

FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES FINANCE AND AUDIT COMMITTEE

Tuesday, November 22, 2011 10:30 a.m. Florida International University Modesto A. Maidique Campus Graham Center Ballrooms

Committee Membership:

Sukrit Agrawal, Chair; Michael M. Adler, Vice Chair; Cesar L. Alvarez; Thomas A. Breslin; Gerald C. Grant, Jr.

Liaison:

Richard Brilliant, Foundation Board of Directors

AGENDA

Call to Order and Chair's Remarks Sukrit Agrawal **Approval of Minutes** Sukrit Agrawal 3. Action Items FA1. Authorize Student Debt Collection Regulation Kenneth A. Jessell Authorize Employee Debt Collection Regulation Kenneth A. Jessell FA3. Amendment to Signature Authority - Authorization to Sign Kenneth A. Jessell Checks for Certain Foreign Research Program Accounts FA4. FIU Direct Support Organizations Financial Audits, Kenneth A. Jessell FY 2010-2011 A. FIU Foundation, Inc. B. FIU Athletics Finance Corporation C. FIU Academic Health Center Health Care Network Faculty Group Practice, Inc.

4. Discussion Items (No Action Required)

4.1 Office of Internal Audit Status Report

Allen Vann

4.2 Budget Variance Analysis - First Quarter 2012 Kenneth A. Jessell

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4. Discussion Items (Continued)	
4.3 Foundation Report	Richard Brilliant
4.4 Priorities for the 2012 Legislative Session	Stephen A. Sauls
4.5 Division of Research – Bonding Research Facility	Andres G. Gil
5. Reports (For Information Only)	
5.1 Treasury Report	Tony Vu
5.2 Athletics Update	Pete Garcia
5.3 University Compliance Report	Leyda Benitez
5.4 Construction Status Update	John Cal
5.5 Business Services Update	Liane Martinez
5.6 Emergency Management Update	Amy Aiken
6. New Business	Sukrit Agrawal
6.1 Office of Internal Audit Discussion of Audit Processes	
7. Concluding Remarks and Adjournment	Sukrit Agrawal

The Florida International University Board of Trustees

Finance and Audit Committee

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Approval of Minutes of the Meeting held August 17, 2011

Proposed Committee Action:

Approval of Minutes of the Finance and Audit Committee meeting held on Wednesday, August 17, 2011, at the Modesto A. Maidique Campus, Primera Casa, room 521.

Background Information:

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Wednesday, August 17, 2011, at the Modesto A. Maidique Campus, Primera Casa, room 521.

Supporting Documentation: Finance and Audit Committee Meeting Minutes:

August 17, 2011

Facilitator/Presenter: Committee Chair Sukrit Agrawal



FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES FINANCE AND AUDIT COMMITTEE MINUTES AUGUST 17, 2011

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 9:48 am on Wednesday, August 17, 2011, at the Modesto A. Maidique Campus, Primera Casa, room PC521.

Mayi de la Vega

The following attendance was recorded:

Present Excused

Sukrit Agrawal, Chair Michael M. Adler, Vice Chair (participated telephonically) Cesar L. Alvarez Thomas A. Breslin Richard Brilliant, Foundation Board of Directors Liaison

President Mark B. Rosenberg was also in attendance.

Committee Chair Agrawal welcomed all Trustees, faculty and staff. On behalf of the Committee, Chair Agrawal thanked Foundation Board of Directors Treasurer Richard Brilliant for his continued service as the Foundation liaison to the Board of Trustees Finance and Audit Committee, noting that his knowledge and expertise is invaluable.

2. Approval of Minutes

Committee Chair Agrawal asked that the Committee approve the Minutes of the Meeting held on June 20, 2011. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meeting held on Monday, June 20, 2011.

3. Discussion Items

3.1 Office of Internal Audit Status Report

Office of Internal Audit Director, Allen Vann, presented the Internal Audit Report, providing updates on three recently completed audits, work in progress and consulting activities aimed at supporting University initiatives.

Florida International University Board of Trustees Finance and Audit Committee Minutes August 17, 2011 Page | 2

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3.2 FY 10-11 Financial Performance Review

Senior Vice President for Finance and Administration and Chief Financial Officer Kenneth A. Jessell presented the Budget Variance Analysis for last fiscal year ending June 30, 2011 and provided a summary of University revenues and expenditures. In terms of Educational and General Revenues, he noted that the University experienced a positive variance of approximately \$74 million (or 10 percent) due to an increase of non-resident and resident undergraduate enrollment, differential tuition and state appropriations amendments for insurance, benefits and Scholars Boost Awards. He added that the Auxiliary Enterprise experienced increased revenue attributed to new academic programs and on-line enrollment growth. He reported that operating expenses were below estimates by \$2 million (or 0 percent) due to factors such as vacant positions, undistributed critical investments, timing on legislative budget requests and Scholars Boost Awards.

3.3 Foundation Report

Richard Brilliant, FIU Foundation, Inc. Board of Directors Treasurer presented an update on fundraising and investments. He reported that annual investment gains through June 30, 2011 totaled approximately \$26.4 million (or 21 percent), adding that this was a record high year for the Foundation's investment performance. He noted that despite the recent downturn in the market, losses on the Foundation's investment portfolio through the middle of August were estimated at \$10.2 million (or 5.2 percent). He added that the Foundation's governing policies focus on the long-term perspective and that market performance will continue to be monitored closely. Director Brilliant stated that Senior Vice President for University Advancement and President and CEO of the FIU Foundation Inc. Howard R. Lipman is working closely with the Board of Directors to continue to build the infrastructure that is critical for a successful fundraising program and the capital campaign.

3.4 Capital Campaign Update

Senior Vice President for University Advancement and President and CEO of the FIU Foundation Inc. Howard R. Lipman reported that the consulting firm of Bentz Whaley Flessner prepared a comprehensive study of the University and the FIU Foundation that examined fundraising, alumni, advancement and overall preparedness for a \$750 million campaign. He noted that the study involved a three-tiered process that included the review of data and other relevant materials, interviews with the University's administration and using the findings and conclusions to develop recommendations. He further noted that the detailed recommendations included using the *Worlds Ahead* Strategic Plan to build upon the University's philanthropic agenda. He added that the study concluded that the University community supports President Rosenberg's vision and that Deans and other senior administrators are anxious to expand their respective roles in fundraising.

4. Reports

Committee Chair Agrawal requested that the Treasury Report, Athletics Update, University Compliance Report, Division of Research Report, Construction Status Update, Safety and

Florida International University Board of Trustees Finance and Audit Committee Minutes August 17, 2011 Page | 3

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Environmental Compliance Report, and Business Services Update be accepted as written. There were no objections.

5. New Business

Committee Chair Agrawal noted that as is stipulated in the Finance and Audit Committee Charter, the Office of Internal Audit is excused from the conversation with Senior Management. He announced that it was not obligatory for members of the public to exit the meeting, noting that it was acceptable for anyone to remain present for the discussion. Members of Senior Management discussed their respective experiences with the Internal Audit Office, noting that the working relationships are defined by mutual collaboration and respect. Senior Management noted that the Office of Internal Audit has broadened its knowledge base in critical areas and members agreed that the Office of Internal Audit adheres to a thorough approach that is consistent with best practices.

6. Concluding Remarks and Adjournment

With no other business, Committee Chair Sukrit Agrawal adjourned the meeting of the Florida International University Board of Trustees Finance and Audit Committee on Wednesday, August 17, 2011, at 10:52 am.

Trustee requests:
There were no Trustee requests.

MB 9.12.11

Agenda Item 3 FA1

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Authorize Student Debt Collection, FIU Regulation 1109

Proposed Committee Action:

Recommend to the Florida International University Board of Trustees approval of the Student Debt Collection, FIU Regulation 1109.

Background information:

The proposed Student Debt Collection FIU Regulation-1109 provides for the collection of funds owed to the University by its current or former students.

Florida Board of Governors, regulation 7.001 (7) Tuition and Associated Fees, provides that students shall pay tuition and associated fees or make other appropriate arrangements for the payment of tuition and associated fees (installment payment, deferment, or third party billing) by the deadline established by the university for the courses in which the student is enrolled, which shall be no later than the end of the second week of class.

Florida Board of Governors, regulation 7.002 (1) Tuition and Fee Assessment, Collection, Accounting and Remittance, provides that each university shall establish by regulation, procedures for the payment of tuition and associated fees.

Pursuant to Florida Statutes Section 1010.03, the University is directed to exert every effort to collect delinquent accounts.

Supporting Documentation: Student Debt Collection FIU Regulation 1109

Facilitator/Presenter: Kenneth A. Jessell

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES FLORIDA BOARD OF GOVERNORS

NOTICE OF PROPOSED REGULATION

REGULATION NO.: FIU-1109

REGULATION TITLE: Student Debt Collection

SUMMARY: The purpose of this Regulation is to provide procedures for collection of funds owed to the University by its students. Pursuant to Section 1010.03, F.S., the University is directed to exert every effort to collect all delinquent accounts.

TEXT OF REGULATION: The full text of the Proposed Regulation can be viewed below and on the website of The Florida International University Board of Trustees, http://regulations.fiu.edu. If you would like a copy of the Proposed Regulation, please contact Eli Deville, Coordinator, Administrative Services, Office of the General Counsel, (305) 348-2103.

AUTHORITY: Florida Statutes Section 1010.03 and BOG Regulations 7.001 and 7.002.

NAME OF PERSON INITIATING PROPOSED REGULATION: Kenneth Jessell, Chief Financial Officer and Senior Vice President.

ANY PERSON SEEKING TO COMMENT ON THE PROPOSED REGULATION MUST SUBMIT COMMENTS IN WRITING TO THE CONTACT PERSON LISTED BELOW. ALL WRITTEN COMMENTS MUST BE RECEIVED BY THE CONTACT PERSON WITHIN 14 CALENDAR DAYS OF THE DATE OF PUBLICATION OF THIS NOTICE.

CONTACT PERSON REGARDING THE PROPOSED REGULATION: Eli Deville, Coordinator, Administrative Services, Office of the General Counsel, Florida International University, 11200 SW 8th Street, PC 511, Miami, FL 33199. Email: devillee@fiu.edu Fax: (305) 348-3272. Phone: 305-348-2103.

DATE OF PUBLICATION: October 21, 2011

THE FULL TEXT OF THE PROPOSED REGULATION IS PROVIDED BELOW:

FIU-1109 Student Debt Collection.

- (1) Purpose. The University is required by Florida Law to exert every effort to collect all delinquent accounts owed to it. The purpose of this regulation is to provide for collection of delinquent accounts and overpayments owed to the University by its current or former students.
- (2) Student Debt. For purposes of this regulation, student debts are all amounts owed to the University by a student, which were not paid when due, including but not limited to:
- (a) tuition, fees, student loans, notes receivables, returned checks, housing charges, goods and/or services provided, library fines, parking fines, health services, or any other amounts accrued; and,
- (b) overpayment by the University of scholarships, loans, or other types of payments.

An overpayment by the University becomes a student debt payable immediately upon the occurrence of the overpayment. All other student debts become delinquent accounts when they remain unpaid after the due date.

(3) Means of Collection. The University may employ any legal means for collecting student debts owed to the University, including but not limited to, any one or more of the following actions: issue collection letters, send notices by electronic mail, attempt to contact the student by telephone, engage a collection agency, suspend a student's academic progress, cancel a student's course schedule, preclude or restrict the issuance of a student's grades or diploma or the release of a student's transcript, negotiate an installment payment plan or settle a student's account.

<u>Authority: Florida Statutes Section 1010.03 and BOG Regulations 7.001, 7.002 and 7.003.</u> <u>History—New_____.</u> Agenda Item 3 FA2

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Authorize Employee Debt Collection, FIU Regulation 1111

Proposed Committee Action:

Recommend to the Florida International University Board of Trustees approval of the Employee Debt Collection, FIU Regulation 1111.

Background information:

The proposed Employee Debt Collection FIU Regulation-1111 provides procedures for the collection of funds owed to the University by its current or former employees. FIU established Rule 6C8-6.007 entitled "Collection of Funds Owed to the University by its Employees" on October 23, 1985, which provided a process for setting off employees' debts. This FIU Rule was repealed together with all other FIU Rules due to legislative changes. To the extent required, these Rules have been or are being replaced by FIU regulations.

Florida Board of Governors, regulation 1.001 (3)(j) University Board of Trustees Powers and Duties states that each board of trustees is authorized to promulgate university regulations in accordance with the Regulation Development Procedure adopted by the Board of Governors.

Pursuant to Florida Statutes Section 1010.03, the University is directed to exert every effort to collect delinquent accounts.

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Supporting Documentation: Employee Debt Collection FIU Regulation 1111

Facilitator/Presenter: Kenneth A. Jessell

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES FLORIDA BOARD OF GOVERNORS

NOTICE OF PROPOSED REGULATION

REGULATION NO.: FIU-1111

REGULATION TITLE: Employee Debt Collection

SUMMARY: The purpose of this Regulation is to provide procedures for collection of funds owed to the University by its employees. Pursuant to Section 1010.03, F.S., the University is directed to exert every effort to collect all delinquent accounts.

TEXT OF REGULATION: The full text of the Proposed Regulation can be viewed below and on the website of The Florida International University Board of Trustees, http://regulations.fiu.edu. If you would like a copy of the Proposed Regulation, please contact Eli Deville, Coordinator, Administrative Services, Office of the General Counsel, (305) 348-2103.

AUTHORITY: Florida Statutes Section 1010.03 and BOG Regulation 1.001.

NAME OF PERSON INITIATING PROPOSED REGULATION: Kenneth Jessell, Chief Financial Officer and Senior Vice President.

ANY PERSON SEEKING TO COMMENT ON THE PROPOSED REGULATION MUST SUBMIT COMMENTS IN WRITING TO THE CONTACT PERSON LISTED BELOW. ALL WRITTEN COMMENTS MUST BE RECEIVED BY THE CONTACT PERSON WITHIN 14 CALENDAR DAYS OF THE DATE OF PUBLICATION OF THIS NOTICE.

CONTACT PERSON REGARDING THE PROPOSED REGULATION: Eli Deville, Coordinator, Administrative Services, Office of the General Counsel, Florida International University, 11200 SW 8th Street, PC 511, Miami, FL 33199. Email: devillee@fiu.edu Fax: (305) 348-3272. Phone: 305-348-2103.

DATE OF PUBLICATION: October 21, 2011

THE FULL TEXT OF THE PROPOSED REGULATION IS PROVIDED BELOW:

FIU-1111 Employee Debt Collection.

