFM, CGAP
9535 SW Washington Street
Portland, Oregon 97225
(503) 784-5749 (Mobile)
drummondk@aol.com (e-mail)

Attachments

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RESULTS OF INDEPENDENT VALIDATION
INDEPENDENT VALIDATOR STATEMENT

The validator was engaged to conduct an independent validation of the Florida International University (FIU) internal audit activity's self-assessment. The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the internal audit activity and its conformity to The Institute of Internal Auditors' (The IIA's) *International Standards for the Professional Practice of Internal Auditing* (Standards). Other matters that might have been covered in a full independent assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the chief audit executive.

In acting as validator, I am fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. This validation, conducted between October and December 2014, consisted primarily of a review and test of the procedures and results of the self-assessment. The validation included surveys of managers and executives across the organization and all members of the Internal Audit Staff. In addition, interviews were conducted with the President's Chief of Staff, the Chief Financial Officer, the Chair of the Finance and Audit Committee of the Board of Trustees, the Vice President for Research, the Vice President of Human Resources, Vice President of Student Affairs, the Chair of the Board of Trustees, the former Provost, the General Counsel, the Chief Audit Executive, and all members of the internal audit function.

I concur fully with the internal audit activity's conclusion in its self-assessment report – that the office generally complies with the Standards.

Implementation of the recommendations contained in the self-assessment report will improve the effectiveness and enhance the value of the internal audit activity and support conformity to the Standards.

Drummond Kahn, M.S., CIA, CGFM, CGAP
Independent Validator

December 6, 2014

OBJECTIVE, SCOPE AND METHODOLOGY

In September 2014, I was engaged to conduct an independent validation of Florida International University's self-assessment (Quality Assessment) of its internal audit function.

The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the internal audit activity and its conformity to The Institute of Internal Auditors' (The IIA's) *International Standards for the Professional Practice of Internal Auditing* (Standards). Other matters that might have been covered in a full independent assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the Chief Audit Executive.

The internal audit self-assessment, and my independent validation, used the Quality Assessment Manual for the Internal Audit Activity by the Institute of Internal Auditors' Research Foundation (2013).

The University's internal audit function prepared an extensive self-assessment report, and provided this report and its supporting documentation to me in November. I reviewed this information and planned a site visit for the following month. In December, I visited the internal audit function, met with each auditor on the staff, and conducted interviews of the President's Chief of Staff, the Chief Financial Officer, the Audit Committee Chair, the Vice President for Research, the Vice President of Human Resources, Vice President of Student Affairs, the Chair of the Board of Trustees, and the General Counsel, using IIA guidance for interview topics and questions, as well as follow-on questions I deemed appropriate.

I had full and unrestricted access to internal audit files and electronic records during my site visit in December. I reviewed working papers from audit engagements I selected, as well as recently-issued audit reports. I observed operating procedures in the office, discussed my questions with audit staff members and the Chief Audit Executive, and reviewed resumes and the professional and academic background of each auditor on the staff. I also reviewed the training records of each auditor. In addition, I reviewed the format for and recent examples of the office's Audit Review Checklist, which appeared complete and appropriate and consistent with professional practices to document assignment reviews. I reviewed Internal Audit reports and agenda items for the Finance and Audit Committee of the Board of Trustees, as well as Board of Trustees agenda documents illustrating the consideration and discussion of audit reports by the Board.

I also reviewed survey responses from two surveys administered before the site visit – a survey of auditees and university management, and a second survey of audit staff members.

During my site visit, I had the full cooperation of all staff members and with the management and executive representatives outside the audit function, including the Chair of the Board of Trustees and Chair of the Finance and Audit Committee of the Board of Trustees, I interviewed. All offered frank feedback on the audit activity, and fully participated in the external validation process.

I reviewed office processes, manuals, and guidance, including the updated operations manual. I reviewed the audit function's authority, process, and charter; the Board structure for management and the audit committee; the office's status reporting process to the audit committee and executive management; and position descriptions for audit staff.

I reviewed the self-assessment documentation again, as well as the notes from my interviews, the results of the management and employee surveys, and the IIA Quality Assessment Manual prior to preparing this final summary document. My notes and this document will be stored with the self-assessment working papers at Florida International University.

I conducted my work from October 2014 to December 2014 based on my knowledge and experience in auditing (since 1990) and my experience leading and participating in external quality reviews of several audit offices, as well as with the guidance from the IIA Quality Assessment Manual described above.

I prepared the final documentation for this report in December 2014.

OBSERVED STRENGTHS

Florida International University's audit function is strong, and complies with professional standards, per its self-assessment and this independent validation. FIU's Office of Internal Audit is effective in providing internal audit services to the Trustees, senior management, and other interested parties. Especially notable are:

- **Auditors' high level of skills, experience, and professionalism** – The team of auditors at FIU is highly trained and experienced. The team is committed – both as individuals and at an office level that provides funding and support -- to continuing professional development and to professional certification. Teamwork is apparent in the written records supporting audits (meetings, interview participation, and workpaper review), and was apparent during the site visit and in staff survey results. Informal and formal meetings and discussions are common in the office, and the quality and scope of supervision appeared appropriate.
- **Strong and direct reporting and access to the audit committee** – The Audit and Finance Committee is a subset of the FIU Board of Trustees, and meets regularly. Agendas and meeting minutes are shared among all trustees, and meetings are public. Based on my review of public documents and in meetings including my interviews with the Chair of the Board of Trustees and the Chair of the Audit Committee, I was impressed with the high level of oversight by the Trustees generally and the Committee specifically. Additional features to increase transparency included sharing quarterly updates on the audit function, private time with the audit function in Audit Committee meetings, and the fact that all contents of Trustee meeting packets are shared with each Trustee – not only those Trustees on the Audit Committee. The Chief Audit Executive also has direct communication with the Audit Committee Chair, both through scheduled updates, Committee meetings, and the potential for ad-hoc or emergency communication.
- **Strong communication with executive management** – The Office of the President is clearly involved with and interested in the reports and operations of the audit function. Regular communication and support – including financial support and organization-wide commitment to implement audit recommendations – was apparent through reviewing recent audit reports, management responses, interviews, and survey results.
- **Appropriate independent reporting authority** – Internal audit reports administratively through the President's Chief of Staff. With direct communication with the Office of the President, and the strong Board of Trustees audit committee involvement discussed above, this reporting relationship appears appropriate.
- **Clear and convincing audit reporting** – The audit reports and working papers I reviewed were clear, concise, and supported the recommendations made in the reports. Reports and office information are posted on the organization's web site and discussed at public meetings of the Board of Trustees, further enhancing transparency and accountability.

- **Well-supported reports with extensive working papers** – The working papers I reviewed were clear and complete, and contained evidence of appropriate review.
- **Commitment to specific areas of auditing, including health care auditing, construction auditing, and information technology auditing –** The audit activity is committed to completing the audit work planned for in its annual risk assessment. In addition, the staff includes an information technology expert to conduct IT audits and an auditor with expertise in health care auditing to conduct audits of FIU's medical school and related programs. An auditor with expertise in construction auditing leads audits of construction – a growing topic for FIU as it adds more buildings on its campuses. These audit focus areas connect with FIU risks and current topic areas.
- **Commitment to professional development and participation in professional associations and training** – The internal audit office is clearly committed to professional staff development and participation in professional associations. Staff members belong to and are certified by a wide range of professional auditing associations, ranging from the Institute of Internal Auditors to the Association of College and University Auditors.
- **Commitment to quality improvement, including this self-assessment and independent validation** – Quality efforts like self-assessments with independent validation are important under IIA Standards, as well as to organizational improvement generally.
- **Commitment to risk assessment by the audit function and risk reduction by the organization** – Management and audit committee seem both aware of and highly interested in risk assessment and risk reduction in the organization – and are convinced of the important role internal audit plays in identifying and auditing to the risks that face the organization. All of the executive managers and Trustees I interviewed gave high marks to Internal Audit in terms of risk reduction. Managers remarked on the "tenaciousness" and "focus on risk" by Internal Audit.

REVIEW OF PRIOR CHALLENGES

Florida International University's internal audit function is a well-managed and well-staffed professional audit office, with excellent access to senior management and to the audit committee.

I reviewed the challenges reported in the 2009 external validation and considered actions taken in the past five years: In its 2009 self-assessment and external validation, Internal Audit had identified needs to ensure that IIA standards were more clearly included in the Audit Charter. This language now formally documents the purpose, authority, and responsibility for FIU's Internal Audit function. Changes to the Operations Manual were also effective in responding to 2009 self-assessment concerns. In 2009, I also suggested considering a full external quality assessment. Based on my 2009 independent validation and this effort in 2014, Internal Audit meets its QA requirements with its current process and continued self-assessments with external validation. No action is recommended to change current practice as a result.

OPPORTUNITIES FOR IMPROVEMENT AND RECOMMENDED ACTION ITEMS

The following areas for consideration are opportunities to improve the internal audit function:

- While the University recognizes and appreciates the work of Internal Audit, the organizational structure is fairly flat, with professionals working at two levels. My interviews with executive management illustrated very positive perceptions of staff performance through the results of audit reports, but the University has no specific rotation or advancement plans for internal auditors. Internal Audit and management could consider rotation and advancement initiatives for staff, and potentially programs to allow other FIU employees to work in Internal Audit as developmental opportunities.

- Specific initiatives should be considered for electronic work paper management and for more continuous data analysis (including continuous auditing and data mining). Staff interest and capacity in these areas may allow a further reach and sweep of internal audit.

- Internal Audit could redouble its efforts to engage more Trustees in its work, perhaps meeting more regularly with Trustees not serving on the Audit Committee.

- Internal Audit could better distinguish between the intent of its recommendations and the specific actions it recommends. Managers take audit recommendations seriously and said they often implement the literal recommendations. While managers appreciate and benefit from audit recommendations, auditors could continue to work with management to find solutions that work best from a business perspective while satisfying concerns with internal controls. One option to consider is to report a broad recommendation, but allow more management latitude to identify a specific solution.

- FIU is a growing institution, and has recently added new programs and initiatives. Internal Audit and the Audit Committee should consider mechanisms to continually match Internal Audit resources with the organization's size and sweep. The addition of an auditor experienced in health care auditing is a good example of matching changing organizational needs with the size and scope of Internal Audit.

In conclusion, FIU Internal Audit is an excellent audit function – its continued emphasis on quality improvement, staff development, and continued work with the Board, management, and its business-line auditees – allow it to continue to **use the statement that the office "conforms with the *International Standards for the Professional Practice of Internal Auditing*" in each of its written reports.**

FLORIDA INTERNATIONAL UNIVERSITY

Attachment

OFFICE OF INTERNAL AUDIT

Date: August 1, 2014

To: Sukrit Agrawal, Chair, BOT Finance & Audit Committee and Committee Members

From: Allen Vann, Director of Internal Audit Allen Vann

Subject: **Summary Results of the Office of Internal Audit Quality Self-Assessment Review**

According to the University's *Office of Internal Audit Policy & Charter:* The activities of the OIA shall be conducted in accordance with the standards for the Professional Practice of Internal Auditing.[1] This requires an external assessment of our internal audit department's adherence with the standards at least every five years.

Recognizing that there is no "one size fits all" model for performing quality assurance reviews, the Institute of Internal Auditors allows audit departments to perform a Self-Assessment followed by an independent review by an outside validator. Self-Assessments are particularly popular with organizations, such as ours, that have small internal audit departments. They are much less costly and receive the same recognition, as to validity and usefulness, as a review performed entirely by an external party. Accordingly, I conducted a self-assessment of the Office of Internal Audit, in accordance with the Institute of Internal Auditors' most current quality assessment guidelines. An Evaluation Summary is attached.

Based on this review I have concluded that our office "generally complies" with the standards. This means that the relevant structures, policies, and procedures of the Office of Internal Audit, as well as the processes by which they are applied, comply with the requirements of the individual *Standards* and the Code of Ethics in all material respects. I am also happy to report that I found general conformance with all of the individual *Standards* and the Code of Ethics, as discussed in further detail in the Attachment.

As discussed with the Finance and Audit Committee at your June 3, 2014 meeting, the validation of our self-assessment review will be conducted by Mr. Drummond Kahn. He has served in a number of government auditing roles, including Director of Audit Services for the City of Portland and Chief of Internal Audit Services for the Oregon Department of Transportation, has been an Adjunct Instructor teaching internal auditing at the Lundquist College of Business at the University of Oregon, and also has extensive auditing experience including the U.S. Government Accountability Office

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1 The standards, referred to as the International Professional Practices Framework, are promulgated by the Institute of Internal Auditors.

(GAO). This year he was recognized by the Institute of Internal Auditors as “one of the top 15 most influential professionals in Government Auditing.”

Mr. Kahn’s assessment will focus on validating the self-assessment reported herein, conducting written surveys and personal interviews with selected Board members, management and audit staff, and reviewing the Internal Audit Department’s processes and supporting documentation. He looks forward to your cooperation and participation in the process. Mr. Kahn’s report will be presented to you at your January 9, 2015 Finance and Audit Committee meeting.

Should you have any questions, please feel free to contact me at 305-348-2465.

Attachment

C: Albert Maury, Chairman, Board of Trustees
Mark B. Rosenberg, University President
Kenneth G. Furton, Provost and Executive Vice President
Javier I. Marques, Chief of Staff, Office of the President
Kenneth A. Jessell, CFO & Senior Vice President, Finance and Administration
Drummond E. Khan, M.S., CIA, CGFM, CGAP

Florida International University
Office of Internal Audit
Quality (Self) Assessment Evaluation Summary

(GC = Generally Conforms, PC = Partially Conforms, DNC = Does Not Conform)

Quality Assessment Evaluation Summary—Overall Evaluation		GC	PC	DNC
OVERALL EVALUATION		✓		
Quality Assessment Evaluation Summary—Major/Supporting Standards		GC	PC	DNC
1000	Purpose, Authority, and Responsibility The purpose, authority, and responsibility of the internal audit department is well defined in the University's *Office of Internal Audit Policy & Charter,* and comport with IIA Standards. All of its content are relevant and add value to the University.	✓		
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the *Standards* in the Internal Audit Charter	✓		
1100	Independence and Objectivity The Office fully meets this standard. With regard to independence, the Director of Internal Audit reports administratively to the Office of the President, a reporting relationship, which prevents management from interfering in the discharge of his "direct reporting responsibilities" to the Finance and Audit Committee as required per the Charter. In this respect the Charter sets the tone for the Internal Auditors' interaction with the Board. With regard to objectivity, for each assignment, the audit staff assert in writing that we do not have any conflicts, which would compromise our objectivity.	✓		
1110	Organizational Independence	✓		
1111	Direct Interaction with the Board	✓		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		

Quality Assessment Evaluation Summary—Overall Evaluation		GC	PC	DNC
1200	Proficiency and Due Professional Care **Proficiency:** Continuing professional development to all of our audit staff that enhances their knowledge and competencies. Staff is receiving sufficient (quantitative) and specific (qualitative) training based on their collective and specific needs. The Office maintains memberships for the professional staff and participated in training events with the following organizations: 1) the Institute of Internal Auditors; 2) the Association of College and University Auditors; 3) the Association of Healthcare Internal Auditors; 4) Association of Certified Fraud Examiners; 5) the Association of Inspectors General; and 6) the Information Systems Audit and Control Association. **Due Professional Care:** Audit workpapers provide evidence that due professional care is being taken in the conduct of the work performed. There is evidence that internal controls and risk of fraud are considered in audit engagements.	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
1300	Quality Assurance and Improvement Program For all audit projects, we complete audit working paper review forms that document that our audit reports are fully supported by sufficient, competent, and relevant evidence. We also have a quality assurance checklist to ensure that there is evidence in the working papers that all aspects of IIA Standards are adequately covered.	✓		
1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Program	✓		
1321	Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"	✓		

Quality Assessment Evaluation Summary—Overall Evaluation		GC	PC	DNC
1322	Disclosure of Nonconformance	✓		
2000	Managing the Internal Audit Activity In consultation with the Finance and Audit Committee, the Director of Internal Audit has established risk based plans and the Office is organized to ensure adequate coverage of the audit universe. The Operations manual used by the Office of Internal Audit, is comprehensive and has been reviewed and updated as necessity dictates. In accordance with the standards in this section, the Director of Internal Audit has reported periodically to the Committee and senior management on the internal audit activity purpose, authority, responsibility, and performance as well as significant fraud and other risks.	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	✓		
2100	Nature of Work By using a systematic and disciplined approach to its work, the Office of Internal Audit, through its audits, demonstrates that it evaluates and contributes to the improvement of FIU's governance, risk management, and control processes.	✓		
2110	Governance	✓		

Quality Assessment Evaluation Summary—Overall Evaluation		GC	PC	DNC
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning Each audit is properly planned and its objectives are linked to risk based criteria. The scope of each engagement is consistent with the audit objectives.	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement Internal audit staff identify, analyze, evaluate, and document sufficient information to achieve each audit's objectives. Audit conclusions and engagement results are based on appropriate analyses and evaluations that identify the root cause(s) of errors and/or irregularities. Sufficient, competent and relevant information are included in the working papers for every assignment. There is evidence that each assignment is properly supervised.	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		

Quality Assessment Evaluation Summary—Overall Evaluation		GC	PC	DNC
2400	Communicating Results Each audit report includes the engagement's objectives, scope and methodology, as well as, applicable findings, recommendations, and management action plans. An overall opinion or conclusion is included in each audit report. Satisfactory performance is acknowledged in reports whenever applicable. There is evidence of appropriate and timely communication with management and timely issuance of reports. The use of *"Conducted in conformance with the International Standards for the Professional Practice of Internal Auditing"* is included in all audit reports.	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		
2421	Errors and Omissions	✓		
2430	Use of "Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*"	✓		
2431	Engagement Disclosure of Nonconformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress The Office of Internal Audit's practice for monitoring implementation of past recommendations include obtaining semiannual status reports from responsible/cognizant officials, which is presented to the BOT Finance & Audit Committee. About every three years, our Office will test, on a sample basis, management's self-reported data to assure that they in-deed have implemented the recommendations. Our last follow-up audit was issued in 2013.	✓		
2600	Communicating the Acceptance of Risks The Office of Internal Audit's Charter and Operations Manual establish the expectation that audit staff will conform to the Code of Ethics requirements. This policy has been communicated to and is understood by the internal audit staff.	✓		

Quality Assessment Evaluation Summary—Overall Evaluation		GC	PC	DNC
	The IIA's Code of Ethics The Office of Internal Audit's Charter and Operations Manual establish the expectation that audit staff will conform to the Code of Ethics requirements. This policy has been communicated to and is understood by the internal audit staff.	✓		

RATING DEFINITIONS

"Generally Conforms" means the assessor has concluded the following:

- For individual standards, that the internal audit activity conforms to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or elements of the Code of Ethics (both Principles and Rules of Conduct) in all material respects.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual standards and/or elements of the Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

"Partially Conforms" means the assessor has concluded the following:

- For individual standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or element of the Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual standards within the section/category and/or elements of the Code of Ethics.
- For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

"Does Not Conform" means the assessor has concluded the following:

- For individual standards, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the standard (e.g., 1000, 1010, 2000, 2010, etc.) and/or elements of the Code of Ethics (both Principles and Rules of Conduct).

- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual standards within the section/category and/or elements of the Code of Ethics.

- For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity's effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

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FINANCIAL PERFORMANCE REVIEW-
FIRST QUARTER 2015

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Florida International University
Financial Summary Overview [1]
FY 2014-15

($ in millions)	Year To Date September 2014 Budget	Current Year Actual	Variance $	%
Revenue / Receipts				
University				
Educational and General (net) [2]	153.1	153.5	*0.4*	*0%*
University	*137.0*	*137.4*	*0.4*	*0%*
College of Medicine	*16.1*	*16.1*	*-*	*0%*
FIU Self-Insurance Program	-	-	-	0%
Auxiliary Enterprises	65.4	63.8	*(1.6)*	*-2%*
Intercollegiate Athletics	9.6	9.6	-	0%
Activities and Service	6.8	6.7	*(0.1)*	*-1%*
Technology Fee	4.1	4.0	*(0.1)*	*-2%*
Board Approved Fees	0.2	0.1	*(0.1)*	*-50%*
Contracts and Grants	24.1	27.7	*3.6*	*15%*
Student Financial Aid	66.2	68.0	*1.8*	*3%*
Concessions	0.1	0.1	-	0%
Direct Support Organizations				
FIU Athletic Finance Corp	1.3	0.9	*(0.4)*	*-31%*
FIU Foundation Inc.	8.7	6.4	*(2.3)*	*-26%*
FIU Health Care Network	2.5	1.8	*(0.7)*	*-28%*
FIU Research Foundation	0.1	0.1	*0.0*	*33%*
Interfund Adjustments [3]	(0.9)	(0.9)	-	0%
Total Operating Revenues	**341.3**	**341.8**	***0.5***	***0%***
University Treasury (net)	3.1	(4.7)	*(7.8)*	*-252%*
FIU Foundation Inc	1.1	(4.8)	*(5.9)*	*-536%*
Total Investment Revenues	**4.2**	**(9.5)**	***(13.7)***	***-326%***
Total Revenues / Receipts	**345.5**	**332.3**	***(13.2)***	***-4%***
Expenses				
University				
Educational and General (net)	89.4	75.9	*13.5*	*15%*
University	*78.7*	*68.0*	*10.7*	*14%*
College of Medicine	*10.7*	*7.9*	*2.8*	*26%*
FIU Self-Insurance Program	-	-	-	0%
Auxiliary Enterprises	41.0	35.8	*5.2*	*13%*
Intercollegiate Athletics	6.9	8.4	*(1.5)*	*-22%*
Activities and Service	3.6	2.8	*0.8*	*22%*
Technology Fee	7.0	2.2	*4.8*	*69%*
Board Approved Fees	0.2	0.1	*0.1*	*50%*
Contracts and Grants	26.9	30.2	*(3.3)*	*-12%*
Student Financial Aid	71.0	71.4	*(0.4)*	*-1%*
Concessions	0.2	0.1	*0.1*	*50%*
Direct Support Organizations				
FIU Athletic Finance Corp	0.7	0.6	*0.1*	*14%*
FIU Foundation Inc.	7.9	3.8	*4.1*	*52%*
FIU Health Care Network	2.4	2.5	*(0.1)*	*-4%*
FIU Research Foundation	0.0	0.0	*0.0*	*52%*
Interfund Adjustments [3]	(0.9)	(0.9)	-	0%
Total Expenses	**256.3**	**232.9**	***23.4***	***9%***
Principal Payment of Debt [4]	-	-	-	0%
Change in Net Assets (incl. Investments)	**89.2**	**99.4**	***10.2***	***11%***
Change in Net Assets (excl. Investments)	**85.0**	**108.9**	***23.9***	***28%***

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.*

OFFICE OF INTERNAL AUDIT STATUS REPORT

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Office of Internal Audit
Status Report

BOARD OF TRUSTEES

January 14, 2015

FIU | FLORIDA INTERNATIONAL UNIVERSITY

OFFICE OF INTERNAL AUDIT

Date: January 14, 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 September 10, 2014, we completed the following audits:

1. **Report on Board of Governors Performance Based Funding Model - University Data Integrity Audit** – Pursuant to a request by the State University System of Florida - Board of Governors (BOG), we have completed an audit of the Data Integrity over the University's Performance Based Funding Metrics. The performance metrics reported by FIU resulted in a BOG 2014-15 allocation of over $25 million in total performance funding.