- (1) Purpose. The University is required by Florida Law to exert every effort to collect all delinquent accounts owed to it. The purpose of this regulation is to provide procedures for collection of delinquent accounts and overpayments owed to the University by its current or former employees.
- (2) For purposes of this regulation, employee debts are all amounts owed to the University by an employee which were not paid when due, including, but not limited to, the following:
- (a) tuition and fees, student loans, and other accounts accrued as a student of the University;
- (b) returned checks, parking fines, library fines, keys, uniforms, and any other equipment provided to assist an employee in fulfilling his/her job duties, educational resources fines/sales, health services, rental fees, housing charges, and physical education equipment charges;
- (c) overpayments by the University of wages, workers' compensation benefits, scholarships, fellowships, and other types of payments;
- (d) all or a portion of a travel advance paid by the University and for which no reimbursement travel voucher complying with the University's Travel Expense Policy is received within the time prescribed by the University's Travel Expense Policy; and,
- (e) repayment of advanced leave, if any, pursuant to applicable University policies and procedures.

For purposes of this regulation, employee debts do not include educational loans collectible pursuant to Section 112.175, Fla. Stat.

- An overpayment by the University becomes an employee debt payable immediately upon the occurrence of the overpayment. A travel advance for which no reimbursement travel voucher is received by the University becomes an employee debt at the time prescribed by the University's Travel Expense Policy. All other employee debts become delinquent accounts when they remain unpaid after the date due.
- (3) Means of Collection. The University may employ any legal means for collecting employee debts owed to the University, including, but not limited to, any one or more of the following actions: issue collection letters, send notices via electronic mail, attempt to contact the employee by telephone, engage a collection agency, settle the amount due, negotiate a payment plan, and if a current employee, set-off the employee debt as provided herein.
- (4) University Right of Set-Off /Employee Right to Receive Notice Prior to Set-Off.
- (a) The University may set-off an employee debt against future wages and/or any wages due at separation of employment.
- (b) Unless expressly authorized by a Travel Advance form or other agreement with the University, an employee with employee debt will receive notice of the University's set-off rights against the employee's future wages and/or wages due at separation of employment. Prior to exercising the right to set-off, the University will notify the employee of its intent to do so in writing by certified mail sent to the employee's last known mailing address on file with the University's Human Resources Department. The notice will advise the employee that the University intends to set-off the specific employee debt, and that, within twenty (20) days of the date of the notice, the employee may dispute the existence of the employee debt with the University department to which the employee debt accrued, pay the employee debt, or work out a mutually agreeable payment plan.

- (5) Set-off Limitations. If, after the twenty (20) day period described above has expired, the employee has not responded to the notice, the overdue employee debt remains unpaid, a mutually agreeable payment plan has not been reached, or the explanation as to why no delinquent account or overpayment exists has not been accepted by the University, the University may set-off the employee debt against payments by the University of future wages and/or wages due at separation, as permitted by law:
- (a) If the amount of the employee debt is ten percent (10%) or less of the employee's biweekly gross salary, a lump sum deduction of the amount owed shall be made from the employee's future paycheck.
- (b) If the amount of the employee debt is greater than ten percent (10%) of the employee's biweekly gross salary, the amount deducted from each of the employee's future paychecks shall not exceed ten percent (10%) of the employee's gross salary in each pay period. Deductions will commence following the expiration of the twenty (20) day notice period, unless the employee waives this requirement in writing.
- (c) If an employee with an employee debt ceases to be employed by the University for any reason, including but not limited to, termination, resignation, or job abandonment, the entire amount of the employee debt shall be deducted from the employee's final paycheck up to the amount permitted by applicable law. If the final paycheck is not sufficient to cover the outstanding employee debt, the remainder of the employee's debt will be deducted from the employee's leave, wages due at separation of employment, and/or from any other sums that may be due and owing from the University to the employee in accordance with applicable law. In the event that there are still outstanding sums due and owing by an employee after the University has exhausted all of these resources, the University may pursue any legal means for the collection of the employee's outstanding debt, including those outlined in this Regulation.

Authority: Florida Statutes Section 1010.03 and BOG Regulation 1.001. History--New _____

Agenda Item 3 FA3

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Amendment to Signature Authority – Authorization to Sign Checks for Certain Foreign Research Program Accounts

Proposed Committee Action:

Recommend that the Florida International University Board of Trustees amend the Signature Authority - Authorization to Sign Checks for Certain Foreign Research Program Accounts to reflect the following changes:

For the West African Water, Sanitation Hygiene Program:

Remove: Ms. Salimata Marico, Mali Program Coordinator for West Africa Program

Approve: Mr. Adama Ouedraogo, West Africa Program Office Manager

For the Rwanda Integrated Water Security Program:

Approve: Dr. David Mutekanga - Director

Mr. Egide Nkuranga - Deputy Director Ms. Macklean Rwivanga - Office Manager

Background Information:

The Florida International University Board of Trustees (the BOT) is updating its official records to reflect University officers and employees authorized to sign checks to pay legal obligations on behalf of the University.

The University has depositories at banking institutions at which University funds are deposited and the University pays its legal obligations from said depositories. As such, the BOT must state with particularity the legal name and title of University employees who are authorized to sign checks to pay legal obligations of the University.

Supporting Documentation: International Water Programs, Amendment to Signature

Authority

Facilitator/Presenter: Kenneth A. Jessell

INTERNATIONAL WATER PROGRAMS

Amendment to Signature Authority – Authorization to Sign Checks for Certain Foreign Research Program Accounts

Florida International University Board of Trustees (the BOT) approval is requested to amend a previously approved Signature Authority on the designated local depositories for the following international water programs, which were funded by the U.S. Agency for International Development (USAID):

- 1. West African Water, Sanitation Hygiene Program, with USAID funding of \$22 million (the "West African Water Program")
- 2. Rwanda Integrated Water Security Program with USAID funding of \$28 million

On March 30, 2011, the BOT approved the following designated local depositories for the aforementioned programs:

In Mali: Bank of Africa -Mali (BoA)

(Correspondent Bank to Societe Generale)

Bamako-Mali

http://www.bank-of-africa.net

In Burkina Faso: Societe Generale

Ouagadougou, Burkina Faso

http://www.sgbb.bf

In Rwanda: Bank of Kigali

Kigali, Rwanda http://www.bk.rw

On March 30, 2011, the BOT also approved the following officers and employees of the University as authorized to sign checks on accounts related to the aforementioned depositories and programs:

Kenneth A. Jessell, Senior Vice President for Finance and Administration and Chief Financial Officer

Cecilia Hamilton, Associate Vice President and University Controller

Luis Salas, Associate Vice President for Research

Lakhdar Boukerrou, West Africa Program Director (authorized only for the West African Water Program)

Emeline Bereziat, Deputy West Africa Program Director (authorized only for the West African Water Program)

Salimata Marico, Mali Program Coordinator for West Africa Program (authorized only for the West African Water Program)

Salimata Marico is no longer employed by the West African Water Program and therefore, must be removed as an authorized signatory.

The BOT is requested to approve the following employees of the University as authorized to sign checks from the designated depositories as further specified below:

Adama Ouedraogo, Office Manager (for the West African Water Program only)

David Mutekanga, Director (for the Rwanda Integrated Water Security Program only)

Egide Nkuranga, Deputy Director (for the Rwanda Integrated Water Security Program only)

Macklean Rwivanga, Office Manager (for the Rwanda Integrated Water Security Program only)

All controls on the bank accounts previously approved by the Board on March 30, 2011 shall continue to apply. Specifically, those controls are:

Controls to be Placed on Bank Accounts

Access to the bank accounts by local Program staff will be kept to the minimum persons necessary to effectively perform the Programs. Controls will be implemented to ensure that the bank accounts are used appropriately for Program purposes and that FIU Program personnel maintain oversight and monitoring of the bank accounts' use. In addition to world-wide insurance coverage for liability and theft by FIU employees overseas, the following controls, which have been used successfully by FIU in other international projects, will be adhered to:

- Checks on the bank accounts will require signature by two authorized Program personnel
 and no cash withdrawal cards will be issued. All checks issued in the foreign countries
 must be cosigned by two of the authorized signatories on the account and all checks
 issued to one of the authorized signatories in foreign countries must be cosigned by one
 of the authorized signatories in FIU/Miami.
- The maximum check amount will be US\$10,000.
- There will always be one bank account in US Dollars that will receive wires from the US and another in local currency.
- The bank accounts will have a monthly balance of no more than between US\$55,000 to US\$70,000 at any given time.

- Replenishment of the bank accounts will be done only when financial reports of
 expenditures on the bank accounts have been approved by FIU personnel. Every month
 the local Program offices will send to the FIU/Miami Program office substantiated
 financial reports (i.e., reports with back-up documentation) detailing the expenditures for
 the preceding period and requesting funds to replenish the bank accounts by the amount
 accounted for in the report. Such reports and back-up documentation will be reviewed by
 the FIU Program office.
- If the local FIU Program office approves the monthly financial report, it will forward a reimbursement package to the Division of Research for its review and auditing. Each reimbursement package will have a unique Report Number that will separate it from other reports. Invoices will be submitted with the report detailing each payment made, the currency rate used, check payee, amount, and date. In addition, any deposits made will be totaled separately and will equal any deposits made to that account. After the Division of Research audits the report and if it is approved, it will then be sent to the FIU Controller's Office for wire processing and reconciliation.
- The FIU personnel reconciling the accounts will have online access to the banks accounts, if available.

Agenda Item 3 FA4-A

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Florida International University Foundation Inc. and Subsidiaries, Financial Audit, 2010-2011

Proposed Committee Action:

Recommend approval by the Florida International University Board of Trustees of the Florida International University Foundation, Inc. and Subsidiaries Financial Audit for the 2010-2011 Fiscal Year and authorize the President and CEO of the FIU 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 FIU Foundation, Inc. and Subsidiaries must submit an independently conducted financial audit of its accounts and records, which should be approved by its governing board and recommended by the University President to the Florida International University Board of Trustees for review and approval.

The University President is recommending approval of the FIU Foundation, Inc. and Subsidiaries Financial Audit for 2010-2011, pending ratification by the FIU Foundation, Inc. Board of Directors Full Board.

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. and

Subsidiaries, Financial Audit, 2010-2011

Facilitator/Presenter: Kenneth A. Jessell

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

(A Direct Support Organization)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial position of Florida International University Foundation, Inc. and Subsidiaries (the Foundation), a direct support organization and a component unit of Florida International University, as of June 30, 2011 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2010 financial statements and, in our report dated November 3, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 17, 2011 on our consideration of the Foundation's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Schedules I through III is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The information identified in the table of contents as Schedules I and II has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The information identified in the table of contents as Schedule III has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion thereon.

Miami, FL November 17, 2011

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

(A Direct Support Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	2011	2010
Assets		
Cash and cash equivalents	\$ 25,360,829	\$ 4,710,830
Investments	152,352,145	115,827,131
Contributions receivable, net	42,319,332	55,456,316
Due from Florida International University	34,501	850,315
Bond issuance costs, net	135,060	94,946
Other assets	941,001	709,876
Fixed assets, net	12,571,255	10,773,692
Total Assets	\$ 233,714,123	\$ 188,423,106
Liabilities		
Accounts payable and other liabilities	\$ 977,189	\$ 341,471
Annuities payable	257,925	269,805
Deferred revenue	630,938	429,774
Due to Florida International University	580,626	501,984
Derivative liability	536,947	645,890
Split-interest obligations	789,486	
Note payable	8,785,000	9,260,000
Total Liabilities	12,558,111	11,448,924
Net Assets		
Unrestricted	22,761,966	15,160,471
Temporarily restricted	34,874,337	10,906,029
Permanently restricted	163,519,709	150,907,682
Total Net Assets	221,156,012	176,974,182
Total Liabilities and Net Assets	\$ 233,714,123	\$ 188,423,106

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

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011	2010
Revenue, Gains and Other Support					
Contributions	\$ 4,527,457	\$ 8,249,749	\$ 12,768,575	\$ 25,545,751	\$ 16,388,820
Royalty income	123,371	. !	-	123,371	181,948
Rental income	1,319,631	!	-	1,319,631	1,178,248
Dues	333,777	30,604	84,743	449,124	615,526
Net investment income	1,101,163	4,498,213	1	5,599,376	5,357,963
Unrealized derivative gain (loss)	108,943	-	ŀ	108,943	(30,962)
Net unrealized investment gains	3,995,102	16,671,017	!	20,666,119	5,648,562
Administrative fees	2,743,185) / / /	!	2,743,185	359,152
Other	3,208	157,900	:	161,108	27,892
Net assets released from restrictions	5,821,854	(5,580,563)	(241,291)		
Total Revenue, Gains and Other Support	20,077,691	24,026,890	12,612,027	56,716,608	29,727,149
Expenses					
Program services	9,145,603	!	l	9,145,603	9,393,657
General and administrative	2,703,799	1	!	2,703,799	2,153,019
Fund raising	601,302	1		601,302	372,393
Total Expenses	12,450,704	!	.	12,450,704	11,919,069
Change in Net Assets from Operations					
Before Provision for Uncollectible Pledges	7,626,987	24,026,890	12,612,027	44,265,904	17,808,080
Provision for Uncollectible Pledges	(25,492)	(58,582)		(84,074)	(2,176,500)
Change in Net Assets	7,601,495	23,968,308	12,612,027	44,181,830	15,631,580
Net Assets - Beginning	\$ 15,160,471	\$ 10,906,029	\$ 150,907,682	\$ 176,974,182	\$ 161,342,602
Net Assets - Ending	\$ 22,761,966	\$ 34,874,337	\$ 163,519,709	\$ 221,156,012	\$ 176,974,182