   We concluded that FIU's system of internal controls is functioning in a manner that can be relied upon to provide complete, accurate and relatively timely data to the BOG in support of the established performance based funding metrics. Accordingly, the audit provides an objective basis of support for the Board of Trustees Chair and the University President to sign the representations made in the *BOG Performance Based Funding - Data Integrity Certification*, which the BOG requested be filed with them by March 1, 2015.

2. **Affiliation and Other Healthcare Related Agreements** - Our audit included a review of affiliation and other healthcare related agreements for the: 1) Herbert Wertheim College of Medicine; 2) Nicole Wertheim College of Nursing and Health Sciences; and 3) Robert Stempel College of Public Health and Social Work. Through the 1,244 agreements managed by the three colleges, students receive education, training, and clinical experience.

   Overall, our audit disclosed that controls related to the execution and monitoring of agreements were satisfactory. However, there were areas where internal controls need strengthening, specifically with the contract renewal and payments, contract monitoring, and documenting procedures. The audit resulted in six recommendations, which management agreed to implement.

3. **Minor Construction Projects** – Total minor construction project expenditures for fiscal years 2012 and 2013 were $31 million and $24 million, respectively, with an additional $12.7 million during the first 7 months of fiscal year 2014.

   Construction costs billed by contractors and paid by the University for the minor construction contracts tested appear to be appropriate and properly supported and recorded. The majority of minor construction project funds are expended on projects over $75,000. For those projects our audit disclosed that internal controls were mostly functioning as designed. However, the overwhelming majority of minor projects fall below $75,000 and our audit testing revealed that they require significantly more attention by Project Managers and other staff in the Facilities Management Department. For those projects, the competitive procurement process, insurance monitoring and project management need improvement. Management agreed to implement our nine recommendations.

4. **Southeast Environmental Research Center** – SERC is a Center within the College of Arts and Sciences, which conducts environmental research. Its operations are funded mainly through numerous sponsored research projects with current active awards exceeding $38 million and related life-to-date expenditures of $26 million. However, SERC also collects fees as a "Recharge Center" when providing research related support to other units of the University.

   Overall, our audit disclosed that SERC established controls and procedures were generally adequate and effective to ensure the proper administration of grants and recharge centers. Nevertheless, there were areas where internal controls need strengthening, particularly in the areas of: grant expenditure monitoring/reconciliation, avoiding unallowable costs on sponsored projects, recharge center rate calculations, credit card controls, travel authorization, and asset management. Management agreed to implement our twenty-one recommendations.

5. **Jewish Museum of Florida-FIU** – The Museum located on Miami Beach has a collection of nearly 33,000 objects devoted to preserving and interpreting for the public the historical evidence of the Jewish experience in Florida from its inception to the present. Revenues consist mostly of endowment and other contributions, which provide for self-sustaining programs and operating costs.

   The Museum is a relatively small operation with limited staff size. Since joining FIU in late 2012, FIU's Foundation has done a very good job of integrating the Museum's financial operations. Nevertheless, processes are somewhat informal and due to its size, opportunities for better segregation of duties are limited. We considered controls fair in light of the circumstances. Our recommendations focus on improvements that can be made to collection controls, the Museum store, expenditure controls, human resources, and cash controls, with a view towards minimizing the amount of additional cost to the University. Management agreed to implement our seventeen recommendations.

On October 24th I attended the FIU Foundation, Inc. Board of Directors Audit Subcommittee meeting and briefed them on the results of our audit.

Investigation

During the current period, we completed an investigation resulting from a complaint we received through the Get Lean Hotline. The complaint included a wide range of issues from improper use of funds to employee leave related matters. The allegations were found to be mostly unsubstantiated and to the extent necessary were resolved.

Work In Progress

Fieldwork has been completed and draft reports have been prepared for the following audits:

1. Camps and Programs Offered to Minors (University-Wide)
2. College of Architecture + The Arts

Fieldwork is planned or continues on the following audits:

1. University's IT Network Security Controls (Division of Information Technology)
2. Parking and Transportation Department (Division of Finance and Administration)
3. Nicole Wertheim College of Nursing and Health Sciences
4. FIU Football Attendance for the 2014 Season in Accordance with the National Collegiate Athletic Association (NCAA) Operating Bylaws (FIU Athletics)
5. Restricted Gift Agreements (University Advancement)

Results of Independent Validation of Quality Assessment Review

At our last Finance and Audit Committee meeting, I reported on a *Quality Self-Assessment* I performed of the Office of Internal Audit. Most recently I provided you with the subsequent report issued by an independent validator in December.

I am pleased to inform you that the independent validator concluded that FIU's internal audit department conforms to the International Standards for the Professional Practice of Internal Auditing.

Professional Development

Audit staff continues to fulfil mandatory professional development requirements. In October seven staff members attended a one-day conference provided by The Institute of Internal Auditors–Miami Chapter at FIU's Kovens Conference Center. I attended the State University Audit Council meeting at the University of South Florida in Tampa, Florida during the month of October. In addition, in December the staff attended a one-day, in-house training seminar related to improving audit efficiency.

Semi-Annual Follow-Up Status:

Twice a year, we survey management on their progress towards completing past recommendations. According to management, 62 of the 85 recommendations due for implementation this quarter were satisfactorily completed. They are working to complete the remaining 23 recommendations.

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
School of Computing and Information Sciences	16	14	2
The Patricia & Phillip Frost Museum	16	12	4
Environmental Health & Safety	11	7	4
Wolfsonian-FIU Museum	8	3	5
Herbert Wertheim College of Medicine	8	2	6
College of Business	6	6	
Division of Student Affairs	5	5	
Office of the Controller/ Purchasing Services	5	4	1
Office of Business Services	5	5	
Office of Enrollment Services/ Undergraduate Education/ Athletics Department	4	4	
Division of Research	1		1
Totals	**85**	**62**	**23**
Percentages	**100%**	**73%**	**27%**

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UNIVERSITY COMPLIANCE REPORT

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
University Compliance Program Report
Quarter Ending December 31, 2014

Acknowledgements

The Office of University Compliance and Integrity ("Compliance Office") would like to acknowledge the Executive Team and Senior Management for their support and leadership in introducing, establishing and maintaining the Florida International University ("FIU") compliance and ethics program, and all of the Units for their ongoing compliance efforts throughout the year.

Office of University Compliance and Integrity

The primary goal of the Compliance Office for fiscal year 2014–2015, was to raise awareness and improve the culture of compliance and integrity at FIU. In the summer of 2014, Karyn Boston, Assistant Vice President and Chief Compliance Officer ("CCO") was appointed to enhance FIU's existing Compliance and Ethics Program ("Program").

The Compliance Office is responsible for coordinating, supporting, and promoting an institutional compliance program, as well as providing assurance to the Board of Trustees and University President Mark B. Rosenberg that controls and mechanisms are in place to prevent, detect and/or mitigate compliance risk. In fulfilling these responsibilities, one of the primary objectives of the Compliance Office is to provide direction, guidance, and resources to faculty, staff and students on maintaining an ethical and compliant culture through an effective Program.

Compliance programs have traditionally been structured around the following requirements established by the United States Sentencing Commission's Federal Sentencing Guidelines ("Guidelines"), which are widely recognized as the elements of an effective compliance and ethics program.

1. Standards and Procedures
2. Oversight

3. Screening of Leadership
4. Communication and Training
5. Monitoring and Auditing
6. Reporting and Enforcement
7. Response and Prevention
8. Risk Identification

The Guidelines state that an effective program is developed and maintained to exercise due diligence to prevent and detect criminal conduct and to promote an organizational culture that encourages ethical conduct and compliance with the law. But organizational ethics means more than avoiding illegal practices and providing employees with policies. Organizations with a strong culture of integrity experience gains in business strategy outcomes and compliance risk outcomes. To foster a climate that encourages exemplary behavior, the Compliance Office will develop a comprehensive approach that goes beyond legal compliance. Our compliance ethics and framework will emphasize responsibility, accountability and integrity as we fulfill our mission to our students, staff, faculty, donors, volunteers and the State of Florida.

Year In Review

The following are highlights and achievements of the Office of Compliance for 2014.

<u>Standards and Procedures</u>

The Compliance Office worked with each of the Units to review, update or archive approximately 128 University policies. In addition, the Compliance Office led the effort to establish efficiencies in the review and approval process for policies that do not have substantive changes.

<u>Oversight</u>

Element 2 (B) of the Guidelines states the following: "High-level personnel of the organization shall ensure that the organization has an effective compliance and ethics program, as described in this guideline. Specific individual(s) within high-level personnel shall be assigned overall responsibility for the compliance and ethics program." Element 2 (C) states: "Specific individual(s) within the organization shall be delegated day-to-day operational responsibility for the compliance and ethics program. Individual(s) with operational responsibility shall report periodically to high-level personnel and, as appropriate, to the governing authority, or an appropriate subgroup of the governing authority, on the effectiveness of the compliance and ethics program. To carry out such operational responsibility, such individual(s) shall be given adequate resources, appropriate authority, and direct access to the governing authority or an appropriate subgroup of the governing authority."

With the appointment of Karyn Boston as Assistant Vice President and Chief Compliance Officer, FIU is working to enhance the current oversight responsibilities regarding compliance and ethics issues by interacting more frequently with President Rosenberg and the Board of Trustees, and clearly defining the compliance issues to be elevated prior to scheduled updates.

<u>Communication and Training</u>

Element 4(A) of the Guidelines states the following: "The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance and ethics program by conducting effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities."

In 2014, the Compliance Office met Element 4(A) by conducting the following trainings:

• *New Faculty Orientation.* The Compliance Office presented compliance and ethics training to 80 new faculty members on August 20, 2014. Some of the topics covered during orientation were Compliance, Florida Code of Ethics, Gifts Policy, Non-Retaliation Policy, Family Educational Rights and Privacy Act (FERPA), Student Privacy, and IT Security.

• *New Employee Orientation – Florida Keys National Marine Sanctuary.* Presentation on Compliance and Ethics provided to the new FIU employees (formerly with the Department of Environmental Protection) at the Florida Keys National Marine Sanctuary in Islamorada, Florida on October 7, 2014.

• *IT Security Awareness Training.* Staff from the Compliance Office have worked closely with the IT Security Office to provide mandatory IT Security Awareness training to Spanish-speaking only employees. The first training session was held on April 17, 2014. There are 120 more Spanish-speaking employees who must attend training and the sessions will be conducted in several segments due to the work schedules of these employees.

FY 2014-2015 Compliance Trainings (1st quarter)

Training	# of Presentations	# Attending
Compliance/Ethics	2	23
Ethics and Gifts	1	4
Identity Theft	8	141
New Faculty Orientation	1	80
New Employee Experience	12	333
Total	**24**	**581**

Trend Analysis

There has been a minimal increase in the volume of internal and external inquiries to the Compliance Office and external inquiries to the ethics and compliance hotline from 2013-2014. In 2013, there were a total 29 reports or inquiries. In 2014 there were a total of 34 reports or inquires. The subject matters with most notable decreases include Discrimination and Harassment down from 7 to 1, and Offensive or Inappropriate Communication down from 5 to 3. The majority of inquiries and reports for 2014 were related to Employee Misconduct. This data will be used to inform decision-making regarding additional targeted training for 2015.

There is room for improvement when it comes to defining, communicating, tracking and training individuals and Units on compliance policies. In 2015, the Compliance Office will focus on identifying high-risk compliance areas, and develop targeted communication and training plans for those areas that are most vulnerable. With the launch of a new compliance software system in the first quarter of 2015, the Compliance office will be able to better track, monitor and enforce policy review and training to help deliver a more effective Program.

The Year Ahead

Below are some of the key initiatives that the Compliance Office will be implementing during the first quarter of 2015. The data obtained from the key initiatives will be used to develop the recommendations for the Compliance Plan that will be presented to the Board of Trustees for approval in 2015.

Additional 2015 Key Initiatives

Over the next few months, the Compliance Office anticipates launching the following key initiatives:

• **Program Effectiveness Evaluation**: Element 5 (B) of the Guidelines states the following: "To have an effective compliance and ethics program, an organization shall evaluate periodically the effectiveness of the organization's compliance and ethics program. Further, it is now considered a well established best practice for a compliance program to be evaluated every 2-3 years for program effectiveness."

The Compliance Office will engage the services of an independent compliance firm to conduct a program effectiveness review of the Program. The data generated from the program review will be used to define the optimal structure for ensuring that FIU's compliance priorities and initiatives are incorporated into the compliance plans at the Division level. In addition, the data will provide baseline information for purposes of gauging program improvements in the future.

• **Export Controls Compliance Program**: In order to create a compliance structure that aligns with federal regulatory requirements, enforcement guidelines, and current best practice among U.S. research institutions, the Compliance Office is working with a nationally recognized consultant to establish a more effective and centralized process for compliance with export control regulations by enhancing and identifying gaps related to policies, procedures and protocols, and developing a network of export control liaisons to monitor and enforce compliance efforts within each Unit.

• **Investigations Protocols, Education and Training**: Element 5(C) of the Guidelines states the following: "To have an effective compliance and ethics program, the organization shall take reasonable steps to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation. "

Over the next few weeks, the Compliance Office will conduct an Investigations Workshop featuring investigations strategy, policy interpretation and report writing for FIU staff, representing approximately 30 individuals, responsible for conducting investigations on behalf of FIU.

Upcoming Compliance Office activities for 2015

Compliance Governance
Develop the following documents for review and approval by the Board of Trustees: • FIU Compliance Plan • 2015 University annual work plan
Compliance Committee
• Finalize scope of work and structure for the Compliance Committee and begin conducting meetings and obtaining feedback
Ethics and Code of Conduct
• Develop the FIU Code of Conduct in collaboration with Human Resources in order to enhance existing requirements set forth in the Florida Code of Ethics • Develop and execute the work plan to distribute, train and enforce the Code of Conduct
Policies and Procedures
• Launch a new management program for the processing of policies and procedures focusing on clarity of roles, responsibilities and accountabilities. The new program will allow for management of policies and procedures "cradle to grave" from inception, implementing and tracking attestation of review by employees, education and trainings, non-compliance with the policies and procedures and automating the review process of existing policies and procedures for continued relevance, updating or archiving
Training
• Align compliance trainings with legal, regulatory and policy requirements in order to identify the individuals and Units that should receive targeted compliance trainings

because they work in areas considered high risk or because the nature of their job • Roll out the new compliance software that will support efforts to track and enforce compliance with training requirements set forth in each policy plan
Monitoring
• Develop the 2015 monitoring plan, toolkits, support resources and enforcement support for Units involved with high-risk compliance areas
Auditing
• Develop the plan to work with internal Audit on defining the scope of audits involving high-risk compliance areas
Reporting
• Develop the compliance data collection process and templates for purposes of building compliance reports
Response and Prevention
• Determine process to document and enforce recommendations, management responses and oversight of corrective action/remediation plans for ethics and compliance violations
• Develop and roll out the Ethics and Compliance Incentive Program • Determine the cycle and process for conducting ethics and compliance culture surveys
Enforcement
• Develop and work with Human Resources and Executive Leadership on the development of disciplinary action guidelines for compliance and ethics breaches and failures. This work will further support Element 5(E) of the Guidelines. The Guidelines state that adequate discipline of individuals responsible for an offense is a necessary component of enforcement
Enterprise Risk Management Process
• Evaluate which, if any elements, of Enterprise Risk Management should be implemented

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TREASURY REPORT

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THE FLORIDA INTERNATIONAL UNIVERSITY

BOARD OF TRUSTEES

Finance and Audit Committee

January 14, 2015

TREASURY REPORT *(For quarter ending September 30, 2014)*

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

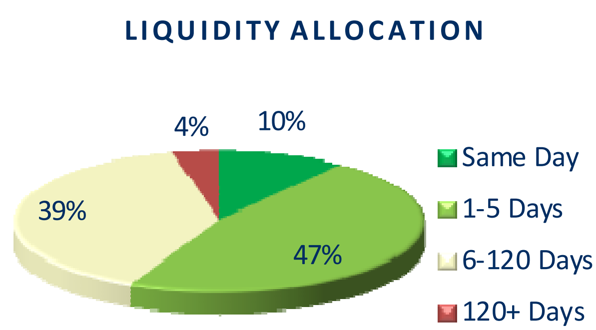
OVERVIEW

The University's total liquidity position of $344.4 million was 1.9 times the University's debt position of $180.1 million at the quarter end. Including direct support organization ("DSO") debt, the liquidity to debt ratio was 1.6 times. These results were relatively flat versus the same period last year with the liquidity to university debt ratio (1.9x) and the liquidity to total debt ratio (1.5x).

LIQUIDITY

Real Days Payable

At quarter end, $196.2 million, or 57 percent, of the liquidity position was accessible within 5 business days (See *Liquidity Allocation* chart for detail. FYTD 2015 the university had 46 real days payable[1] ("RDP") versus 51 RDP in FYTD 2014. The variance in RDP was due mainly to lower inflows from operations (see details in Uses section) and higher payroll outflows in FYTD 2015.



Stress Tests/Performance Simulations

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

At the end of the quarter, the Monte Carlo model generated by a bottom decile performance for <u>fixed income</u> investments that translated into 1.8 percent, or $6.0 million, in unrealized losses. Liquidity, as measured by 5-day accessibility, would drop to 56 percent, or $193.7 million, of the total current available cash and investment balances. RDP would fall to 45 days based on FYTD outflows.

The scenario with the bottom decile <u>equity</u> performance generates a projected 3.3 percent, or $11.5 million, in unrealized losses. Liquidity, as measured by 5-days accessibility, would drop to $190.8 million or 55 percent of the total current available cash and investment balances. RDP is also 45 days based on FYTD outflows in this stress scenario.

[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.

Bottom decile of overall portfolio performance represents a 4.4 percent loss, or $15.1 million, and a projected drop in liquidity to $173.8 million or 50 percent of the total current available balances. Furthermore, RDP drops to 41 days.

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). The VAR analysis predicts that there is a 1 in 20 probability that the portfolio (as of FY 2015 Q1 ending balance) could have unrealized losses of $12.8 million for a 12 month period. Furthermore, there is a 1 in 100 probability that the portfolio could have $22.4 million of unrealized losses in a single year.

Sources

The University started the fiscal year with $66.0 million in cash balances[2]. Total FYTD inflows (state and operational) were $340.1 million as compared to $348.7 million for the same period in the prior fiscal year. On average, $5.2 million flowed into the university each business day FYTD versus $5.3 million/day in FY2014.

Uses

FYTD, the university expended $282.5 million as compared to $271.2 million for the same period in the prior fiscal year. The FYTD velocity cash outflows increased to $4.2 million/day from $4.1 million/day in 2014 Q1. The increase in outflow was primarily due to $9.7 million in higher payroll disbursements and a $1.1 million increase in accounts payable disbursements. The University ended the period with $123.6 million in cash balances. This compares to $140.1 million in cash balances at the end of the same period in the prior fiscal year.

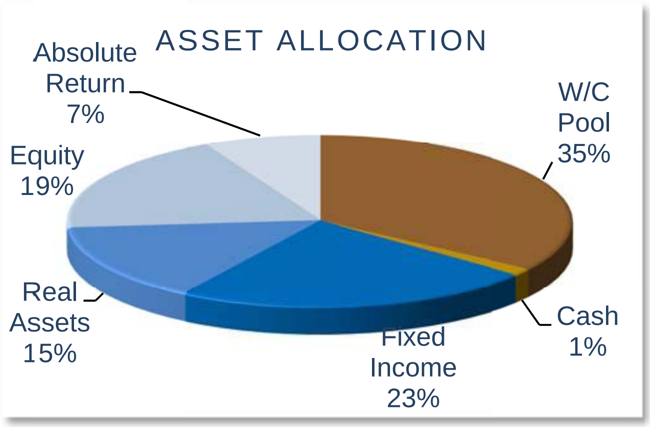
Forecast and Budget

Combined Cash and Investment Balances continue to follow historical seasonality. Actual balances at the end of FY 2015 Q1 were 3.1 percent lower than the rolling forecast, 7.0 percent lower than the budget and 1.3 percent lower than Q1 of prior year. For the next quarter, the university should experience a steady drawdown in the balances lasting through the second quarter of FY 2015, when the start of the Spring 2015 semester will generate large cash inflows.