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 FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	Program	General and	Fund		
	Services	Administrative	Raising	2011	2010
Callage of Dusiness Administration	¢ 1 610 867	\$	\$	\$ 1,619,567	¢ 1 002 416
College of Business Administration Medical School	\$ 1,619,567	3	\$	\$ 1,619,567 1,470,595	\$ 1,003,416
Utilities and Maintenance	1,470,595	611 260		611,260	565,468 292,505
Wolfsonian Museum	783,905	611,260		783,905	715,505
University Wide Scholarships and Programs	•			744,884	563,430
	744,884			628,846	472,064
College of Arts and Sciences Athletics Fund - Golden Panthers	628,846			537,523	739,019
School of Hospitality Management	537,523 526,740			526,740	451,709
President's compensation	320,740	508,665	 	508,665	429,225
FIU Art Museum	390,077	300,003	<i></i>	390,077	222,118
		389,890	///	389,890	405,964
Interest			/\\ 		335,037
Depreciation and amortization	220.005	360,282		360,282	
College of Engineering and Computing	328,085	<i>M</i> = 2	217.005	328,085	1,006,429
Advancement operations	212.052		317,075	317,075	228,221
FIU Alumni Association	313,053		. **	313,053	282,035
Stemple School of Public Health	308,484		204.227	308,484	45,267
Capital campaign	252 510	~~~ <i>*</i>	284,227	284,227	144,172
College of Nursing and Health Sciences	253,718	· · · · · · · · · · · · · · · · · · ·		253,718	458,701
College of Education	216.364			216,364	346,025
College of Architecture & the Arts	200,571	"	·	200,571	112,268
Academic Affairs	191,715	// := 77		191,715	204,413
Lobbying		174,665		174,665	254,900
School of Journalism	163,760			163,760	81,736
University Support		161,091		161,091	100 776
Business office operations		141,136		141,136	130,556
College of Social Work, Justice & Public Affairs	113,109			113,109	20,684
President's allowance	 >	95,072		95,072	80,441
Bank and investment fees		83,658		83,658	53,575
College of Law	80,494	'		80,494	122,559
Office of Engagement	78,028			78,028	
Honors College	73,658			73,658	37,531
FIU Libraries	60,998			60,998	15,049
Professional fees	<u></u>	46,088		46,088	53,589
Florida Board of Governor's Assessment		32,924		32,924	39,747
Foundation Enterprise Holdings I		30,312		30,312	
Insurance		29,894		29,894	36,760
Student Affairs	27,877			27,877	19,265
Wolfsonian expenses		17,019		17,019	7,184
License plates	12,288			12,288	13,402
FIU Vice President's allowance		11,272		11,272	11,788
Other miscellaneous expense		10,571		10,571	4,416
External relations	7,190			7,190	
Contribution to University Building Program	6,818			6,818	1,826,064
Human Resources	6,149			6,149	7,604
Office of Sponsored Research	1,107			1,107	1,824
President's Office	1,107			1,10,	60,072
Remarketing fees					17,332
Total Expenses	\$ 9,145,603	\$ 2,703,799	\$ 601,302	\$ 12,450,704	\$11,919,069
					

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, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

· · · · · · · · · · · · · · · · · · ·		2011	2010
Cash Flows from Operating Activities			
Change in net assets	\$	44,181,830	\$ 15,631,580
Adjustments to reconcile change in net assets to net casl			
provided by (used in) operating activities		-	
Depreciation and amortization		360,282	335,037
Provision for uncollectible pledges		84,074	2,176,500
Net unrealized investment gains		(20,666,119)	(5,648,562)
Unrealized (gain) loss on derivative liability		(108,943)	30,962
Contributions revenue from split interest agreemen	//	(882,514)	
Contributions restricted for long-term investmen	b. .	(23,793,355)	(9,020,243)
Net investment income restricted for reinvestmen	١.	(4,498,213)	(4,278,989)
Changes in assets and liabilities	V		
(Increase) decrease in:			
Contributions receivable		13,052,910	(3,528,984)
Other assets		(231,125)	(176,041)
Due from FIU		815,814	(850,315)
Increase (decrease) in:			(000,010)
Accounts payable and other liabilities		635,718	135,603
Annuities payable		(11,880)	(12,301)
Due to FIU		78,642	501,984
Deferred revenue		201,164	199,712
Deterred revenue		201,104	177,712
Total Adjustments		(34,963,545)	(20,135,637)
Net Cash Provided by (Used in) Operating Activities		9,218,285	(4,504,057)
Cash Flows from Investing Activities			
Purchases of investments	(128,139,048)	(104,367,930)
Sales of investments		112,280,153	95,207,774
Purchases of fixed asset		(45,746)	
Net Cash Used in Investing Activities		(15,904,641)	(9,160,156)
Thet Cash Osed in Investing Activities		(13,704,041)	(3,100,130)
Cash Flows from Financing Activities			
Principal repayments on note payable		(475,000)	
Payments on split-interest obligation		(428,000)	
Refinance fees		(52,213)	·
Proceeds from contributions restricted for long-term investmer		23,793,355	9,020,243
Net investment income restricted for reinvestmen		4,498,213	4,278,989
Net Cash Provided by Financing Activities		27,336,355	13,299,232
Net Increase (Decrease) in Cash and Cash Equivalents		20,649,999	(364,981)
Cash and Cash Equivalents - Beginning	_	4,710,830	5,075,811
Cash and Cash Equivalents - Ending	\$	25,360,829	\$ 4,710,830
Supplemental Disclosure of Cash Flow Information	o	200 000	e 267 140
Cash paid for interest	<u>\$</u>	389,890	\$ 367,142

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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 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.

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") is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On March 29, 2011, the FEH became the owner of real property located at 1035 and 1049 Washington Avenue, Miami Beach, Florida (the "Property"), pursuant to an agreement with Mitchell Wolfson, Jr. and the Washington Storage Co. (WSC) to convey the Property to the FEH for the benefit of The Wolfsonian-FIU. As part of the agreement with the WSC, the FEH 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.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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

ORGANIZATION AND PURPOSE (CONTINUED)

The FEH has not elected under Section 301.8801-3(c) of the Income Tax Regulations to be classified as a separate corporation or entity from its single member (the Foundation) for federal tax purposes. FEH is treated, therefore, as a "disregarded entity" for federal tax purposes under the Income Tax Regulations and is simply a component or division 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, 2011, include the accounts of the Foundation, Wolfsonian, Inc. and Foundation Enterprise Holdings I, LLC based on the Foundation's controlling economic interest in the two 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).

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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

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, 2010 from which the summarized information was derived.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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

USE OF ESTIMATES (CONTINUED)

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.

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, which 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 and establishes a framework for measuring fair value, and requires financial statements preparers to disclose information about their fair value determinations in their financial statements. See Note 4 for discussion of fair value measurements.

CONTRIBUTIONS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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

CONTRIBUTIONS (CONTINUED)

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.

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 doubtful accounts 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.

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, FIU students and alumni population, faculty, staff, ticket holders, athletic teams and athletic departments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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

FIXED ASSETS

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.

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.

DERIVATIVE LIABILITY

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, some of which may be internally developed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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

SPLIT-INTEREST AGREEMENT

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 agreements 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 agreements.

INCOME TAXES

The Foundation and its subsidiaries are not-for-profit corporations, as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes. There were no income taxes resulting from unrelated business income during the year ended June 30, 2011.

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, 2011, 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 2008.

(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

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 in banks.

The Foundation places substantially all of its cash with high quality financial institutions which the Foundation believes limits this risk. At June 30, 2011, the Foundation did not exceed these limits. Cash and cash equivalents held with the Foundation's brokerage account at Merrill Lynch are insured by the Securities Investor Protector Corp. (SIPC). The balance of this account was \$409,385 as of June 30, 2011.

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, 2011, \$152,352,145 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.

SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through November 17, 2011, the date the consolidated financial statements were available to be issued, require adjustment to or disclosure in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 2 - GIFT AGREEMENT

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 was extended in July 2001 for ten years through July 2011 and the Foundation is in the process of extending it for another ten years 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).

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.

(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 3 - INVESTMENTS

	2011	2010
Domestic common stocks and equity funds	\$ 59,001,957	\$ 40,961,903
Fixed income securities and funds	28,853,367	27,140,281
Interest in private equity partnerships		•
and limited liability companies	37,019,161	23,671,390
International equity securities	27,195,207	23,755,152
	152,069,692	115,528,726
Plus accrued income	282,453	298,505
Total Investments	\$ 152,352,145	\$ 115,827,231
Allen.		

Total net realized and unrealized investment gains and investment income for the year ended June 30, 2011 totaled \$26,265,495 of which \$21,409,968 was applied to individual endowments. Investment revenues are reported net of related expenses for custodial fees, investment advisory fees and mutual fund expenses. Fees incurred during the fiscal year ended June 30, 2011 totaled \$1,219,723. Investment consulting fees are reported as an expense on the statement of revenues expenses and change in net assets. Investment consultant fees totaled \$49,013. The total net realized and unrealized investment gains and investment income for the year ended June 30, 2010 amounted to \$11,006,525 of which \$8,803,544 was applied to individual endowments.

NOTE 4 - FAIR VALUE MEASUREMENTS

ASC 820 requires that an entity establish a fair value hierarchy based on the nature of data inputs for fair value determinations, under which a financial statement preparer is required to value each asset and liability using assumptions that market participants would employ to value that asset or liability. When a financial statement preparer uses significant, non-market observable assumptions to value an asset or liability, ASC 820 requires the preparer to disclose additional information about the assumptions used and the effects of the measurements on earnings or changes in net assets for the period.

The methods and assumptions used to estimate fair value of cash and cash equivalents, accounts receivable, other assets, accounts payable and other liabilities, provides for a carrying amount that is a reasonable estimate of the fair value because of the short maturity of these instruments.

(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

To increase consistency and comparability in fair value measurements and related disclosures, the standards establish a three-level fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The levels in the fair value hierarchy are defined as follows:

Lovel 1

Investments with quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date are categorized as Level 1 investments. These include common and preferred stock (including domestic and foreign common stocks, ADR, right and warrants, and convertible preferred stock); options and futures; money market funds; mutual funds (including unit investment trusts, close end funds, proprietary funds and other exchange traded funds); US treasuries and US government agency obligations (such as US treasury bills, discount government agencies, strips, and zero coupon bonds). Euro and international fixed income bonds; marketable CDs and time deposits (including currency); and real estate investment trusts.

Level 2

Investments with inputs that are observable for the asset or liability, either directly or indirectly are categorized as Level 2 investments. Level 2 investments include domestic bonds, US government, agency and private placement bonds that are valued using the IDSI Institutional bond quotes. This is the Interactive Data Pricing Services primarily for debt issues, government and corporate bonds. The GNMA, FNMA, FHLMC pools are valued using the IDSI MBS Pricing methods, specific for mortgage backed pools. Government CMO's and REMICS use the IDSI COMO pricing method which is the Interactive Data Pricing Services- collateralized mortgage obligation evaluations. Evaluations for all of the level 2 investments are based on market driven observations and securities characteristics including ratings, coupons and redemptions.

Level 3

Investments with unobservable inputs for evaluating the asset or liability are categorized as Level 3 investments. ASC 820 states that unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity. Level 3 investments include alternative investments such as fund of fund and private equity investments. They are valued using quarterly valuation cycles, internal balance capitalization as well as current day net asset value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

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.

The following tables set forth by levels within the fair value hierarchy the Foundation's assets at fair value as of June 30, 2011:

Investments at Fair Value by Sector as of June 30, 2011

		Level 1	Level 2	Level 3	Total
Domestic Common Stocks and Equity Fund	ls 🔪 💳				
Information Technology	V 5	9,180,982	\$	\$	\$ 9,180,982
Consumer Disc & Staples		9,023,761			9,023,761
Financials	W.	8,791,513		 -	8,791,513
Industrials	,	6,796,211			6,796,211
Energy		6,275,566			6,275,566
Health Care		5,700,761			5,700,761
Real Estate		3,711,276			3,711,276
Commodities		3,296,951			3,296,951
Materials		2,713,800			2,713,800
Other		3,246,205	264,931		3,511,136
Fixed Income Securities and Funds					
Corporate Bonds		4,089,329	10,682,606		14,771,935
US Gov't/Agency		2,963,917	2,432,731		5,396,648
Foreign Bonds		4,209,051			4,209,051
MBS		1,271,953	1,701,259		2,973,212
Other	_	1,194,402	308,119		·1,502,521
Subtotal (Forward)	<u>\$</u>	72,465,678	\$15,389,646	<u>\$</u>	\$ 87,855,324

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Swap Agreement (see Note 10)

Split-Interest Obligations (see Note 11)

Investments at Fair Value by Sector as of June 30, 2011 Level 2 Level 1 Level 3 Total 87,855,324 Subtotal (Forward) 72,465,678 \$15,389,646 \$ **Interest in Private Equity Partnerships** and Limited Liability Companies Long/Short Equity 10,505,852 10,505,852 Private LP's 8,121,845 8,121,845 Private Equity 6,502,140 6,502,140 Distressed Securities 2,439,904 2,439,904 2,400,080 2,400,080 Credit Opportunities **Event Driven** 1,671,151 1,671,151 Global Macro/CTA 1,552,371 1,552,371 Other 3,825,818 3,825,818 **International Equity Securities** 5,766,945 5,766,945 Consumer Disc & Staples 5,220,901 5,220,901 Energy 4,147,062 4,147,062 Materials 3,554,262 3,554,262 Industrials 3,270,458 3,270,458 Financials 2,033,772 2,033,772 Health Care 1,474,916 Information Technology 1,474,916 1,726,891 Other 1,726,891 \$ 152,069,692 99,660,885 \$15,389,646 \$37,019,161 Total Investments at Fair Value

Domestic common stocks and equity funds, all of which are classified as Level 1 investments, hold approximately 78% of their investments in IT (information technology), consumer discretionary and staples, financials, industrials, energy, and health care, in that order. Level 1 fixed income securities hold approximately 83% of their assets in foreign bonds, corporate bonds, and US government agencies, while Level 2 fixed income securities hold approximately 71% of their assets in corporate bonds and another 27% in US government agencies and MBS (mortgage backed securities). International equity securities, all of which are also classified as Level 1 investments, hold approximately 81% of their investments in foreign consumer discretionary and staples, energy, materials, industrials, and financials, in that order. Finally, Level 3 investments, which include investments in private equity and limited liability companies, are allocated as follows: 28%

(536,947)

(789,486) \$

(536,947)

(789,486)

(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

in long/short equity; 22% in private LP's (this is driven by a new holding with an international equity manager that is a limited partnership); 18% in private equity; and 22% in distressed securities, credit opportunities, event drive strategies, and global macro/CTA. The table above shows a detailed breakdown of all Foundation investments broken down by sector as of June 30, 2011.

The FIU Foundation's investment balance as of June 30, 2011 reflected a 32% increase from the previous fiscal year, which was the result of net deposits into the investment portfolio of approximately \$19,000,000 and increased investment returns. There was a 25% increase in Level 1 investments; a 3% decrease in Level 2 investments; and a 56% increase in Level 3 investments. The increase in Level 1 investments was due to rebalancing of the portfolio throughout the year to invest new cash. This added \$4,000,000 to Level 1 domestic equities, \$3,000,000 to Level 1 international equities (less the transfer noted above), and \$1,000,000 to Level 1 fixed income investments, and approximately \$9,000,000 to the SPIA account which is classified as a cash equivalent (Level 1). Rebalancing also led to the withdrawal of \$2,000,000 from Level 2 fixed income investments and additional distributions (reductions) of \$51,195 related to gift annuity payments. The increase in Level 3 investments was the result of the liquidation of a Level 1 international equities investment in the amount of approximately \$6,600,000 for which proceeds were transferred to an international equities limited partnership fund with a Level 3 investment classification. An additional \$2,800,000 was added to Level 3 alternative investment of which \$950,000 represented capital calls made by private equity investment funds. All rebalancing actions taken were approved by the Foundation Board's Investment Committee and were consistent with the targets set forth by the Foundation's Asset Allocation Policy.