INVESTMENTS

Composition

Asset allocations at the end of FY 2015 Q1 remained within policy guidelines (See *Asset Allocation* chart for detail of asset allocation at quarter end).



The quarter-end market value of the University's operating funds portfolio and cash is $344.4 million. This balance reflects an increase of $52.9 million or 18.2 percent, from the previous quarter and was in line with the quarter-to-quarter seasonality of cash flows. The total portfolio market value was $4.0 million less than the market value the end of FY 2014 Q1.

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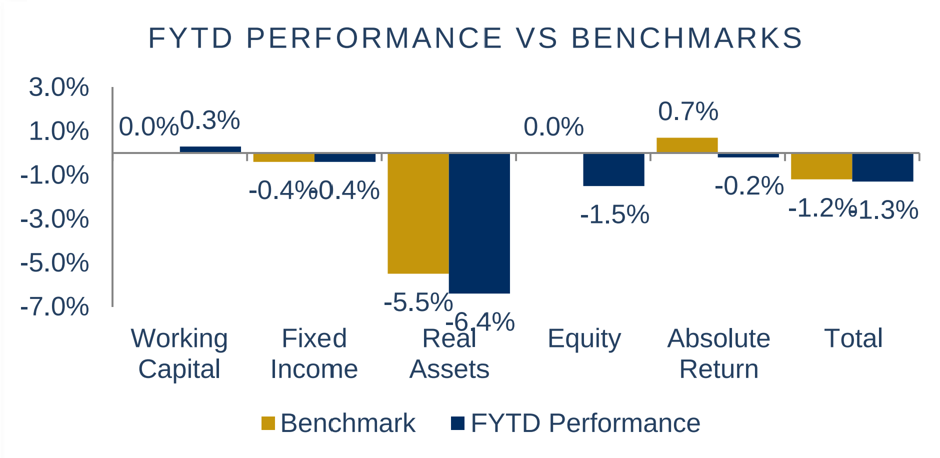
[2] Cash includes Working Capital Pool assets and cash balances in the concentration bank account.

Performance

FIU's operating portfolio continues to outperform the State Treasury investment pool ("SPIA"), returning 4.6 percent since inception versus the SPIA's 2.8 percent for the same time. FYTD 2015, the portfolio is down 1.3 percent. This compares to 1.9 percent gain for the same period last year. The Strategic Capital and Reserve Pools lost 2.1 percent while the Working Capital Pool gained 0.3 percent. Returns from the SPIA totaled 0.4 percent during the same period (See *FYTD Performance vs. Benchmarks* chart for additional performance detail by asset class). This compares to 0.1 percent for the Working Capital Pool and 2.7 percent for the Strategic and Reserve Capital Pools for FYTD for the same period last year. Three asset classes underperformed their benchmarks for the period: Real Assets (-6.4 percent versus -5.5 percent benchmark), Absolute Return (-0.2 percent versus 0.7 percent benchmark), and Equity (-1.5 percent versus 0.0 percent benchmark).



DEBT

Total

The University and DSOs ended FY 2015 Q1 with $218.9 million in outstanding debt versus $228.1 million for the same period end in FY 2014. The weighted average interest rate for the University and DSO issuances was 4.4 percent. At the end of FY 2015 Q1, 93.4 percent, or $204.4 million, of the University and DSOs' outstanding debt was fixed rate debt and 6.6 percent, or $14.5 million, was variable rate debt. All of the variable rate debt are obligations of the Direct Support Organizations (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 Q1. This compares to $110.0 million at the end of FY 2014 Q1. 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 Q1, 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 Q1. This compares to $78.0 million at the end of FY 2014 Q1. 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 Q1, was 4.7 percent. The parking bonds are rated A+/AA-/Aa3 (Fitch/S&P/Moody's).

Direct Support Organizations

Currently, DSOs' outstanding debt of $38.8 million includes stadium bonds with $32.1 million outstanding and a Foundation loan with $6.7 million outstanding. In FY 2014 Q1, DSOs had outstanding debt of $40.1 million including $32.7 million of stadium bonds and $7.4 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 4.3 percent for the Foundation Loan. Neither of the DSOs' debt is rated.

Rating Agencies

The University met with S&P in July for the annual rating surveillance. S&P affirmed its AA- long-term rating on the University's parking facility revenue bonds and its A long-term rating on FIU's dormitory revenue bonds currently outstanding. The outlook on all ratings is stable.

FLORIDA INTERNATIONAL UNIVERSITY

Finance and Administration
Office of the Treasurer
Treasury Summary

Period Ending September 30, 2014

(000's)

OVERVIEW

Liquidity Position	
Cash + W/C Pool	$ 123,591
Strategic + Reserve Pools	220,778
Total	**$ 344,370**

Debt Position	
University Debt	$ 180,155
DSO Debt	38,786
Total	**$ 218,941**

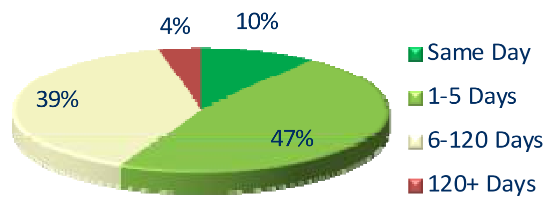
Liquidity/University Debt	**1.91**
Liquidity/Total Debt	**1.57**

LIQUIDITY

Availability	
Same Day	$ 35,391
1-5 Days	160,806
6-120 Days	135,341
120+ Days	12,832
Total	**$ 344,370**

Real Days Payable (<5 Days)	
MTD Outflows	**38**
QTD Outflows	**46**
YTD Outflow	**46**

LIQUIDITY ALLOCATION



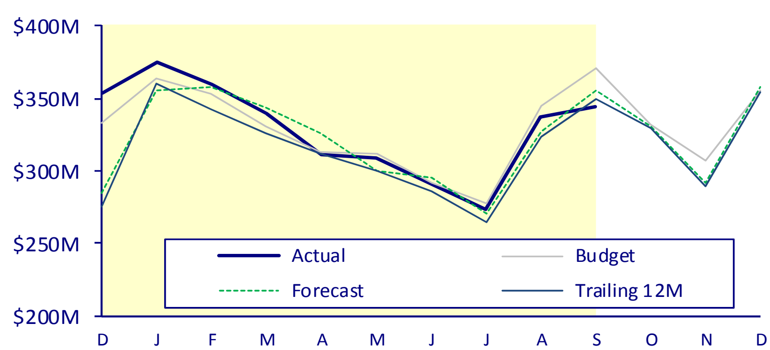
CASH SOURCES AND USES

Sources	**MTD**	**QTD**	**YTD**
Opening W/C Pool Balance	$ 106,222	$ 57,979	$ 57,979
Opening Cash Balance	4,811	7,991	7,991
From State	20,160	67,103	67,103
From Operations	107,319	273,040	273,040
Uses			
To Payroll	(40,560)	(113,037)	(113,037)
To Operations	(31,768)	(88,171)	(88,171)
To Students	(42,591)	(81,313)	(81,313)
Cash + W/C Pool	**$ 123,591**	**$ 123,591**	**$ 123,591**

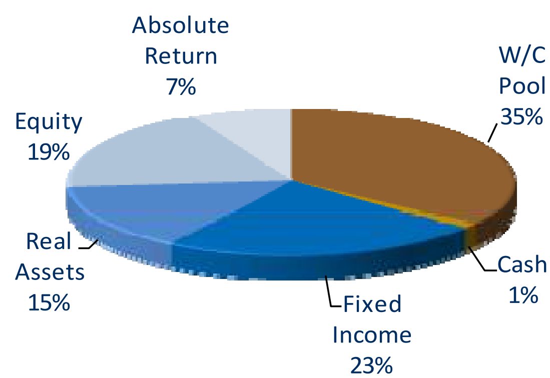
INVESTMENTS

Cash + W/C Pool	**Balance**	**FYTD**	**Last 1Y**
W/C Pool	$ 119,082	0.3%	1.0%
Cash	4,510	0.0%	0.0%
Strategic + Reserve Pools			
Fixed Income	79,482	-0.4%	5.5%
Real Assets	50,525	-6.4%	-0.9%
Equity	64,758	-1.5%	12.0%
Absolute Return	26,014	-0.2%	6.4%
Total	**$ 344,370**	**-1.3%**	**4.3%**

CASH + INVESTMENTS FORECAST



ASSET ALLOCATION



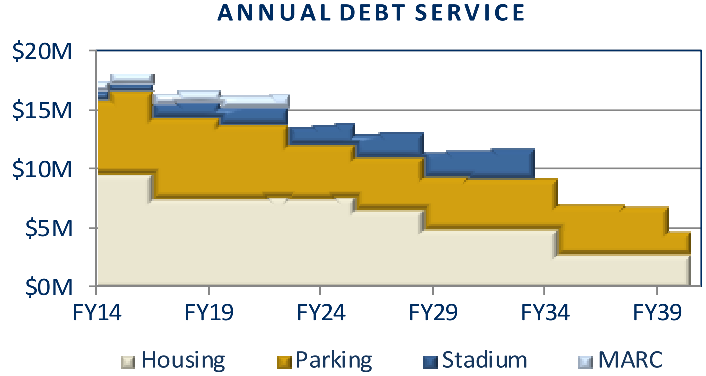
DEBT

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 (Stadium)	32,092	4.4%
Foundation (MARC)	6,694	4.3%
Total Outstanding Debt	**$ 218,941**	4.4%

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

Fixed Rate Debt	204,444	93.4%
Variable Rate Debt	14,497	6.6%

ANNUAL DEBT SERVICE



	2015 YTD Actuals	2014 FY Actuals
ASSETS (Uses of Funds)		
Current Assets		
Cash and Cash Equivalents	$ 46,268,921	$ 44,047,925
Adjustments to Fair Market Value	27,316,065	$ 34,287,409
Total Current Assets	**$ 73,584,986**	**$ 78,335,334**
Noncurrent Assets		
Due from Component Units/University		
Parking Deferred Payment Plan	$ 1,379,582	$ 1,379,582
Athletics Operations Loan	5,234,208	$ 5,234,208
Stadium Expansion Loan	-	
Total Non-Current Assets	**$ 6,613,790**	**$ 6,613,790**
TOTAL ASSETS	**$ 80,198,776**	**$ 84,949,124**
LIABILITIES AND CAPITAL (Sources of Funds)		
Accounts Payable	$ -	$ 8,638
Accrued Salaries & Wages	-	$ 5,702
Due to/(from) Component Units	-	-
Total Liabilities	**$ -**	**$ 14,340**
Total Capital (Net Assets)	**$ 80,198,776**	**$ 84,934,784**
TOTAL LIABILITES AND CAPITAL	**$ 80,198,776**	**$ 84,949,124**

BUSINESS SERVICES REPORT

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
January 14, 2014

BUSINESS SERVICES REPORT AS OF DECEMBER 10TH, 2014

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

Updates

- A new **Starbucks** opened on October 8th in the Biscayne Bay Campus library to great fanfare, providing the community a full menu of drinks and food along with café seating.
- **The MANGO building**, opened November 3rd, featuring Panda Express, Starbucks and Taco Bell with over 6,000 sq. ft. of indoor/outdoor seating designed to foster collaboration and engagement.
- **Parking Garage 6,** opening in 2015, will include 2,000 new parking spaces, classrooms and over 30,000 sq. ft. of retail. Retailers identified to date include, EXN nutrition, College Optical Express and Reebok Cross Fit to name a few.
- **JuiceBlendz** will be opening in PG-5 Market Station for the spring semester replacing Freshens. JuiceBlendz will offer freshly made sandwiches, salads and wraps, smoothies, fresh squeezed juices and self-service frozen yogurt.
- **Student Copiers** were replaced this fall with new machines from Ricoh. The new equipment offers features such as follow me printing, mobile, USB and cloud printing and accepts multiple payment forms including credit/debit cards.

Quick Facts

Services under Management – Fall 2014

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

Investments

- For fiscal year 2014-15, Business Services will invest $2.6M to build out new facilities, expand services and increase indoor and outdoor seating to help foster affinity and retention at FIU. Business Services also contributed $1.7M to fund University initiatives, provide scholarships, underwrite student services and support FIU facilities.

Revenues

- For the period ended October 31, 2014, Business Services managed sales of nearly $17.5M from operations. Total operating revenues for the period ended October 31, 2014 increased from $2.6M to $2.8M; a 6% increase over budget.

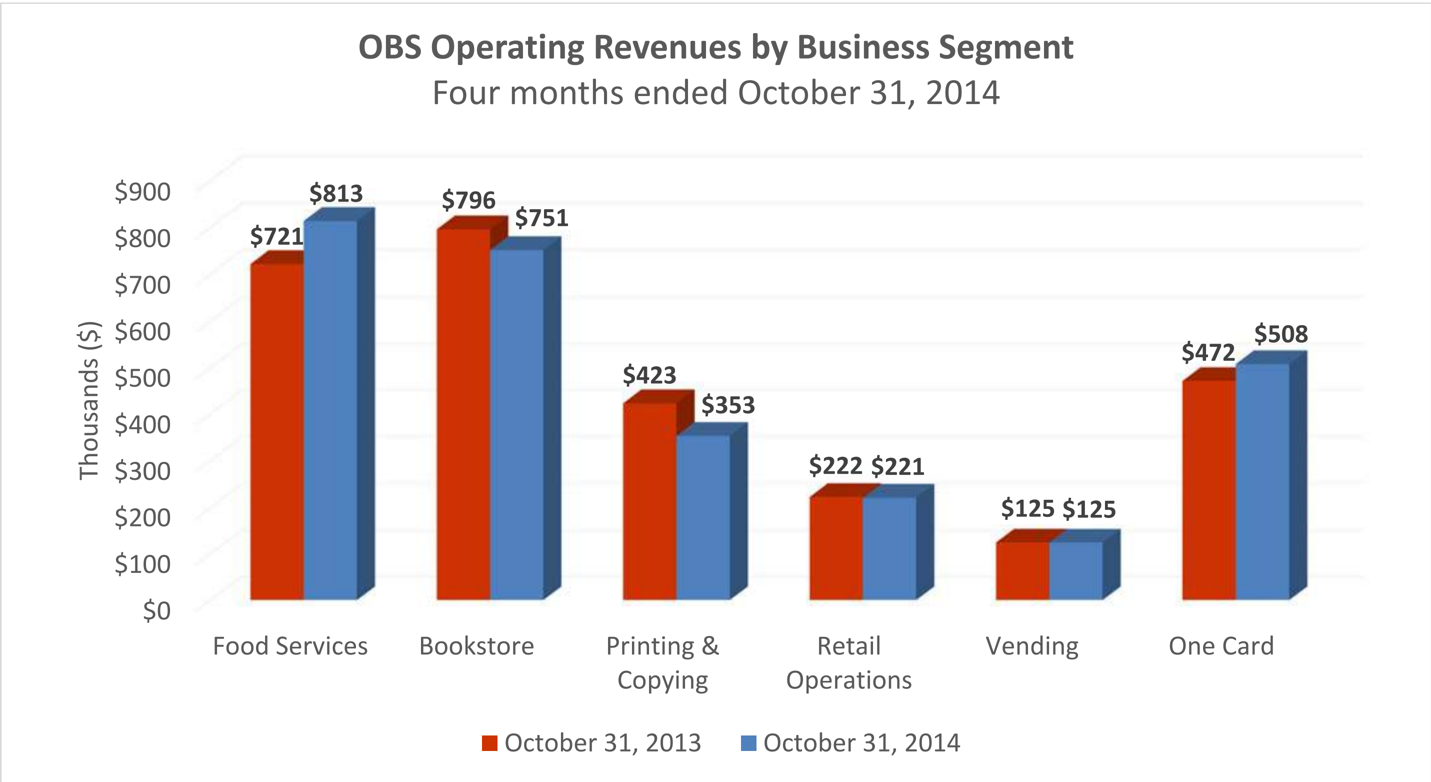
Barnes & Noble at FIU

- For the period ended October 31, 2014, sales at Barnes & Noble decreased 6%, compared to the same period in 2013, due primarily to declines in both new textbook and textbook rental sales. These decreases were partially offset by increases in café, convenience and school supply sales.

Beverage Vending

- For the period ended October 31, 2014, beverage vending sales increased 1%, compared to the same period in 2013. This increase was partially offset by a decrease in snack vending sales of 2%, primarily due to the timing of reporting periods from Pepsi.

OPERATING REVENUE GROWTH



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ATHLETICS UPDATE

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FLORIDA INTERNATIONAL UNIVERSITY

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
January 14, 2015

ATHLETICS UPDATE AS OF DECEMBER 18, 2014

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 September 30, 2014 (in thousands)

	Budget	Actual	Variance
Revenues	$128	$219	$91

Athletics Finance Corporation

FIU Athletics Finance Corporation
Unaudited Preliminary Recap
Through the Period Ended June 30, 2014 (in thousands)

	Budget	Actual	Variance
Revenues	$1,289	$1,300	$ 11
Expenses	$300	$516	($216)

- Year-to-date Net Income excluding debt service was $783 thousand, unfavorable to budgeted $205 thousand
    - Primary drivers include:
        - Unfavorable Operating Expenses of $216 thousand, mainly driven by video board repairs of $95k, A/C repairs of $14k, and timing of invoice payments for Game Day expenses $66k unfavorable to budget for Q1 as more home games earlier in the season
- The debt coverage covenant requirement is forecasted to be met for the period ending June 30, 2015.

EMERGENCY MANAGEMENT STATUS REPORT

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
January 14, 2015

EMERGENCY MANAGEMENT STATUS REPORT AS OF DECEMBER 9, 2014

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

Training and Exercises

On December 10, 2014, Department of Emergency Management (DEM) staff facilitated a table top exercise with the University President and his executive staff. The exercise simulated a pandemic health event and involved different representatives from the Forida Department of Health in Miami-Dade and Miami-Dade Fire Rescue Department.

DEM staff continues to train departments on the University's web based continuity of operations planning tool known as FIU Ready. All units are expected to have completed their annual review and update of their respective plans.

Preparedness

DEM staff continues to conduct University-wide informational sessions and training on emergency preparedness, hurricane preparedness and FIU's emergency notification system.

DEM staff is participating in monthly conference calls with the other State University System emergency managers to discuss common concerns, best practices and trends within emergency management.

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SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
December 11, 2014

SAFETY AND ENVIRONMENTAL COMPLIANCE REPORT AS OF DECEMBER 11, 2014

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

Issue: Above Ground Tank – Miami Beach Department of Environmental Resource Management (Dade County) Inspection on October 8, 2014 at 9a.m
Agency: DERM / Regulatory and Economic Resources
Status: ***An inspection of the Above Storage Tank for the Wolfsonian-FIU was successfully completed with "Zero Notices of Violations".***

Issue: Ambulatory Care Center Environmental permit required for final facilities permit closure was rejected by the Department of Environmental Resource Management (Dade County) Inspection, because the SPCC (Spill Prevention Control and Counter Measurement Plan) was not available and existing plan was incomplete and obsolete.
Agency: DERM / Regulatory and Economic Resources
Status: ***A plan was revised and new components developed, reviewed with a contractual Environmental Professional Engineer for PE approval and signature. The plan and maps were submitted to the agency for approval. The SPCC plan will undergo a second phase review and redesign by Environmental Health and Safety for all campuses.***

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FACILITIES AND CONSTRUCTION UPDATE

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
January 14, 2015

FACILITIES AND CONSTRUCTION UPDATE AS OF DECEMBER 15, 2014

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

Projects Completed

- **Science Classroom Complex (SCC)/Academic Health Center 4 (AHC-4) (BT-876) -** $57.5M Public Education Capital Outlay (PECO) project budget. A/E – Perkins + Will; CM – DPR. (136,076 gross square feet-gsf). FIU has occupied the facility since March 2013. DPR has customized 6,000 gsf of lab space as individual researchers have been assigned to specific locations. *(Since this project has been completed, this entry will be removed from future Board of Trustees reports).*

  - 5th floor Bio-Medical Engineering (BME) lab was occupied in September 2014.

  - Construction for the build-out of the 3rd floor wet labs started September 2014 but was placed on hold in October 2014 pending Department of Research (DoR) future hires.

  - Project closeout of the entire contract is in process. This process will be adjusted accordingly if the hold on the 3rd floor wet lab buildout is lifted.

- **Stocker AstroScience Center (BT-814)** - $4.4M (multiple sources) project budget. A/E – Siddiq Khan & Associates (SKA); CM – Stobs Brothers. (10,233 gsf). The final Certificate of Occupancy (CO) was issued on July 24, 2014. A related component is a minor project to improve the adjacent site (civil and landscaping work) consistent with the Campus Master Plan. The revised 100% CD's for this component were priced by the CM in October 2014. An analysis is under way to study modifications to the entire quadrant including the proposed modifications under the Stocker AstroScience Center. Conceptuals will be presented to FIU leadership for guidance and discussion. *(Since this project has been completed, this entry will be removed from the future Board of Trustees reports).*

- **Academic Health Center 5 (BT-877/895) -** $46.2 M (multiple sources: $38.3M PECO, $7.9 auxiliary) project budget. A/E – Perkins + Will; CM – Skanska. (121,465 gsf). The Robert Stempel College of Public Health and Social Work (RSCPHSW) project ($23.3M) and the International Hurricane Center (IHRC) project ($15.0 M) were combined into one project; the DoR contributed an additional $7.9M for research facilities. The project achieved substantial completion on July 3, 2014, missing the April 25th delivery date. A/E and CM have been advised that Liquidated Damages (LD's) will be applied. RSCPHSW, Earth and Environment, and the Extreme Environment Institute (EEi) occupied the building in July 2014. IHRC occupied the building in November 2014. Audio-visual (AV) installation is 95% complete with all required systems installed for the start of the Fall semester. Site work was completed November 2014 and the remaining punch-list items for minor interior work should be complete by the end of December 2014. The RSCPHSW move triggered renovations for the Herbert Wertheim College of Medicine in AHC-1 and AHC-2, which are scheduled for completion by the end of December 2014. Current Owner Direct Purchase (ODP) tax savings are $382,938.11 -- slightly shy of the 1% objective of $385,000.