The table below sets forth the summary of changes in the fair value of the Foundation's Level 3 investments for the fiscal year ended June 30, 2011.

Level 3 Investments Fiscal Year ended June 30, 2011 Limited Partnerships

Balance - Beginning of Year	\$23,671,390
Realized losses	(583,931)
Unrealized gains	3,661,811
Purchases, sales, issuances and settlements, net	10,269,891
Balance - End of Year	\$37,019,161
Dalance - Land of 1 car	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

For the year ended June 30, 2011, realized losses and unrealized gains of \$583,932 \$3,661,811, respectively, are included in net investment income and net unrealized investment gains, respectively, in the consolidated statement of activities.

NOTE 5 - 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.

	June	e 30,·
	2011	2010
Receivable in less than one year	\$ 10,641,752	\$ 24,654,559
Receivable in one to five years	34,431,475	33,333,296
Receivable in more than five years	1,262,500	4,035,000
	46,335,727	62,022,855
Less allowance for doubtful accounts	(509,693)	(2,912,103)
Less discount to present value at 1.76%		
1.79%, respectively	(3,506,702)	(3,654,436)
		·
Promises to Give, Net	\$ 42,319,332	\$ 55,456,316

STATE MATCH RECEIVABLE

In accordance with Florida Statute Chapter 1011.94, Trust Fund for Major Gifts, endowment contributions of \$100,000 or more, made after July 1, 1985 through June 29, 2011, with income to be used to "support libraries and instruction and research programs", are eligible for state match for gifts. Effective July 1, 2011, the state matching funds are temporarily suspended by the Legislature for donations received for this program on or after June 30, 2011. Existing eligible donations remain eligible for future matching funds. The program may be restarted after \$200 million of the backlog for programs have been matched. The state has approved FIU Foundation's state matching requests that have not yet been received totaling \$29,389,550. The State of Florida did not appropriate funds to pay for this program during fiscal year 2011-12; therefore the receivable has been recorded in the accompanying consolidated financial statements discounted back over four years through 2017 since the exact year of receipt is not known. This receivable is included in the table above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 6 - FIXED ASSETS

	June	30,
	2011	2010
MARC Building	\$ 13,325,539	\$ 13,080,435
Foundation Enterprise Holdings I, LLC building	2,100,000	
Construction in progress		245,104
Land	2,500	2,500
Time share	3,200	3,200
Furniture and equipment	45,746	
	15,476,985	13,331,239
Less: accumulated depreciation	(2,905,730)	(2,557,547)
Fixed Assets, Net	\$ 12,571,255	\$ 10,773,692

Depreciation expense was \$348,183 and \$327,011 for the years ended June 30, 2011 and 2010, respectively.

NOTE 7 - BOND ISSUANCE COSTS

As of June 30, 2011, 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 9. The issuance costs will be amortized over the term of the bonds which mature in 2022. The estimated annual amortization expense is approximately \$12,300.

	2011		2010
Bond issuance costs Less accumulated amortization	\$ 230,985 (95,925)	\$	178,772 (83,826)
Bond Issuance Costs, Net	\$ 135,060	<u>\$</u>	94,946

Amortization expense was \$12,099 and \$8,026 for the years ended June 30, 2011 and 2010, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 8 - ANNUITIES PAYABLE

The Foundation has received, as of June 30, 2011, \$700,000 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 \$257,925.

NOTE 9 - NOTE PAYABLE

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

The Bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see Note 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 10). 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, 2011, the outstanding principal balance due under this note payable amounted to \$8,785,000. For the year ended June 30, 2011, total interest incurred and paid was \$389,890.

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.

(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 9 - NOTE PAYABLE (CONTINUED)

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.

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.

The aggregate maturities of the note payable as of June 30, 2011 are as follows:

For the Year Ending	
June 30	Amount
2012	\$ 605,000
2013	640,000
2014	670,000
2015	705,000
2016	745,000
Thereafter	5,420,000
Total	\$ 8,785,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 10 - DERIVATIVE FINANCIAL INSTRUMENTS

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 9. 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 derivative liability at June 30, 2011 was \$536,947.

NOTE 11 – SPLIT INTEREST AGREEMENT

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 for the benefit of The Wolfsonian-FIU. As part of the agreement with the WSC, the FEH 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 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, the Foundation or FEH 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 11 - SPLIT INTEREST AGREEMENT (CONTINUED)

The 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 fixed assets in the accompanying consolidated statement of financial position and corresponding hability to the donor, included in split-interest obligation are as follows:

	Fixed Asset	Liability to Donor	Net
Life Annuity	\$ 2100 000	\$ 789,486	\$ 1,310,514

NOTE 12 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$34,874,337 at June 30, 2011 were available for scholarships and other program specific expenses. Permanently restricted net assets of \$163,519,709 at June 30, 2011 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, 2011 was 4.0%. The spendable earnings are recorded as either temporarily restricted or unrestricted assets, as stipulated by the donor.

NOTE 13 - 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 13 - CONTRIBUTIONS TO UNIVERSITY BUILDING PROGRAM (CONTINUED)

During the year ended June 30, 2011, the Foundation transferred \$56,818 to support numerous construction projects, as follows:

Wolfsonian Building Expansion	\$ 6,818
Alumni Center Building	 50,000
Total Contributions to University Building Program	\$ 56,818

NOTE 14 - COMMITMENTS AND CONTINGENCIES

LOAN GUARANTEES

The Foundation guarantees amounts on construction projects on FIU's Maidique Campus, specifically the Pi Kappa Alpha Kappa Gamma Greek Housing facility. 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 is \$1,085,147.

NOTE 15 - 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 9. 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 9. Total amounts paid to the Foundation under this agreement were \$1,270,027 and \$1,178,248 for the years ended June 30, 2011 and 2010, respectively.

On December 1, 1999, the Foundation also entered into an operating lease with the Board of Regents on behalf of the University to lease the 75,000 square foot multi-function support complex to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 9, will be secured by the pledged lease payments from the University. The University has agreed to pay the Foundation, as lessor, rent in the amount equal to all amounts due and payable by the Foundation under the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 15 - RELATED PARTY TRANSACTIONS (CONTINUED)

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 \$13,080,435 and the net book value is approximately \$10,438,422 at June 30, 2011. Minimum future rentals as of June 30, 2011 are approximately as follows:

For the Year Ending		
June 30		Amount
2012	\$	1,260,000
2013		1,260,000
2014		1,260,000
2015		1,260,000
2016		1,260,000
Thereafter //		6,300,000
Total Minimum Payments Required	<u>\$</u>	12,600,000

NOTE 16 - 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 16 - ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in temporary restricted net assets were \$(81,615) representative of three endowments as of June 30, 2011. These deficiencies resulted from unfavorable market fluctuations that occurred due to an unforeseen nationwide economic crisis.

As of June 30, 2011, endowment net assets consisted of the following:

		Temporarily	Permanently	•
	Unrestricted	Restricted	Restricted	Total
Donor restricted endowment funds	\$ 4,781,217	\$ 15,145,228	\$ 163,519,709	\$ 183,446,154
Board designated quasi-endowment funds				
	\\//·	***************************************		
Total Restricted Endowment Funds	\$ 4,781,217	\$ 15,145,228	\$ 163,519,709	\$ 183,446,154
	/			
Endowment Net Assets - July 1, 2010	\$ 4,939,774	\$ (2,737,173)	\$ 150,907,682	\$ 153,110,283
Endowment Investment Return				
Interest, dividends and realized gains	·	4,502,911	, 	4,502,911
Unrealized gains		16,577,632		16,577,632
Total Endowment Investment Return		21,080,543	• •	21,080,543
Contributions	309,345	478,755	12,853,318	13,641,418
Release of restrictions and transfers	1,287,675	(933,712)	(241,291)	112,672
Endowment expenses	(4,498,762)			(4,498,762)
Appropriation for administrative fee 3%	2,743,185	(2,743,185)		·
Endowment Net Assets - June 30, 2011	\$ 4,781,217	\$ 15,145,228	\$ 163,519,709	\$ 183,446,154
,				

(A Direct Support Organization)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

NOTE 16 - ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy states that the Finance and Audit Committee will recommend, subject to approval by the Board of Directors, the annual spending distribution to be made to endowed accounts. The spending distribution is determined as a percentage of the endowment's average yearly market value (gift corpus plus undistributed investment earnings since inceptions) and is distributed at the close of the Foundation's fiscal year. 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. At the end of fiscal year June 30, 2011, the endowment funds \$4,824,352 to provide support in future years.

SUPPLEMENTARY INFORMATION

EMINENT SCHOLARS CHAIR PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE I

•			•			
	Beginning		Interest and			Ending
	Balance		Investment			Balance
	July 1, 2010 C	Contributions	Gains	Expenditures	Transfers	June 30, 2011
1117030	********			-		
Davidson Chair in Humanities						
Permanently Restricted	\$ 1,000,000 \$	·	\$	\$	\$	\$ 1,000,000
Unrestricted/Temporarily Restricted	327,099		233,110	94,387		465,822
1139070						*** ***
G Barley E-Chair Everglade Res						
Permanently Restricted	1,080,000					1,080,000
Unrestricted/Temporarily Restricted	188,936		204,102	93,975		299,063
1200220						
James L Knight MIS Chair E	•			•	•	
Permanently Restricted	1,031,794		/// -			1,031,794
Unrestricted/Temporarily Restricted	334,761		223,971	93,284		465,448
1200630			*			
JLK - Ctr for Leadership E						
Permanently Restricted	4,088,685	<i>(()</i> 1	<i>M</i>			4,088,685
Unrestricted/Temporarily Restricted	144,171		780,902	86,228		838,845
1270040						
Knight Ridder Global-Mrk Chr E		*				
Permanently Restricted	1,020,000		\ \\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	·		1,020,000
Unrestricted/Temporarily Restricted	(62,897)		189,747	35,149		91,701
1270050	ellillin.		**			
Knight Ridder Int'l Mgt E Chr						
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	(43.821)	·	189,747	63,526		82,400
1270060			•			
Byron Harless Mgmt E Chr				•		
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	(73,253)		189,747	34,095		82,399
1270070						
J K Batten Strategic Dev E Chr						
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	(77,546)		189,747	29,552		82,649
1270080						
Alvah Chapman Eminent Scholar						
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	(87,536)		189,747	33,580		68,631
1280060						
Ryder MIS Chair E						
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	78,476		184,429	33,139		229,766
1280070	•					
Ryder Business Leader E Chair						·
Permanently Restricted	1,020,000		'			1,020,000
Unrestricted/Temporarily Restricted	(81,408)		188,113	33,801		72,904
Table and the same of the same			•			

EMINENT SCHOLARS CHAIR PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE I (CONTINUED)

	Beginning		Interest and			Ending
	Balance		Investment			Balance
	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011
1280080						
Ryder Dec Sciences E Chair						
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	(37,927)		188,113	33,801		116,385
1280090					•	
Ryder Global Log Mgmt E Chair						
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	(67,096)		188,113	48,481		72,536
1500300						
H R Chaplin Bev Mgmt Chair End						
Permanently Restricted	1,020,000		_ ~ ~			1,020,000
Unrestricted/Temporarily Restricted	81,641	//	191,919	37,739		235,821
1600170						
WH Coulter BME Eminent Chair E				*		
Permanently Restricted	2,000,000	X	///			2,000,000
Unrestricted/Temporarily Restricted	21,643		385,884	108		407,419
1700090	•					
Paul L Cejas End Scholars Chair						
Permanently Restricted	1,020,000	X //				1,020,000
Unrestricted/Temporarily Restricted	(126.084)	- V ///	177,321	3,031		48,206
2400050						
MCH Pediatrics Chair Endowment						·
Permanently Restricted	1,500,001	500,000				2,000,001
Unrestricted/Temporarily Restricted	(52,478)		348,569	62,633		233,458
2400060						
Leon Med Ctr Geriatrics Chair						
Permanently Restricted	4,006,675	(2,006,425)				2,000,250
Unrestricted/Temporarily Restricted	(122,097)		347,004			224,907
4100190		•				'
We Will Rebuild Chair						
Permanently Restricted	1,050,000	,				1,050,000
Unrestricted/Temporarily Restricted	299,400		216,591	45,798		470,193
	\$ 27,621,139	\$ (1,506,425)	\$ 4,806,876	\$ 862,307	\$	\$ 30,059,283
,						

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II

	E	eginning Balance y 1, 2010	Contributions	Interest an Investmen Gains	ıt	enditures	Transfers	Ba	nding llance 30, 2011
1000030									
Madeline Kitts Scholarship End Permanently Restricted Unrestricted/Temporarily Restricted	\$	457,093 126,637	\$ 	\$ 97,63	\$ 32	 17,543	\$	\$	457,093 206,726
1000060 Frost Professorship End		150,000							150,000
Permanently Restricted Unrestricted/Temporarily Restricted 1000140		150,000 92,490		35,32	23	45,537			82,276
Perlman Family Faculty Grant E Permanently Restricted		153,176	 ,		·-				153,176
Unrestricted/Temporarily Restricted 1000420 Perry Graduate Scholarship End		(10,144)		27,53	31	4,947			12,440
Permanently Restricted		254,552	<i>M</i>			.			254,552
Unrestricted/Temporarily Restricted 1000460		(17,639)		47,48	32	8,532			21,311
Aventura Marktng Council Sch E Permanently Restricted		207,517		27.5	_ <u>-</u> -	12.740			207,517 9,872
Unrestricted/Temporarily Restricted 1000510 Garcia-Zamor Haitian-Am Sch E	,	(14,898)		37,5		12,740			9,072
Permanently Restricted Unrestricted/Temporarily Restricted		300,000 (10,70 9)	<u>.</u>	53,48	 38	 16,551			300,000 26,228
1000540 Council 100 Faculty Award End		116,250	15,014						131,264
Permanently Restricted Unrestricted/Temporarily Restricted 1000570		4,265	19,014	22,73	35	19,085			26,929
Bank of America Scholarship E		175,000							175,000
Unrestricted/Temporarily Restricted 1000590 Adolfo Henriques Scholarship E	,	(5,649)		33,43	33	8,007			19,777
Permanently Restricted Unrestricted/Temporarily Restricted		100,000 (5,173)	 	18,42	 20	 5,810	 		100,000 7,437
1000610 Lucille E Snaith Memorial Sch E									152,500
Permanently Restricted Unrestricted/Temporarily Restricted 1000650		152,500 (14,967)		27,3	37	5,686			6,684
Manuel-Mercedes Mosteiro Sch E Permanently Restricted		255,352	` 						255,352
Unrestricted/Temporarily Restricted 1000710		(29,532)		44,6	14	2,675			12,407
Sedano's Fam 1st Gen Schol End Permanently Restricted		150,000							150,000
Unrestricted/Temporarily Restricted		(20,412)		25,9	72				5,560

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

		•				
	Beginning		Interest and			Ending
·	Balance		Investment			Balance
	July 1, 2010	Contributions	Gains_	Expenditures	Transfers	June 30, 2011
1000730						
A Alejandre Memorial Sch E	404.44					141.462
Permanently Restricted	101,463	40,000		,		141,463
Unrestricted/Temporarily Restricted	37,996		24,009	38,714		23,291
1000810						
Dr. Jose A. Marques Endowment	112 555	700				116 275
Permanently Restricted	115,775	500	22 20	4 107		116,275 29,773
Unrestricted/Temporarily Restricted	10,656		23,304	4,187		29,113
1100090 J Evans Parker Envr-Biol Sch E						
	104,915					104,915
Permanently Restricted	(6,901)	<i></i>	19,635	3,528		9,206
Unrestricted/Temporarily Restricted 1111110	(0,901)	7	19,033	3,326		7,200
Barnes - Noble Creative Wr End			All I			
Permanently Restricted	450,000		<i>M</i>			450,000
Unrestricted/Temporarily Restricted	(16,489)		80,690	25,417		38,784
1119030	(10,402)		00,050	23,417		30,701
Religious Studies Dept Endow	3					
Permanently Restricted	161,220	11,245				172,465
Unrestricted/Temporarily Restricted	6,414	13,480	33,840	7,025		46,709
1119050		,0,,00	00,010	,,,		
Helen J Dunnick E Natv Ame Prg		NA.				
Permanently Restricted	224,521	· · · · · · · · · · · · · · · · · · ·				224,521
Unrestricted/Temporarily Restricted	(23,866)		40,189	6,561		9,762
1119070			*			
Sephardic-Orien Jewish Study						
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	(91,687)		181,858	46,599		43,572
1119100						
Bhagwan Mahavir Prof Jain St E						•
Permanently Restricted	205,001	526,250			,	731,251
Unrestricted/Temporarily Restricted	2,239	12,500	63,531	23,865		54,405
1131050						
Glaser Biology Professorship E						170.000
Permanently Restricted	150,000		·			150,000
Unrestricted/Temporarily Restricted	39,387		34,967	11,962		62,392
1131100						
Kelly Tropical Botany Schol E				,		150,000
Permanently Restricted	150,000					150,000
Unrestricted/Temporarily Restricted	(7,408)		28,019	6,535		14,076
1139040						
SE Environmental Research En	60 2 000					602,000
Permanently Restricted	602,000		00.707	 		(44,731)
Unrestricted/Temporarily Restricted	(131,709)		92,727	5,749		(44,731)
1139080			•			
Miccosukee Everglades-SERC End	1 600 000	•				1,620,000
Permanently Restricted	1,620,000 101,716	_	293,479	52,734		342,461
Unrestricted/Temporarily Restricted	101,710		473,477	34,134		J 120, 101

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

	Beginning Balance July 1, 2010	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2011
1139100						
Environmental Preserve Endow						
Permanently Restricted	100,000					100,000
Unrestricted/Temporarily Restricted	(10,245)		17,350	3,040	•	4,065
1139110						
JM Hibbard Memorial Lectures E	4.50.000					150 000
Permanently Restricted	150,000	, •	26 1	269		150,000 6,258
Unrestricted/Temporarily Restricted	(19,497)		26,123	368		0,236
1200040						
BMI Marketing Professorship E	134,600	•			·	134,600
Permanently Restricted Unrestricted/Temporarily Restricted	37,858		32,570	9,945		60,483
1200070	37,030	70	32,510	3,513		00,
Macy's Retailing Prof End				•		
Permanently Restricted	225,000	-	<i>M</i>			225,000
Unrestricted/Temporarily Restricted	(5,188)		40,116	6,114		28,814
1200100	(-,,					
Deloitte - Touche Acct Schol E	•					
Permanently Restricted	137,556	N 7/-)			137,556
Unrestricted/Temporarily Restricted	(1.784)		25,642	9,608		14,250
1200110						
Drexel Burham Lambert Schol E		· · · · · · · ·				
Permanently Restricted	143.020	· · · · · · · · · · · · · · · · · · ·				143,020
Unrestricted/Temporarily Restricted	43,300		33,693	6,054		70,939
1200140						
FIBA Professorship E						150,000
Permanently Restricted	150,000		27.010	5.015		19,650
Unrestricted/Temporarily Restricted	(3,245)		27,910	5,015		19,030
1200150						
Wachovia Bus Ethics Schol E	300,000					300,000
Permanently Restricted Unrestricted/Temporarily Restricted	24,648		55,818	25,030		55,436
1200180	24,040		05,010	20,000		•
Herbert Wertheim Lect Prof E						
Permanently Restricted	150,000	· .		·		150,000
Unrestricted/Temporarily Restricted	18,778	· 	30,674	8,564		40,888
1200190	,		ŕ			
Ingersoll-Rand IB Prof E						
Permanently Restricted	150,002					150,002
Unrestricted/Temporarily Restricted	(15,475)	·	26,962	4,845		6,642
1200250						
Bank America Bus Ethics Schl E						200.000
Permanently Restricted	300,000	·				300,000
Unrestricted/Temporarily Restricted	20,000		56,352	25,126		51,226
1200260						
Regions Bank Bus EthicsSch E						487,500
Permanently Restricted	487,500		90.052	26 162		487,300 91,744
Unrestricted/Temporarily Restricted	27,955		89,952	26,163		71,74

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

	5 . 1 : 1					
	Beginning		Interest and			Ending
	Balance		Investment			Balance
1200200	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011
1200280						
SunTrust Bank Professorship E	225 000					225 000
Permanently Restricted	225,000		41.011	7.260		225,000
Unrestricted/Temporarily Restricted	(20,377)		41,011	7,369		13,265
1200290						
AXA Bus Ethics Scholarship E	210 275					210 275
Permanently Restricted Unrestricted/Temporarily Restricted	210,275		20 5	16,920		210,275 37,953
1200330 *	16,360		38,513	10,920		31,733
D R Parker Business Schol End						
Permanently Restricted	100,000	•				100,000
Unrestricted/Temporarily Restricted	(6,277)	<i>//</i>	18,784	3,375		9,132
1200500	(0,277)	7//	10,704	3,373		9,132
R Kirk Landon General Endowmt			Alla,			
Permanently Restricted	500,000					500,000
Unrestricted/Temporarily Restricted	(72,805)		85,619			12,814
1200530	(72,803)		65,019			12,017
Student Managed Investment End	*					
Permanently Restricted	200,000					200,000
Unrestricted/Temporarily Restricted	(15,418)		36,994	6,647		14,929
1200560	A. (10)		30,77-1	0,017		11,520
Global Entrepreneurship Ctr E		N.				
Permanently Restricted	2,515,000	158,351				2,673,351
Unrestricted/Temporarily Restricted	(238,078)	66,785	451,426	95,553		184,580
1250040		00,700	,	,		,
Barry-Roger Hersker Marke Sch						
Permanently Restricted	249,278					249,278
Unrestricted/Temporarily Restricted	(34,079)		43,130			9,051
1260020			•			
Jerome Bain Scholar End					,	
Permanently Restricted	150,000					150,000
Unrestricted/Temporarily Restricted	81,491		31,872	29,727		83,636
1260030						
Jerome Bain Real Estate Inst E						
Permanently Restricted	1,020,000					1,020,000
Unrestricted/Temporarily Restricted	(40,139)		188,487	38,193		110,155
1270030						
Knight Ridder Center Endowment						
Permanently Restricted	548,707					548,707
Unrestricted/Temporarily Restricted	(66,017)		96,741	7,547		23,177
1280040						
Ryder Supply Chain SystemsCtrE						150.000
Permanently Restricted	150,000					150,000
Unrestricted/Temporarily Restricted	156,225		32,415	8,377		180,263
1280050			,			
Ryder Professorship E						150 000
Permanently Restricted	150,000		22.452	 		150,000
Unrestricted/Temporarily Restricted	44,844		32,450	7,484		69,810

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

'						
	Beginning Balance July 1, 2010	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2011
1300030	July 1, 2010	Controllorio	Gumb	2		
Henry Milander Publ Svc Schl E						
Permanently Restricted	524,400			•		524,400
Unrestricted/Temporarily Restricted	260,475		106,625	101,659		265,441
1400040						
Frost Professorship						•
Permanently Restricted	150,000	·	<u>~</u>			150,000
Unrestricted/Temporarily Restricted	39,272		33,826	9,678		63,420
1400140						
BellSouth Scholarship Endow.						150,000
Permanently Restricted	150,000		20.661	 5 1 5 0		150,000 20,523
Unrestricted/Temporarily Restricted	(2,988)	7//	28,661	5,150		20,323
1400150			A			. •
Pat Tornillo Scholarship Endow	162 220			163,239		
Permanently Restricted	163,239	\	<i></i>	33,052	41,472	
Unrestricted/Temporarily Restricted 1400180	(8,420)			33,032	71,7/2	
Mark Blum Mem. Scholar Endow						
Permanently Restricted	228,636		- V			228,636
Unrestricted/Temporarily Restricted	(21,108)	- N. // "	40,074	1,785		17,181
1400200				,		
Robert R Bellamy Schol Endow						
Permanently Restricted	682,500	- V				682,500
Unrestricted/Temporarily Restricted	1,464	••••/ 	123,233	22,143		102,554
1400250						
Lennar Corp Scholarship End						100.000
Permanently Restricted	100,000					100,000
Unrestricted/Temporarily Restricted	(12,249)		17,399	43		5,107
1500020						
Hospitality Scholarships E						100,000
Permanently Restricted	100,000	40.560	10.400	 		7,874
Unrestricted/Temporarily Restricted	(1,671)	48,569	18,482	57,506		7,074
1500030						•
Hospitality Minority Schol E	441,496					441,496
Permanently Restricted	(48,122)		78,476	11,548		18,806
Unrestricted/Temporarily Restricted	(40,122)		70,170	11,010		,
1500040 NAC Professorship Endowment						
Permanently Restricted	155,000					155,000
Unrestricted/Temporarily Restricted	103,150		36,198	15,969		123,379
1500100	,		-			
Coca Cola Professorship E	•					
Permanently Restricted	150,000					150,000
Unrestricted/Temporarily Restricted	35,983		32,421	5,826		62,578
1500140	•					
Ruby Tuesday Travel-Schol E						
Permanently Restricted	150,000	· ,				150,000
Unrestricted/Temporarily Restricted	29,404	. · · · · · · · · · · · · · · · · · · ·	32,373	10,817		50,960

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

	Beginning		Interest and			Ending
•	Balance		Investment			Balance
	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011_
1500160						
Ernest R Graham ProfessorshipE						
Permanently Restricted	150,000			·		150,000
Unrestricted/Temporarily Restricted	56,836		35,922	15,332		77,426
1500180						
Metromedia Restau MinoritySchE						
Permanently Restricted	170,000					170,000
Unrestricted/Temporarily Restricted	4,765		33,435	13,533		24,667
1500190						
Beverage Mgmt Studies Endow				1		
Permanently Restricted	454,819	·)	^V \			454,819
Unrestricted/Temporarily Restricted	1,274	//	82,344 [°]	15,059		68,559
1500210 ·						
FIU Hospitality Review E						105 500
Permanently Restricted	187,500	\ **	<i></i>			187,500
Unrestricted/Temporarily Restricted	(697)		37,579	6,752		30,130
1500220						·."
Hospitality Mgt Programs Endow						. 212 152
Permanently Restricted	213,152		20.620	55 (11		213,152
Unrestricted/Temporarily Restricted	49,305		39,629	55,644		33,290
1500230			•			
John W Kluge Minority Schol E	710,000			•		710,000
Permanently Restricted			133,727	39,529		107,071
Unrestricted/Temporarily Restricted	12,873		155,727	39,329		107,071
1500240						
Hospitality Computer Equipmt Permanently Restricted	175,637					175,637
Unrestricted/Temporarily Restricted	17,751	-	32,801	5,894		44,658
1500260	17,751		52,001	0,000		
A G Marshall AmerDream Schol E						
Permanently Restricted	108,670	2,700				111,370
Unrestricted/Temporarily Restricted	(11,339)		19,405	2,656		5,410
1500290	(11,557)		,	_,	,	
Michael E Hurst Lecture-Sch E						
Permanently Restricted	160,519	4,975				165,494
Unrestricted/Temporarily Restricted	20,843	3,126	30,313	13,447	·	40,835
1500370	,					
Marriott Scholarship Endowment						
Permanently Restricted	300,000					300,000
Unrestricted/Temporarily Restricted	(39,893)		51,950			12,057
1500410						
Ocean Waters HM Scholarship E	•		·			
Permanently Restricted	150,000					150,000
Unrestricted/Temporarily Restricted	(20,831)	·	25,738			4,907
1500450						
Marriott Tianjin China Prog E						1 500 001
Permanently Restricted	1,500,001					1,500,001
Unrestricted/Temporarily Restricted	86,483		300,631	70,519		316,595

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

•			•			
	Beginning Balance		Interest and Investment		m	Ending Balance
1500520	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011
Carnival Scholarship Endowment	. 150,000	150,000				300,000
Permanently Restricted	150,000	150,000	47.010	10.166		300,000
Unrestricted/Temporarily Restricted 1600020	2,203	100,000	47,210	10,166		139,247
Engineering Scholarships Permanently Restricted	150 000					150,000
Unrestricted/Temporarily Restricted	150,000	15 201	20 1	12 562		150,000
1600030	(1,732)	15,201	28,176	13,563	,	28,082
Professorship in Engineering						
	100 000					100.000
Permanently Restricted	100,000		A 20.470	2.000		100,000
Unrestricted/Temporarily Restricted	63,271	7//	20,479`	3,680		80,070
1600140			Alla.			
Norman Weldon Biomed Fellows E	150,000					150 000
Permanently Restricted	150,000	***	27.044	 5 001		150,000
Unrestricted/Temporarily Restricted	(10,559)		27,944	5,021		12,364
1600180	•					
WHC Bioinst-Biomeas Prof E	1 000 000					1 000 000
Permanently Restricted	1,000,000	- N. // ***	101.161			1,000,000
Unrestricted/Temporarily Restricted	1,488	~//	191,161			192,649
1600190						
WH Coulter BME Excellence E	2 000000					2 000 000
Permanently Restricted	2,000,000		270.106			2,000,000
Unrestricted/Temporarily Restricted	(13,867)		379,106			365,239
1600210						ş m
WHC Cardiovascular Eng Ctr E	500,000					500,000
Permanently Restricted			04 776	6,110		85,199
Unrestricted/Temporarily Restricted	(3,467)		94,776	0,110		63,199
1600220						
Lucent Tech CALA Dist. Profess	450,000					450,000
Permanently Restricted			80,232	13,921		102,768
Unrestricted/Temporarily Restricted	36,457		80,232	13,921		102,700
1600240						
WHC BME Res Initiation Prog E	1 000 000					1,000,000
Permanently Restricted	1,000,000	10.000	189,553	2777		189,842
Unrestricted/Temporarily Restricted	(6,934)	10,000	189,333	2,777		109,042
1600250						
WH Coulter Grad Fellows in BME	1 000 000					1,000,000
Permanently Restricted	1,000,000		189,553	15,031		167,588
Unrestricted/Temporarily Restricted	(6,934)		109,333	15,051		107,500
1600260		÷ 1				
WH Coulter BME Excell Schol E	500,000					500,000
Permanently Restricted	500,000		04776	0.750		
Unrestricted/Temporarily Restricted	(3,467)		94,776	8,750		82,559
1600270					*	
Coulter Young Inventor Award E						1 500 000
Permanently Restricted	1,500,000		202 545			1,500,000
Unrestricted/Temporarily Restricted	32,743		292,565			325,308