- **Management and New Growth Opportunities (MANGO) Mixed-Use College of Business Building- (BT-886) -** $35.7M (multiple sources) project budget. A/E – HOK; CM-Arellano. (107,912 gsf). Ground floor food venues (Starbucks, Panda Express, and Taco Bell) successfully opened for business the first week of November 2014 followed by occupancy of the remainder of the building in mid-November. Classes have been scheduled for the Spring 2015 semester with full audio-visual (A/V) capability. The final finishes on the 1st floor monumental stairs are being completed in December. Building punch-list remediation work is in progress and scheduled to be complete in February 2015. Current ODP savings of $378,894 exceed the 1% objective of $370,524.

<u>Projects under Construction</u>

- **Parking Garage 6 (BT-868)** – $49.3M (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 garage pre-cast installation is complete. Pedestrian bridge pre-cast installation was completed and major road work (traffic circle and road widening) was opened to vehicle traffic in August 2014 prior to the start of the semester. The final layer of asphalt and road markings will be completed before the start of the 2015 Spring semester. All site work, finishes, irrigation, and landscaping will be completed during the holiday break. Parking Garage 4 (PG-4) west entrance was opened before the start of the Fall '14 semester. Classrooms are being redesigned to meet recent changes in classroom teaching standards. This redesign pushes back the scheduling of the four classrooms to the Summer of 2015. Classroom construction is underway. Planning with Miami-Dade Transit (MDT) and Florida Department of Transportation (FDOT) continues. Current ODP savings tally $131,733.82 toward the 1% objective of $342,727. Target delivery date for parking garage element: January 2015.

- **Ambulatory Care Center (BT-870)** - $8.8M (County bond) project budget. A/E – AECOM; CM – Klewin. (32,023 gsf). Building foundations and shell were completed in October 2014. Interior work continues and is approximately 75% complete. The delivery date has slipped from December 22, 2014 to January 30, 2015. A/E and CM have been advised that Liquidated Damages (LD's) will be applied. Connection to PG5 is in process and scheduled for completion by end of December 2014. All utility connections are being finalized and remaining sitework is scheduled for completion in January 2015. Current ODP savings tally $99,382 and exceed the 1% target of $78,975. Both the project budget and the schedule continue to be extremely tight. Revised delivery date: January 30, 2015.

- **Student Academic Support Center (SASC) (BT-882)** - $30.9M (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 University received $6.8M in additional funding as part of the FY2014-15 appropriation. GMP negotiations with the CM were completed in September 2014 and ground breaking took place on November 21, 2014. Delivery is scheduled for March 2016. Scope not included in the contract in order to obtain an acceptable GMP include: promenade to the traffic circle, terrazzo flooring on the ground floor, and wood acoustical paneling in the 750 seat auditorium. Parking lot demolition and intercampus bus routing / bookstore delivery rerouting has occurred. Sitework is in process with foundation work beginning in January 2015. Target delivery date: March 2016.

Projects in Design

- **Recreation Center Expansion (BT-903)** - $13.6M Capital Improvement Trust Fund (CITF) project budget. A/E – HKS; CM –Moss Construction pending final contract negotiation. (50,000 gsf). The project will expand the existing facility into Parking Lot #8 and will include a basketball/volleyball gym, a weight training room, and locker room addition. Based on the addition of $7,328,254 in additional CITF appropriations, $5,028,254 has been allocated to increase the scope of the Rec Center project. Programming was completed in October 2014. Design is currently in the advanced schematic phase with the start of construction targeted for May 2015 and substantial completion for September 2016.

Projects in Planning Stage

- **Frost Museum of Science Batchelor Environmental Center at FIU (BT-913)** - $5.0M privately funded project budget. Project is currently in the master planning / programming phase. Leo A Daly (a continuing service contract architect) has been retained for this phase of work. The project includes a new research wildlife center to be developed in conjunction with the Frost/Miami Science Museum. Phase 1 will be programming, infrastructure, first half of the animal holding area and support facilities. The Frost Museum has provided an initial projection of $1.5M for equipment, pending confirmation during programming. Phase 1 completion is targeted for September 2015. Phase 2 will be a classroom & lab building about 3,000 square feet and the balance of the animal holding area. Phase 2 completion is targeted for September 2016.

FOUNDATION REPORT

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FIU FOUNDATION, INC.

FINANCIAL STATEMENTS RECAP & INVESTMENT SUMMARIES

October 31, 2014

FIU FOUNDATION, INC.

Recap of Statement of Activities

For the Period Ended October 31, 2014

(In Thousands of Dollars)

	2014-15 4-Month Budget	2014-15 4-Month Actuals	Budget to Actual 4-Month Variance		2014-15 Annual Budget		2013-14 4-Month Actuals	Current Year to Previous Year Variance
REVENUES:								
Cash Contributions	$ 9,361	$ 5,475	$ (3,886)	[1]	$ 46,947		$ 9,319	$ (3,845)
MARC Building	$ 840	$ 484	$ (356)	[2]	$ 1,694		$ 926	$ (443)
Foundation Subsidiaries	$ 172	$ 295	$ 122	[3]	$ 502		$ 1,432	$ (1,137)
Estimated Investment Returns	$ 2,524	$ (4,665)	$ (7,189)	[4]	$ 14,406		$ 15,185	$ (19,850)
TOTAL REVENUES	**$ 12,897**	**$ 1,587**	**$ (11,309)**		**$ 63,549**		**$ 26,863**	**$ (25,275)**
EXPENSES:								
University Programs:								
Scholarships & Programs	$ 5,929	$ 2,623	$ 3,306	[5]	$ 14,591		$ 3,146	$ 523
Building Funds	$ 1,144	$ 869	$ 275		$ 1,643		$ 623	$ (245)
Unrestricted Annual Expenses	$ 434	$ 286	$ 148		$ 975		$ 367	$ 81
TOTAL UNIVERSITY PROGRAMS EXPENSES	$ 7,507	$ 3,778	$ 3,730		$ 17,210		$ 4,136	$ 359
Operational:								
MARC Building	$ 200	$ 36	$ 164	[6]	$ 692		$ 160	$ 124
Foundation Subsidiaries	$ 108	$ 97	$ 12		$ 474		$ 36	$ (61)
Administrative & Fund-Raising	$ 2,204	$ 1,930	$ 275		$ 8,003		$ 1,111	$ (818)
TOTAL OPERATIONAL EXPENSES	$ 2,513	$ 2,063	$ 450		$ 9,169		$ 1,307	$ (755)
TOTAL EXPENSES	**$ 10,020**	**$ 5,840**	**$ 4,180**		**$ 26,379**		**$ 5,444**	**$ (396)**
EXCESS REVENUES OVER EXPENSES	**$ 2,877**	**$ (4,253)**	**$ (7,129)**		**$ 37,170**		**$ 21,419**	**$ (25,672)**

**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 October 31, 2014

Asset Class/Manager	Market Value ($000s)	% of Total Managed Assets	Interim Policy Target	Interim Policy Ranges	Long-Term Policy Target	Current Month	Trailing 3-Months	Calendar Year to Date	Fiscal Year to Date	Trailing 1-Year	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
GMO Global Equity Asset Allocation	9,671	4.3%				-0.3	-2.9	1.1	-5.5	---	---	---	---	5.2
Indus Markor Master Fund	3,922	1.7%				3.4	3.2	-1.9	-1.7	---	---	---	---	-2.2
Kiltearn Global Equity Fund	9,434	4.2%				-2.4	-6.8	---	-8.8	---	---	---	---	-5.6
Maverick Long Fund, Ltd	10,711	4.8%				3.5	5.9	---	3.9	---	---	---	---	7.1
Vanguard Total World Stock Index	662	0.3%				1.1	0.2	---	-1.6	---	---	---	---	2.7
Global Public Equity	**34,400**	**15.3%**	**16.5%**	**10.0%-25.0%**	**12.5%**	**0.7**	**-0.8**	**1.0**	**-3.2**	**---**	**---**	**---**	**---**	**5.1**
D.E. Shaw Core Alpha Extension	9,374	4.2%				0.7	1.7	7.1	0.3	---	---	---	---	7.1
First Eagle U.S. Equity Fund	10,631	4.7%				1.8	2.6	---	0.7	---	---	---	---	6.6
Sirios Focus Fund	7,831	3.5%				2.7	6.2	---	3.6	---	---	---	---	4.4
HHR Titan Offshore	5,055	2.3%				1.1	---	---	---	---	---	---	---	1.1
U.S. Public Equity	**32,890**	**14.7%**	**16.5%**	**10.0%-25.0%**	**15.0%**	**1.6**	**2.8**	**6.0**	**0.1**	**12.1**	**16.7**	**13.3**	**7.4**	**4.4**
AKO European Master Fund	8,241	3.7%				0.7	1.5	3.0	0.1	---	---	---	---	3.0
Vanguard FTSE Dev. Markets	1,904	0.8%				-0.3	-4.2	-2.3	-6.4	---	---	---	---	0.8
Cevian Capital II	4,128	1.8%				-0.1	-2.3	3.2	-6.2	---	---	---	---	3.2
Buena Vista Asian Opp. Fund	5,297	2.4%				-0.8	-1.4	---	-0.6	---	---	---	---	5.9
Kabouter International Opps. Fund II	5,000	2.2%				---	---	---	---	---	---	---	---	---
Non-U.S. Developed Public Equity	**24,570**	**10.9%**	**11.5%**	**5.0%-20.0%**	**10.0%**	**-0.0**	**-1.4**	**2.7**	**-3.0**	**5.8**	**8.4**	**5.1**	**5.2**	**1.9**
DFA Emerging Markets Value	6,826	3.0%				-0.1	-6.2	2.0	-4.5	---	---	---	---	3.8
Somerset Emerging Markets	3,678	1.6%				1.7	-0.8	---	-0.9	---	---	---	---	5.1
Polunin Developing Countries Fund	4,236	1.9%				0.6	-4.8	---	---	---	---	---	---	-4.8
Emerging Markets Public Equity	**14,740**	**6.6%**	**5.0%**	**0.0%-10.0%**	**5.0%**	**0.5**	**-4.4**	**3.8**	**-3.2**	**1.0**	**---**	**---**	**---**	**6.5**
Total Global Private Equity	**18,210**	**8.1%**	**8.0%**	**0.0%-15.0%**	**15.0%**	**---**	**---**	**10.0**	**---**	**22.3**	**16.8**	**17.2**	**---**	**6.7**
Total Long Public and Private Equity	**124,810**	**55.6%**	**57.5%**	**45.0%-65.0%**	**57.5%**	**0.7**	**-0.3**	**4.1**	**-1.9**	**10.1**	**15.0**	**11.5**	**6.9**	**4.0**
Blue Harbour Strategic Value	3,936	1.8%				3.0	0.9	5.0	-1.4	---	---	---	---	5.0
Valinor Capital Partners	4,263	1.9%				1.6	5.0	13.7	4.1	---	---	---	---	13.7
Roystone Master Fund	3,868	1.7%				-0.5	-1.3	---	-3.3	---	---	---	---	3.2
Fir Tree International Value	3,667	1.6%				-2.2	-3.8	---	-3.9	---	---	---	---	-2.2
Hedge Funds (Growth Objective)	**15,734**	**7.0%**	**---**	**0.0%-15.0%**	**---**	**0.5**	**0.3**	**4.9**	**-1.0**	**---**	**---**	**---**	**---**	**4.9**
Archstone Offshore Fund	2,663	1.2%				-1.1	-0.5	0.4	-1.5	4.3	7.7	---	---	5.1
Ironwood International Ltd - Holdback	42	0.0%				0.0	0.0	---	0.3	---	---	---	---	0.3
Indus Asia Pacific Fund	3,754	1.7%				0.2	-0.3	---	-0.2	---	---	---	---	0.1
Brahman Capital Partners	3,493	1.6%				2.2	---	---	-6.0	---	---	---	---	-6.9
Naya Offshore Fund	3,479	1.5%				0.6	-0.6	---	---	---	---	---	---	-0.6
Hedge Funds (Blended Objective)	**13,431**	**6.0%**	**---**	**0.0%-15.0%**	**---**	**0.5**	**-0.1**	**-1.4**	**-2.5**	**1.3**	**6.4**	**5.5**	**4.1**	**4.7**
Davidson Kempner	4,174	1.9%				-1.8	-2.0	4.4	-1.8	---	---	---	---	4.4
BlueCrest All Blue Fund	3,937	1.8%				-0.4	0.5	5.0	0.9	---	---	---	---	5.0
Kynikos Opportunity Fund	3,586	1.6%				-1.1	0.4	---	-2.7	---	---	---	---	-4.4
Luxor Capital Partners	3,501	1.6%				-3.3	-1.5	---	-4.7	---	---	---	---	-6.6
Scopia PX Funds	3,686	1.6%				1.8	---	---	---	---	---	---	---	5.3
Hedge Funds (Diversifying Objective)	**18,885**	**8.4%**	**---**	**0.0%-15.0%**	**---**	**-1.0**	**0.6**	**1.8**	**-0.7**	**---**	**---**	**---**	**---**	**1.8**
Total Hedge Funds	**48,050**	**21.4%**	**17.5%**	**10.0%-30.0%**	**17.5%**	**-0.1**	**0.3**	**1.8**	**-1.3**	**4.5**	**7.5**	**6.2**	**4.4**	**5.0**
Franklin Templeton Global Bond Fund	3,715	1.7%				0.6	0.7	4.2	0.7	---	---	---	---	5.1
Clifton Defensive Equity Strategy	4,281	1.9%				0.6	2.4	---	1.7	---	---	---	---	5.7
Other Diversifying Investments	**7,996**	**3.6%**	**---**	**0.0%-20.0%**	**---**	**0.6**	**1.6**	**6.4**	**1.2**	**7.6**	**---**	**---**	**---**	**9.1**
Total Diversified Growth	**56,047**	**25.0%**	**17.5%**	**10.0%-30.0%**	**17.5%**	**0.0**	**0.5**	**2.6**	**-0.9**	**4.5**	**7.4**	**6.1**	**4.4**	**5.0**
Van Eck Global Hard Assets	5,509	2.5%				-8.9	-16.1	-7.5	-18.5	---	---	---	---	-4.7
SPDR Gold ETF	4,419	2.0%				-3.1	-8.7	-3.0	-12.0	---	---	---	---	-1.8
Harvest MLP Income Fund	5,389	2.4%				-2.7	3.8	---	-0.1	---	---	---	---	20.0
Public Inflation Sensitive	**15,318**	**6.8%**	**9.0%**	**0.0%-15.0%**	**4.0%**	**-5.0**	**-7.8**	**1.5**	**-10.9**	**4.4**	**3.8**	**8.1**	**---**	**-0.8**
Private Inflation Sensitive	**2,735**	**1.2%**	**1.0%**	**0.0%-10.0%**	**6.0%**	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**
Total Inflation Sensitive	**18,052**	**8.0%**	**10.0%**	**0.0%-15.0%**	**10.0%**	**-4.3**	**-6.7**	**2.7**	**-9.8**	**5.7**	**4.2**	**8.3**	**---**	**-0.7**
Colchester Global Bonds ($-Hdg)	8,930	4.0%				0.6	0.7	5.1	0.9	---	---	---	---	5.1
PIMCO Low Duration II	4,012	1.8%				0.3	0.4	---	0.1	---	---	---	---	0.1
Dodge and Cox Income Fund	10,287	4.6%				0.7	0.9	---	0.7	---	---	---	---	3.3
State of Florida Treasury Fund	800	0.4%				0.3	0.5	1.5	0.8	1.6	2.1	---	---	2.2
State of Florida Treasury Fund (MARC)	1,500	0.7%				---	---	---	---	---	---	---	---	---
Total Deflation Sensitive	**25,529**	**11.4%**	**15.0%**	**9.0%-30.0%**	**15.0%**	**0.5**	**0.7**	**4.5**	**0.6**	**3.9**	**3.9**	**5.8**	**5.8**	**6.2**
Total Managed Assets Net of CA Fees	**224,438**	**100.0%**	**100.0%**	**---**	**100.0%**	**0.1**	**-0.5**	**3.5**	**-2.1**	**7.6**	**10.9**	**9.3**	**6.0**	**4.4**
Foundation Enterprise Holdings I	574	---				---	---	---	---	---	---	---	---	2.2
JMOF - Raymond James CEF	999	---				0.7	0.7	2.0	0.4	0.8	---	---	---	0.8
Student Managed Investment Fund	291	---				-1.9	-0.4	8.6	-0.1	13.4	13.8	7.6	---	6.8
SunTrust Balanced Annuity Account	302	---				1.2	-2.3	-5.4	-3.6	-6.9	3.0	6.0	4.7	4.9
Islamorada Investment	1,306	---				0.5	1.6	---	2.2	---	---	---	---	4.4
StoneCastle FICA Program	2,001	---				0.0	0.1	---	---	---	---	---	---	0.1
IR&M Short Fund	3,011	---				0.3	0.4	---	---	---	---	---	---	0.4
Other Alternatives	**8,484**	**---**				**0.2**	**0.4**	**2.4**	**0.4**	**2.1**	**4.1**	**6.1**	**4.3**	**4.5**
Total Assets Net of CA Fees	**232,922**	---				**0.1**	**-0.5**	**3.5**	**-2.0**	**7.5**	**10.9**	**9.3**	**6.0**	**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 June 30, 2014, updated with cashflows through the most recent period.

Florida International University Foundation
Preliminary Performance Summary
As of October 31, 2014

Asset Class/Composite	Market Value ($000s)	% of Total Managed Assets	Interim Policy Target	Interim Policy Ranges	Long-Term Policy Target	Current Month	Trailing 3-Months	Calendar Year to Date	Fiscal Year to Date	Trailing 1-Year	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Since Inception
Global Public Equity	34,400	15.3%	16.5%	10.0%-25.0%	12.5%	0.7	-0.8	1.0	-3.2	---	---	---	---	5.1
U.S. Public Equity	32,890	14.7%	16.5%	10.0%-25.0%	15.0%	1.6	2.8	6.0	0.1	12.1	16.7	13.3	7.4	4.4
Non-U.S. Developed Public Equity	24,570	10.9%	11.5%	5.0%-20.0%	10.0%	-0.0	-1.4	2.7	-3.0	5.8	8.4	5.1	5.2	1.9
Emerging Markets Public Equity	14,740	6.6%	5.0%	0.0%-10.0%	5.0%	0.5	-4.4	3.8	-3.2	1.0	---	---	---	6.5
Global Private Long Equity	18,210	8.1%	8.0%	0.0%-15.0%	15.0%	---	---	10.0	---	22.3	16.8	17.2	---	6.7
Total Long Public Equity and Private Investments	**124,810**	**55.6%**	**57.5%**	**45.0%-65.0%**	**57.5%**	**0.7**	**-0.3**	**4.1**	**-1.9**	**10.1**	**15.0**	**11.5**	**6.9**	**4.0**
Total Hedge Funds	48,050	21.4%	17.5%	10.0%-30.0%	17.5%	-0.1	0.3	1.8	-1.3	4.5	7.5	6.2	4.4	5.0
Other Diversifying Investments	7,996	3.6%	---	0.0%-20.0%	---	0.6	1.6	6.4	1.2	7.6	---	---	---	9.1
Total Diversified Growth	**56,047**	**25.0%**	**17.5%**	**10.0%-30.0%**	**17.5%**	**0.0**	**0.5**	**2.6**	**-0.9**	**4.5**	**7.4**	**6.1**	**4.4**	**5.0**
Total Inflation Sensitive	**18,052**	**8.0%**	**10.0%**	**0.0%-15.0%**	**10.0%**	**-4.3**	**-6.7**	**2.7**	**-9.8**	**5.7**	**4.2**	**8.3**	**---**	**-0.7**
Total Deflation Sensitive	**25,529**	**11.4%**	**15.0%**	**9.0%-30.0%**	**15.0%**	**0.5**	**0.7**	**4.5**	**0.6**	**3.9**	**3.9**	**5.8**	**5.8**	**6.2**
Total Managed Assets Net of CA Fees	**224,438**	**100.0%**	**100.0%**	**---**	**100.0%**	**0.1**	**-0.5**	**3.5**	**-2.1**	**7.6**	**10.9**	**9.3**	**6.0**	**4.4**
Total Assets Net of CA Fees	**232,922**	**---**	**---**	**---**	**---**	**0.1**	**-0.5**	**3.5**	**-2.0**	**7.5**	**10.9**	**9.3**	**6.0**	**4.4**

Variance Notes:

[1] The negative variance of $3.9 million in cash contributions as of October 31, 2014 is a result of anticipated new gifts that have not yet materialized. The Development team is actively working the Campaign plan to meet the budgeted cash goal for the year.

[2] The negative variance for MARC Building revenues is a result of timing related to new leases. Building occupancy remains at 100%, and all budgeted rental income will be collected by the end of December.

[3] Foundation subsidiaries are comprised of four single member LLCs – Foundation Enterprise Holdings I through IV – with FIU Foundation as their sole member. The positive variance is a timing issue related to the upfront receipt of $214,992 in PO&M State funds for FEH III versus the $187,379 budgeted throughout the fiscal year.

[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 losses on the portfolio through October 31, 2014 totaled approximately 2.0%, or ($4.7) million.

[5] The positive $3.3 million variance in scholarships and program expenses is mainly due to timing. The processing of several scholarships, salary reimbursements, and event-related invoices mainly in the College of Arts & Sciences, College of Medicine, and College of Business will occur later in the year.

[6] The positive $164,000 variance in MARC Building expenses are a result of a $134,000 credit for the reversal of a prior year building renovation expense that should have been capitalized. There has been an additional savings of $25,000 in interest expense as a result of the low interest rate environment.

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