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

	Beginning		Interest and			Ending
	Balance	Contributions	Investment	Eumandituras	Transfors	Balance June 30, 2011
1600280	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011
WH Coulter BME LectureSeries E						
Permanently Restricted	500,000					500,000
Unrestricted/Temporarily Restricted	(5,684)		94,776	4,152		84,940
1600330	,					
Ware Professorship Endowment						
Permanently Restricted	150,000					150,000
Unrestricted/Temporarily Restricted	16,771		27,541	4,949		39,363
1600450						
Ware Foundation Research End						
Permanently Restricted	700,000		~~ ~			700,000
Unrestricted/Temporarily Restricted	(86,874)	 //	122,883	6,569	·	29,440
1600480						
Kelly Fnd CM-CivilEng Schol E						100.000
Permanently Restricted	100,000					100,000
Unrestricted/Temporarily Restricted	(13,972)		17,234			3,262
1700060	1					
Festival of Trees Schol Endow	141 504	6.883				148,467
Permanently Restricted	141,584 (13,524)	1,500	25,302	6,514		6,764
Unrestricted/Temporarily Restricted 1700080	(10,024)	1,300	23,302	0,514		0,701
Paul L Cejas Architecture End						
Permanently Restricted	730,009	.				730,009
Unrestricted/Temporarily Restricted	(54,213)		126,791	15,476		57,102
1740040	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,			ŕ
Evelyn Spiltany Music Gen End		÷				
Permanently Restricted	153,181					153,181
Unrestricted/Temporarily Restricted	3,730		30,701	6,266		28,165
1740060						
Wertheim Performing Arts Sch E						
Permanently Restricted	1,020,000				·	1,020,000
Unrestricted/Temporarily Restricted	(10,423)		198,753	52,686		135,644
1800150						
Dresnick Nursing Scholars End						152 207
Permanently Restricted	152,297			 5 350		152,297 17,750
Unrestricted/Temporarily Restricted	(6,260)		29,269	5,259		17,750
1800170						*.
A Friedman Health - Nurs Sch E	150,000					150,000
Permanently Restricted	(12,968)		27,464	4,935		9,561
Unrestricted/Temporarily Restricted 1810040	(12,900)		27,401	1,,,,,,		- ,
School of Nursing Program End						
Permanently Restricted	1,589,652					1,589,652
Unrestricted/Temporarily Restricted	(111,237)		296,296	53,266		131,793
1810050	(****,*****)				•	,
Betty Florman Nursing Schol E		•				
Permanently Restricted	150,000		·			150,000
Unrestricted/Temporarily Restricted	(12,322)		27,593	4,958		10,313
• •						

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

	Beginning Balance	Contributions	Interest and Investment	Ermandituraa	Tuonafara	Ending Balance
1810110	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011
BC-BS Nursing Schol End						
Permanently Restricted	150,000					150,000
Unrestricted/Temporarily Restricted	(15,073)		27,042	4,859		7,110
1810130	(13,073)	·	27,042	4,039		7,110
NDadeMed Nursing Lab Equip End						
Permanently Restricted	437,500					437,500
Unrestricted/Temporarily Restricted	(26,916)		96 ,298	8,612		60,767
1810140	(20,710)		90,22,0	0,012		00,707
NDadeMed Nursing Scholars End						
Permanently Restricted	1,750,000					1,750,000
Unrestricted/Temporarily Restricted	(285,434)	<i>M</i>	385,181	54,449		45,298
1900050	(200,107)		, 202,202			,
Janet Chusmir				***		
Permanently Restricted	313,210		<i>M</i>			313,210
Unrestricted/Temporarily Restricted	140,958	<u></u>	70,102	25,096		185,964
1900060		//// X				
W.R. Hearst Visiting Professio						
Permanently Restricted	300,000	1				300,000
Unrestricted/Temporarily Restricted	55,565	\\\/\/\`	60,126	14,180		101,511
2000050						\$44 * _
Judge Thomas C Britton Sch E						
Permanently Restricted	265,000	V				265,000
Unrestricted/Temporarily Restricted	(15,166)	·	47,509	8,171		24,172
2000070						
Cuban American Bar Schol E						
Permanently Restricted	111,900	'				111,900
Unrestricted/Temporarily Restricted	(12,879)	1,455	19,378			7,954
2000120		•				
Law Professorship Endowment						
Permanently Restricted	1,275,000	•			•	1,275,000
Unrestricted/Temporarily Restricted	(165,826)		220,773			54,947
2000160						
CAMP 4 Justice Human Rights E				•		400.000
Permanently Restricted	200,000	200,000				400,000
Unrestricted/Temporarily Restricted	27,858		54,586	9,808		72,636
2100030						
Computer Science Prof. I						152.260
Permanently Restricted	153,360		25.542			153,360
Unrestricted/Temporarily Restricted	119,697	,	35,743	6,422		149,018
2100040						
Computer Science Prof. II	152 260					152 260
Permanently Restricted	153,360		25 742	 		153,360
Unrestricted/Temporarily Restricted	122,179		35,743	6,422		151,500
2100050						
Computer Sciences - Fellowship	152 410				_	153,410
Permanently Restricted	153,410		35,750	6,424		109,258
Unrestricted/Temporarily Restricted	79,932		33,730	0,424		109,230

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

•	Beginning		Interest and			Ending
	Balance		Investment			Balance
	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011
2100060					1	
Computer Sciences - Fellowship						152 260
Permanently Restricted	153,360					153,360
Unrestricted/Temporarily Restricted	109,406		35,743	6,422		138,727
2100070	**				•	uni N
Ryder Prof. Computer Science	150.000		*			150 000
Permanently Restricted	150,000		24 1			150,000
Unrestricted/Temporarily Restricted	191,946		34,158	6,138		219,966
2200030						
General Library Purchase Endow	640,403	500				640,993
Permanently Restricted	640,493	500	110.72	21.515		237,939
Unrestricted/Temporarily Restricted	139,718	<i>//</i> /	119,736	21,515		237,939
2200040				**		
Green Library VA Res Materls E	001.000					801,000
Permanently Restricted	801,000		147.242	22 724		
Unrestricted/Temporarily Restricted	(42,459)	-**	147,342	33,724		71,159
2300030	•					
Honors College General Endowmt	110 201	7,700				127,019
Permanently Restricted	119,281	7.738 16.096	22.276	17,624	(6,412)	48,596
Unrestricted/Temporarily Restricted	33,260	10,090	23,276	17,024	(0,412)	40,390
2300060		N.				
Harvey L Young Family Sch End	151,000					151,000
Permanently Restricted		· · ·	28,299	9,085		20,485
Unrestricted/Temporarily Restricted 2300070	1,271		20,299	2,000		. 20,403
Lucille E Snaith Mem HC Sch R						
Permanently Restricted	500,000					500,000
Unrestricted/Temporarily Restricted	1,455		92,175	29,062		64,568
2400110	1,433		92,175	27,002		. 04,500
H. Edwards Prof in Pulm Med						
Permanently Restricted	211,001	389,000	,			600,001
Unrestricted/Temporarily Restricted	6,973	362,000	65,190	11,714		60,449
2400030	0,773		03,170	11,717		00,
NDade Med Found MD Scholars E						
Permanently Restricted	5,000,000					5,000,000
Unrestricted/Temporarily Restricted	(863,761)		828,986	•		(34,775)
2400140	(803,701)		020,700			(5.,,,,,
Green Family Medicine Endowmen						
Permanently Restricted	1,000,000	4,000,001				5,000,001
Unrestricted/Temporarily Restricted	62,785	4,000,001	823,977	148,128		738,634
	02,703		023,777	140,120		,50,00 .
2400150						
H&N Wertheim End. Proffessorsh	1,490,343	4,467,450				5,957,793
Permanently Restricted	1,490,343	- -	603,719	108,480		615,753
Unrestricted/Temporarily Restricted	120,314		003,717	100,700	· .	510,700
2400160						
H&N Wertheim Res. Pilot Project	496,781	1,489,150				1,985,931
Permanently Restricted	40,171	1,469,130	201,240	36,160		205,251
Unrestricted/Temporarily Restricted	40,171		201,240	50,100	•	200,201

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

•	Beginning		Interest and			Ending
	Balance		Investment			Balance
	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011
2400170						
H&N Wertheim Education Endowm						
Permanently Restricted	372,586	1,116,863				1,489,449
Unrestricted/Temporarily Restricted	30,135		150,930	27,120		153,945
2400180						
H&N Wertheim Comm. Health Endo						
Permanently Restricted	124,195	372,288				496,483
Unrestricted/Temporarily Restricted	10,043		50,310	9,040		51,313
2400190						
H&N Wertheim Scholarship Fund						0.000.455
Permanently Restricted	2,483,905	7,445,750				9,929,655
Unrestricted/Temporarily Restricted	200,857	-7/	1,006,199`	229,099		977,957
2500030						
R Stempel Col of Pub Health E						2 200 411
Permanently Restricted	3,298,411	(2.1.00)				3,298,411
Unrestricted/Temporarily Restricted	238,473	(24,903)	609,151	117,631		705,090
2500060	•					
CV Starr Public Health Schol E						2 206 051
Permanently Restricted	3,396,851	- V A //-**	(10.55)	104.040		3,396,851
Unrestricted/Temporarily Restricted	(22,928)	~//	618,576	184,849		410,799
2530040						
Bank of Amer Soc Work Sch End	150000					150,000
Permanently Restricted	150,000	- V	27.602	4.076		150,000
Unrestricted/Temporarily Restricted	22,464		27,692	4,976		45,180
3000080						
Dorothea - Steven Green Prog E	3,200,010					3,200,010
Permanently Restricted			588,612	112,876		429,333
Unrestricted/Temporarily Restricted 3000100	(46,403)		366,012	112,670		429,333
Jane Hsiao Asian Art Endowment						
Permanently Restricted	1,009,766					1,177,343
	(165,304)		167,577	775		(166,079)
Unrestricted/Temporarily Restricted 3100100	(105,504)		107,577	773		(100,077)
Wolfsonian Program Endowment						
Permanently Restricted	520,884					520,884
Unrestricted/Temporarily Restricted	(50,338)		90,202			39,864
4020090	(50,550)		,0,202			,
Lois P. Britton Scholarship					*	
Permanently Restricted	184,386					184,386
Unrestricted/Temporarily Restricted	34,087	==	34,951	11,280		57,758
4020150	31,007		,,, -	,		
Michael Felsberg Schol End						5.00 7.00
Permanently Restricted	100,400					100,400
Unrestricted/Temporarily Restricted	(2,626)		17,388	2,000		12,762
4100030	(-,0)		, ,	•		
Homestead Campus						
Permanently Restricted	250,000				·	250,000
Unrestricted/Temporarily Restricted	215,705		53,309	9,579		259,435
			•			

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE II (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	Beginning		Interest and			Ending
	Balance		Investment			Balance
	July 1, 2010	Contributions	Gains	Expenditures	Transfers	June 30, 2011
4100200				•		-
Hurricane Center Endowment						
Permanently Restricted	700,008					700,008
Unrestricted/Temporarily Restricted	111,071		145,242	26,098		230,215
4200070						
ER - C Gross Scholarship Endow		•				
Permanently Restricted	254,755					254,755
Unrestricted/Temporarily Restricted	17,013		47,424	8,521		55,916
4400010	•	**			•	
Nat'l Alumni Assoc Program End			. /// 🖎			
Permanently Restricted	522,613	85,159	. V			607,772
Unrestricted/Temporarily Restricted	(64,381)	237,750	104,574	209,488	44,991	113,446
4410020						
Camp for Justice Scholarship E				Ť		
Permanently Restricted	150,000		<i>///</i>			150,000
Unrestricted/Temporarily Restricted	(16,207)		26,047	3,500		6,340
	\$ 70,439,408	\$21,010,390	\$14,809,958	\$3,181,209	\$ 80,051	\$ 103,158,597

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

MAJOR GIFTS PROGRAM SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE II (Continued)

FOR THE YEAR ENDED JUNE 30, 2011

		Ī	Beginning Balance July 1, 2010	State Match Presented	 te Match	Write- Offs		Ending Balance June 30, 2011
В.	Priority List							
	CV Starr Scholarship Program Endowment	\$	74,531	\$	\$ 	\$	\$	74,531
	Honors College General Endowment		51,650					51,650
	Cuban American Bar Scholarship Endowment		50,050					50,050
	Ware Foundation Research Endowment		50,000					50,000
	Kelly Foundation Construction & Engineering		50,000					50,000
	North Dade Medical Foundation FIU College of Medicine (E)		5,000,000					5,000,000
	Jane Hsiao Asian Art Endowment		751,755	<u>~</u>		120,117		631,638
	Wolfsonian Program Endowment		53,000	<i>()</i> //			-	53,000
	MCH Eminent Scholars Chair in Pediatrics (E)		250,000	(250,000
	C.V. Starr Scholarship Program Endowment		125,000					125,000
	Lennar Corporation Scholarship Endowment		\$0,000		**			50,000
	Barnes & Noble Creative Writing Endowment	1	75,000					75,000
	Pino Global Entrepreneurship Center Endowment - 2	M	150,000	(N)		**		150,000
	Leon Medical Center Eminent Scholars Chair in Geriatrics		2,000,250	· W				2,000,250
	R. Kirk Landon General Endowment		250,000	 .				250,000
	Pino Global Entrepreneurship Center Endowment - 5	W	230,000					230,000
	MCH Eminent Scholars Chair in Pediatrics (E) - 2	.*	\$00,000					500,000
	Green Family Medicine & Society Program Endowment		250,000			·		250,000
	Anthony G. Marshall American Dream Scholarship (E)	D.	54,335					54,335
	Marriott-Tianjin China Program Endowment - 1	/***	250,000					250,000
	C.A.M.P for Justice Human Rights Endowment - 1		50,000					50,000
	Michael Felsberg Scholarship Endowment		50,464					50,464
	Marriott-Tianjin China Program Endowment		450,000					450,000
	Environmental Preserve Endowment		50,000					50,000
	Religious Studies Endowment		50,000					50,000
	Student Managed Investment Endowment		100,000			• •		100,000
	Dr. Herbert & Nicole Wertheim Medical Scholarship Endowment -1		2,483,930			***		2,483,930
	Dr. Herbert & Nicole Wertheim Endowment for Medical Education -1		2,483,930					2,483,930
	Leon Medical Center 2 - Benjamin Leon, Jr. Family Center for Geriatric							
	Research and Education (E)		1,600,000					1,600,000
	COMedicine "Neighborhood HEEP" Program Endowment - Batchelor							250,000
	Foundation		250,000					250,000
	Marriott-Tianjin China Program Endowment - 3		540,021			· ·		540,021
	C.A.M.P for Justice Human Rights Endowment - 2		50,000					50,000
	Carnival Scholarship Endowment - 1		75,000	255 222				75,000
	MCH Eminent Scholars Chair in Pediatrics (E) - 3			375,000				375,000
	Bhagwan Mahavir Professorship of Jain Studies Endowment - 1		100,000	1 550 001				100,000
	Green Family Medicine & Society Program Endowement-2		·	1,750,001		-		1,750,001
	COMedicine "Neighborhood HELP" Program Endowment - Batchelor			1 250 000				1,350,000
	Foundation 2			1,350,000				1,530,000
	Dr. Herbert & Nicole Wertheim Medical Scholarship Endowment -2			1,512,500				
	Dr. Herbert & Nicole Wertheim Endowment for Medical Education - 2			1,512,500				1,512,500
	Dr. Harry Edwards Professorship in Pulmonary Medicine Endowment -			04.500				94,500
	Ware Foundation - 2			94,500				94,500
	Leon Medical Center 2 - Benjamin Leon, Jr. Family Center for Geriatric			2 400 000				2,400,000
	Research and Education (E)			2,400,000				920,625
	Dr. Herbert & Nicole Wertheim Medical Scholarship Endowment - 3			920,625				920,625
	Dr. Herbert & Nicole Wertheim Endowment for Medical Education - 3			920,625				75,000
	Carnival Scholarship Endowment - 2	_		75,000	 			73,000
To	otals	\$	18,598,916	\$ 10,910,751	\$ 	\$ 120,117	\$	29,389,550



FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. BOARD OF DIRECTORS

BOARD OF DIRECTORS

Fiscal Year

July 1, 2010 - June 30, 2011

Noel J. Guillama-Alvarez, Chairperson T. Gene Prescott, Vice Chairperson Richard Brilliant, Treasurer Veronica Cervera Goeseke, Secretary

Nelson L. Adams, III

Jose Aldrich

David F. Alfonso

Antonio Argiz

Victor Balestra, Ex-Officio

Christin Battle, Ex-Officio

Stephen H. Bittel

Nicholas Bustle

Carlos B. Castillo

Thomas Cornish

Albert E. Dotson Sr., Ex-Officio

Carlos A. Duart

Kathryn G. Dinkin

Ramon Flores*

Dany Garcia*

Jack F. Conzalez, Ex-Officio

Jorge J. Gonzalez

Gerald C. Grant, Jr.

C. Delano Gray, Ex-Officio

Jeffrey L. Horstmyer

Rosa L. Jones, Ex-Officio

S. Lawrence Kahn, III

Christopher G. Korge

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Ray E. Marchman, Jr.

Michael R Mendez, Jr.

R. Chad Moss

Eileen T. Moss

Marcel L. Navarro

Luis E. Perez*

Marcos A. Perez

David L. Perlman

Justo L. Pozo

Enrique "Henry" Ramos

Carolina Rendeiro

Carlos A. Sabater

Adalio T. Sanchez

Ronald A. Shuffield

Mitchell Wolfson, Jr.*

Isaac Zelcer

Sanford Ziff

^{*} Served on the Board for part of the Fiscal Year



FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. BOARD OF DIRECTORS

BOARD OF DIRECTORS EXECUTIVE COMMITTEE

Fiscal Year

July 1, 2010 - June 30, 2011

Noel J. Guillama-Alvarez, Chairperson for the Board of Directors

Dates of Service: 11.27.02 – *Present*

Committee Affiliations:

> Executive Committee, Chairperson

T. Gene Prescott, Vice Chairperson for the Board of Directors

Date of Service: 3.26.03 - Present

Committee Affiliations:

- > Executive Committee, Vice Chairperson
- > Finance & Audit Committee, Member
- > Investment Special Committee, Vice Chairperson

Richard Brilliant, Treasurer for the Board of Directors

Dates of Service: 9.23.08- Present

Committee Affiliations:

- > Executive Committee, Member
- > Finance & Audit Committee, Chairperson
- > Investment Special Committee, Chairperson

Veronica Cervera Goeseke, Secretary for the Board of Directors

Dates of Service: 4.6.06 - Present

Committee Affiliations:

- > Executive Committee, Member
- > Development Committee, Member

Carlos B. Castillo

Dates of Service: 11.28.07 - Present

Committee Affiliations:

- > Executive Committee, Member
- > Development Committee, Chairperson



FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. BOARD OF DIRECTORS

BOARD OF DIRECTORS EXECUTIVE COMMITTEE (CONTINUED)

Fiscal Year

July 1, 2010 - June 30, 2011

Albert E. Dotson, Sr.*

Dates of Service: 3.08–1.11 Committee Affiliations:

> Executive Committee, BOT Representative

Gerald C. Grant, Jr.

Dates of Service: 4.6.06 - Present

Committee Affiliations:

- > Executive Committee, Member
- > Investment Special Committee, Member
- > Recruitment Committee, Chairperson
- > Special Bylaw Committee, Chairperson

Rosa L. Jones

Dates of Service: 9.27.06 - Present

Committee Affiliations:

> Executive Committee, Presidential Designee

Ray E. Marchman, Jr.

Dates of Service: 3.29.00- Present

Committee Affiliations:

- > Executive Committee, Member
- > University & Community Relations Committee, Chairperson

* Served on the Board for part of the Fiscal Year

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 the consolidated financial statements of Florida International University Foundation Inc. and Subsidiaries (the Foundation) as of and for the year ended June 30, 2011 and have issued our report thereon dated November 17, 2011. 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.

Internal Control over Financial Reporting

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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 the assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free of 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 consolidated 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, the Finance and Audit Committee, Management, the State University System, of Florida, the Florida Board of Governors, and the Board of Trustees of Florida International University and is not intended to be and should not be used by anyone other than these specified parties.

Miami, FL November 17, 2011 Agenda Item 3 FA4-B

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Florida International University Athletics Finance Corporation Financial Audit, 2010-2011

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 2010-2011 Fiscal Year and authorize the Executive Director of the FIU 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 FIU 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 University President is recommending approval of the FIU Athletics Finance Corporation Financial Audit for 2010-2011, pending ratification by the FIU Athletics Finance Corp. Board of Directors Full Board.

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 2010-2011

Facilitator/Presenter: Kenneth A. Jessell

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

(A Direct Support Organization)

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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 the accompanying statement of net assets of Florida International University Athletics Finance Corporation (the Athletics Finance Corporation), a direct support organization and a component unit of Florida International University, as of June 30, 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Athletics Finance Corporation's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Athletics Finance Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Athletics Finance Corporation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November XX, 2011 on our consideration of the Athletics Finance Corporation's internal control over financial reporting and 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 provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 to 8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Miami, FL November XX, 2011 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 fiscal year ended June 30, 2011, 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 \$40.0 million at June 30, 2011. This balance reflects a \$173 thousand, or 0.4 percent, increase from the 2010 fiscal year, resulting primarily from an increase of investments and suite and ticket sales receivables. While assets increased, liabilities slightly decreased by \$122 thousand, or 0.3 percent, totaling \$42.2 million at June 30, 2011, compared to \$42.4 million at June 30, 2010. As a result, the Athletics Finance Corporation's net assets increased (or deficit decreased) by \$295 thousand, reaching a year end deficit balance of \$2.3 million.

The Athletics Finance Corporation's operating revenues totaled \$3.6 million for the 2011 fiscal year, representing a 3.2 percent increase over the 2010 fiscal year due primarily to an increase in ticket sales and suite revenues. Operating expenses totaled \$2.1 million for the 2011 fiscal year, representing an increase of 21.6 percent over the 2010 fiscal year due primarily to an increase in professional fees and other operating expenses.

OVERVIEW OF FINANCIAL STATEMENTS

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

The Statement of Net Assets

The statement of net assets reflects the assets and liabilities 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 and total liabilities, net assets, is one indicator of the Athletics Finance Corporation's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the Athletics Finance Corporation's financial condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the Athletics Finance Corporation's assets, liabilities, and net assets at June 30:

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

	2011		2010	
Assets				
Current assets	\$	5.5	\$	4.5
Noncurrent assets		34.5		35.3
Total Assets	4	40.0	-	39.8
Liabilities				
Current liabilities		1.5		1.2
Noncurrent liabilities		40.8		41.2
Total Liabilities		42.3		42.4
Net Assets		(0.2)		(0.0)
Unrestricted (deficit)		(2.3)		(2.6)
Total Net Assets	\$	(2.3)	\$	(2.6)

The statement of net assets reflects a slight improvement in the deficit net asset position of the Athletics Finance Corporation. Current assets mainly depict cash and investments. The current assets increase is mainly a result of increased investments and suites and ticket sales receivables.

In summary, total assets increased by \$173 thousand, or 0.4 percent, while total liabilities decreased by \$122 thousand, or 0.3 percent. As a result, the net assets balance at June 30, 2011, had an increase of \$295 thousand.

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

The Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the Athletics Finance Corporation's activity for the 2011 and 2010 fiscal years:

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

	June	30,	
	2011	2010)
Operating revenues	\$ 3.6	\$	3.5
Operating expenses	2.1		1.7
Operating Income	1.5		1.8
Net non-operating expenses	(1.2)		(1.9)
Change in Net Assets	0.3		(0.1)
Omingo militarista			` ,
Net Assets - Beginning of Year	(2.6)		(2.5)
1100120000			
Net Assets - End of Year .	\$ (2.3)	\$	(2.6)
Met Models - Imit of I car .		-	

The statement of revenues, expenses, and changes in net assets reflects an increase in operating revenues coupled with an increase in operating expenses. Operating revenues and expenses increased primarily as a result of increased ticket sales and suite revenues as the Florida International University ("FIU") Football Stadium operations expand. The decrease in non-operating expenses is the result of the change in recording the derivative instrument under GASB Statement No. 53 in fiscal year 2010. Specifically, the change in the initial fair value of the interest rate swap for fiscal year 2011 is presented in the statement of net assets as a deferred outflow of resources and not in the statement of revenues, expenses, and changes in net assets.

Operating Revenues

The Athletics Finance Corporation categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2011 and 2010 fiscal years:

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues (In Millions)

		June 30,				
	20	11		2010		
Athletic support	\$	0.6	\$	0.6		
Ticket sales		0,6		0.4		
Suite revenues		0.7		0.6		
Contributions		0.3		0.3		
NCAA and conference payments		0.6		0.8		
Rental income		0.4		0.4		
Other operating revenues		0.4		0.4		
Total Operating Revenues	\$	3.6	\$	3.5		

Operating revenues totaled \$3.6 million for the 2011 fiscal year, representing a 3.1 percent increase over the 2010 fiscal year. This was due to an increase in ticket sales of \$176 thousand and an increase in suite revenues of \$106 thousand coupled with a decrease in NCAA and conference payments of \$200 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 assets.

The following summarizes the operating expenses by natural classifications for the 2011 and 2010 fiscal years:

Operating Expenses (In Millions)

	June 30,				
	20	011	•	2010	
Amortization of prepaid rent	\$	1.2	\$	1.2	
Professional fees		0.5		0.4	
Utilities		0.1		0.1	
Other operating expenses		0.3			
Total Operating Expenses	\$	2.1	\$	1.7	

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating expenses totaled \$2.1 million for the 2011 fiscal year. This represents a 21.6 percent increase over the 2010 fiscal year and was primarily due to an increase in professional fees and game day contractors of \$210 thousand and an increase in other operating expenses of \$146 thousand as the FIU Football Stadium operations expand.

Non-Operating Revenues and Expenses

Non-operating revenues include interest income and unrealized gains on investments. Non-operating expenses include interest expense and unrealized losses on the derivative instrument (interest rate swap). The following summarizes the Athletics Finance Corporation's non-operating revenues and expenses for the 2011 and 2010 fiscal years:

Non-Operating Revenues (Expenses) (In Millions)

			June 3	30,
		2011		2010
Interest expense		\$	(1.4) 5	\$ (1.6)
Unrealized gain on investments			0.2	0.2
Change in fair value of 2007 interest rate swap)			(0.5)
Net Non-Operating Expenses		\$	(1.2)	(1.9)

Non-operating expenses decreased by 37.6 percent from the prior year due mainly to a decrease in the change in fair value of the derivative instrument (2007 interest rate swap) of \$495 thousand. This is a result of the refunding of the bonds and the determination that the interest rate swap was an effective cash flow hedge, which records the change in the interest rate swap on the statement of net assets.

DEBT ADMINISTRATION

As of June 30, 2011, the Athletics Finance Corporation had \$33.6 million in outstanding bonds payable, representing a decrease of \$573 thousand, or 1.7 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 pages 19 and 20.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The future financial performance of the Athletics Finance Corporation is relatively predictable due to the nature of pledged revenues offering a revenue stream from the University's Athletics program. The University has pledged a significant portion of game guarantee revenue, NCAA and Sunbelt Conference distribution revenues to the Athletics Finance Corporation. Ticket and suite sales along with event facility rentals are a primary focus of stadium management going forward.

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

STATEMENT OF NET ASSETS

JUNE 30, 2011

Assets	
Investments 2, Suites and ticket sales receivable Due from FIU	847,258 ,623,812 560,000 205,596 ,237,681
Total Current Assets	\$ 5,474,347
Restricted investments Suites and ticket sales receivable Bond issuance costs, net Deferred outflow of resources	,015,581 ,020,941 ,480,000 232,755 ,167,871 ,559,300
Total Noncurrent Assets	34,476,448
Total Assets	39,950,795
Liabilities	
Current Liabilities Accounts payable Accrued interest payable Due to FIU Bonds payable Deferred revenue	59,104 124,570 75,454 618,074 650,325
Total Current Liabilities	1,527,527
Deferred revenue 1 Derivative liability 3	,000,000 ,480,000 ,274,250 ,994,869
Total Noncurrent Liabilities	40,749,119
Total Liabilities	42,276,646
Net Assets	

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

(A Direct Support Organization)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

Operating Revenue			
Suite revenues	\$	660,336	
Athletic support		655,000	
Ticket sales		620,937	
NCAA and conference payments		600,000	•
Rental income		373,344	
Sponsorship revenues		306,500	
Contributions		285,765	
General concessions and vending commissions		88,466	
Stadium naming rights		1,000	
Total Operating Revenues			\$ 3,591,348
Operating Expenses			
Amortization of prepaid rent	\$	1,221,959	
Professional fees	₽ -	229,411	
Game day contractors		396,339	·
Utilities		114,701	
Repairs and maintenance		58,606	
Materials and supplies		55,603	
Other operating expenses		58,408	
Total Operating Expenses		*	2,135,027
Operating Income			1,456,321
Non-Operating Revenues (Expenses)			
Interest income	\$	6,213	
Interest expense and fiscal charges	•	1,421,783)	
Unrealized gain on investments	`	254,610	
One difference gain on involutions	•		•
Total Non-Operating Expenses			(1,160,960)
Change in Net Assets	•		295,361
Net Assets (Deficit) - Beginning			(2,621,212)
Net Assets (Deficit) - Ending			\$ (2,325,851)
TAGE WESSER (Delicit) TWOME			

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

(A Direct Support Organization)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows From Operating Activities		
Payments to vendors (875,624) Net Cash Provided By Operating Activities \$ 2,714,329 Cash Flows From Capital and Related Financing Activities \$ (500,000)	Cash Flows From Operating Activities	
Net Cash Provided By Operating Activities \$ 2,714,329	, - ,	· · · · · · · · · · · · · · · · · · ·
Cash Flows From Capital and Related Financing Activities Payments to FIU \$ (500,000) Repayments to FIU \$ (599,723) Interest paid (1,501,402)	Payments to vendors (8	875,624)
Financing Activities \$ (500,000) Repayments to FIU \$ (599,723) Interest paid (1,501,402)	Net Cash Provided By Operating Activities	\$ 2,714,329
Payments to FIU Repayment of bond payable Interest paid Net Cash Used By Capital and Related Financing Activities Proceeds from Investing Activities Proceeds from sales and maturities of investments Purchase of investments Interest income received Net Cash Used By Investing Activities Pecrease in Cash Cash - Beginning (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Propaid rent and other Propaid rent and other Propaid rent and other Accounts payable Due from FIU Increase in: Accounts payable Deferred revenue Total Adjustments Net Cash Provided By Operating Activities Net Cash Investing and Financing Activities Non-Cash Investing and Financing Activities Non-Cash Investing and Financing Activities	Cash Flows From Capital and Related	
Repayment of bond payable Interest paid (1,501,402) Net Cash Used By Capital and Related Financing Activities Proceeds from Investing Activities Proceeds from sales and maturities of investments Purchase of investments Interest income received (6,973,456) Interest income received (6,973,456) Interest income received (440,616) Cash - Beginning (Includes Restricted Cash) (440,616) Cash - Ending (Includes Restricted Cash) (3,862,839) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable (1,221,959) Due from FIU (88,412) Increase in: Accounts payable (51,452) Due to FIU (88,412) Increase in: Accounts payable (51,452) Due form FIU (88,412) Increase in: Accounts payable (51,452) Due to FIU (75,404) Deferred revenue (1,481,012) Total Adjustments (1,221,959) Non-Cash Investing and Financing Activities		
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Net Cash Used By Capital and Related Financing Activities Cash Flows from Investing Activities Proceeds from sales and maturities of investments Purchase of investments Interest income received Net Cash Used By Investing Activities Decrease in Cash Cash - Beginning (Includes Restricted Cash) Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Prepaid rent and other Prepaid rent and other Propaid rent and o		
Financing Activities Cash Flows from Investing Activities Proceeds from sales and maturities of investments Purchase of investments Interest income received Net Cash Used By Investing Activities Decrease in Cash Cash - Beginning (Includes Restricted Cash) Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Prepaid rent and other Prepaid rent and other Accounts payable Due from FIU Increase in: Accounts payable Due to FIU Deferred revenue Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities	Interest paid (1,5	501,402)
Cash Flows from Investing Activities Proceeds from sales and maturities of investments Purchase of investments Interest income received Net Cash Used By Investing Activities Decrease in Cash Cash - Beginning (Includes Restricted Cash) Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Prepaid rent and other Prepaid rent and other Accounts payable Due from FIU Increase in: Accounts payable Due to FIU Deferred revenue Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities	Net Cash Used By Capital and Related	
Proceeds from sales and maturities of investments Purchase of investments Interest income received Net Cash Used By Investing Activities Decrease in Cash Cash - Beginning (Includes Restricted Cash) Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Propial rent and other Propial orent and other Accounts payable Due from FIU Increase in: Accounts payable Due to FIU Deferred revenue Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities Non-Cash Investing and Financing Activities	Financing Activities	(2,601,125)
Proceeds from sales and maturities of investments Purchase of investments Interest income received Net Cash Used By Investing Activities Decrease in Cash Cash - Beginning (Includes Restricted Cash) Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Propial rent and other Propial orent and other Accounts payable Due from FIU Increase in: Accounts payable Due to FIU Deferred revenue Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities Non-Cash Investing and Financing Activities	Cook Files Cook Towns Cook Ashabita	
Purchase of investments Interest income received Scape		112 420
Interest income received 6,207 Net Cash Used By Investing Activities		
Net Cash Used By Investing Activities Decrease in Cash Cash - Beginning (Includes Restricted Cash) Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Prepaid rent and other Prepaid rent and other Accounts payable Due to FIU Accounts payable Due to FIU Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities	A00000000. Villama	The state of the s
Decrease in Cash Cash - Beginning (Includes Restricted Cash) Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Prepaid rent and other Due from FIU Recounts payable Accounts payable Due to FIU Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities (440,616) 4,303,455 \$ 3,862,839 \$ 1,456,321 \$ (1,482,407) \$ (1,482,407) \$ (1,482,407) \$ (1,221,959) \$ (1,221,959) \$ (1,221,959) \$ (1,482,407) \$ (1,221,959) \$ (1,482,407) \$ (1,482,407) \$ (1,221,959) \$ (1,482,407) \$ (1,4	interest income received	
Cash - Beginning (Includes Restricted Cash) Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Due from FIU Increase in: Accounts payable Accounts payable Due to FIU Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities	Net Cash Used By Investing Activities	(553,820)
Cash - Ending (Includes Restricted Cash) Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Due from FIU Suites and ticket sales receivable Frepaid rent and other Due from FIU Suites and ticket sales receivable Frepaid rent and other Due from FIU Suites and ticket sales receivable Frepaid rent and other Suites and ticket sales receivable	Decrease in Cash	(440,616)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Suites and ticket sales receivable Prepaid rent and other Suites and ticket sales receivable Suites and ticket sales	Cash - Beginning (Includes Restricted Cash)	4,303,455
Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Prepaid rent and other Due from FIU Increase in: Accounts payable Accounts payable Due to FIU Total Adjustments Net Cash Provided By Operating Activities 1,456,321 \$ 1,456,321 \$ (1,482,407) 1,221,959 (89,412) 1,251,959 (1,482,407) 1,221,959 1,22	Cash - Ending (Includes Restricted Cash)	\$ 3,862,839
Provided by Operating Activities Operating income Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Prepaid rent and other Due from FIU Increase in: Accounts payable Accounts payable Due to FIU Total Adjustments Net Cash Provided By Operating Activities 1,456,321 \$ 1,456,321 \$ (1,482,407) 1,221,959 (89,412) 1,251,959 (1,482,407) 1,221,959 1,22	Reconciliation of Operating Income to Net Cash	· **
Changes in assets and liabilities: (Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Prepaid rent and other Due from FIU (89,412) Increase in: Accounts payable Due to FIU Total Adjustments Net Cash Provided By Operating Activities Signature \$ (1,482,407) 1,221,959 (89,412) 1,251,959 (89,412) 1,452 1,452 1,452 1,481,012 1,258,008 Net Cash Provided By Operating Activities		
(Increase) decrease in: Suites and ticket sales receivable Prepaid rent and other Due from FIU Increase in: Accounts payable Due to FIU Total Adjustments Net Cash Provided By Operating Activities \$ (1,482,407) 1,221,959 (89,412) 1,251,959 1,252,008 \$ 51,452 75,404 1,481,012 1,258,008 \$ 2,714,329	Operating income	\$ 1,456,321
Suites and ticket sales receivable Prepaid rent and other 1,221,959 Due from FIU (89,412) Increase in: Accounts payable 51,452 Due to FIU 75,404 Deferred revenue 1,481,012 Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities \$ (1,482,407) (89,412) 1,221,959 1,252 1,452 1,258,008 \$ 2,714,329	Changes in assets and liabilities:	
Prepaid rent and other 1,221,959 Due from FIU (89,412) Increase in: 51,452 Accounts payable 51,452 Due to FIU 75,404 Deferred revenue 1,481,012 Total Adjustments 1,258,008 Net Cash Provided By Operating Activities \$ 2,714,329 Non-Cash Investing and Financing Activities		
Due from FIU Increase in: Accounts payable Due to FIU Deferred revenue Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities (89,412) (89,412) (1,452) (1,452) (1,451,012) (1,258,008) (1,258,008) (1,258,008) (1,258,008) (1,258,008) (1,258,008) (1,258,008) (1,258,008)		
Increase in: Accounts payable Due to FIU Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities Total Adjustments 1,258,008 2,714,329		
Accounts payable 51,452 Due to FIU 75,404 Deferred revenue 1,481,012 Total Adjustments 1,258,008 Net Cash Provided By Operating Activities \$2,714,329 Non-Cash Investing and Financing Activities	· · · · · · · · · · · · · · · · · · ·	(89,412)
Due to FIU Deferred revenue 75,404 1,481,012 Total Adjustments 1,258,008 Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities		51.450
Deferred revenue 1,481,012 Total Adjustments 1,258,008 Net Cash Provided By Operating Activities \$ 2,714,329 Non-Cash Investing and Financing Activities		-
Total Adjustments Net Cash Provided By Operating Activities Non-Cash Investing and Financing Activities 1,258,008 \$ 2,714,329		-
Net Cash Provided By Operating Activities Solution 2,714,329 Non-Cash Investing and Financing Activities	Deferred revenue	181,012
Non-Cash Investing and Financing Activities	Total Adjustments	1,258,008
	Net Cash Provided By Operating Activities	\$ 2,714,329
Deferred outflow of resources \$ 534,660	Non-Cash Investing and Financing Activities	
	Deferred outflow of resources	<u>\$ 534,660</u>

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

(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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.

(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Athletics Finance Corporation applies all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

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 (formerly known as the Local Government Surplus Funds Trust Fund (LGIP)) administered by the State Board of Administration. 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 their value, which is fair value. Income or loss is recorded as it is earned.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENT

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 assets. The Organization uses the dollar offset 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 assets as a deferred outflow of resources.

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, 2011.

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, 2011, 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 2008.

LONG-TERM DEBT

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Issuance costs are presented in the financial statements as a non-current asset and are being amortized over the life of the bonds.

(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonoperating 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 nonoperating revenue. Operating expenses include all expenses incurred to manage and operate the FIU Football Stadium, other than external financing costs.

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 are insured or collateralized.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2 - CONCENTRATION OF CREDIT RISK (CONTINUED)

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, 2011, \$5,644,753 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, 2011, are reported at fair value, as follows:

Investment Type	Amount
Florida State Board of Administration:	.*
Florida PRIME	\$
Fund B	673,827
Money Market Mutual Funds	4,970,926

Total Investments (Includes Restricted Investments)

\$ 5,644,753

The Athletics Finance Corporation reported investments at fair value totaling \$673,827 at June 30, 2011, 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 .78965331 as of June 30, 2011 (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 effective 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3 – INVESTMENTS (CONTINUED)

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, 2011. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other government agency.

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 is rated AAAm by Standard & Poor's, Aaa by Moody's and AAA by Fitch. 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.

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, 2011, Florida PRIME and the money market 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 is as follows: investments held in the Fund B administered by the State Board of Administration (SBA) consist of approximately 12% of total investments. Approximately, 88% of the investments are held with Regions Morgan Keegan money market mutual funds. According to the bond

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3 - INVESTMENTS (CONTINUED)

CONCENTRATION CREDIT RISK (CONTINUED)

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, 2011 is 31 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM.

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, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

The Federal 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, 2011 is 44 days while the WAL is 95 days.

NOTE 4 - BOND ISSUANCE COSTS

As of June 30, 2011, issuance costs related to both the tax exempt and taxable bonds (FIU Athletics Finance Corporation Capital Improvement Revenue Bonds Series 2009A and 2009B) totaled \$248,436, net of amortization. The bond costs will be amortized over the term of the bonds which mature in March 2033.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 - BOND ISSUANCE COSTS (CONTINUED)

Issuance costs Less: accumulated amortization	\$	271,941 (23,505)
Bond Issuance Costs - Net	<u>\$</u>	248,436
Current bond issuance cost Non-current bond issuance cost	\$	15,681 232,755
	\$	248,436

NOTE 5 - LONG-TERM DEBT

The debt activity for the year ended June 30, 2011 is as follows:

	Beginning			Ending	Due Within
/ 1934	Balance	Additions	Reductions	Balance	One Year
2009 Tax Exempt Capital Improve-		,	•		
ment Revenue Bonds (Series A)	\$ 30,000,000	\$	\$	\$ 30,000,000	\$
2009 Taxable Capital Improve-					
ment Revenue Bonds (Series B)	4,603,707		599,723	4,003,984	618,074
Deferred amount on refunding	(417,261)		(26,220)	(391,041)	
		•			
	<u>\$ 34,186,446</u>	\$	\$ 573,503	\$ 33,612,943	\$ 618,074

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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, 2011 was \$34,003,984.

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 \$3,020,941 and is presented in restricted investments.

The Athletics Finance Corporation is required to maintain minimum deposits of \$3,000,000 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.

The aggregate maturities of these bonds as of June 30, 2011 are as follows:

Forme			•
Year Ending			
June 30,	Principal	Total	
2012	\$ 618,074	\$ 1,567,747	\$ 2,185,821
2013	636,987	1,627,027	2,264,014
2014	656,479	1,677,592	2,334,071
2015	676,567	1,719,051	2,395,618
2016	697,270	1,684,647	2,381,917
2017-2021	6,654,321	7,587,967	14,242,288
2022-2026	8,507,142	5,593,976	14,101,118
2027-2031	10,607,144	3,092,065	13,699,209
2032-2033	4,950,000	402,395	<u>5,352,395</u>
	34,003,984	24,952,467	58,956,451
Less: amount deferred on refunding	(391,041)	ton sea	(391,041)
Total	\$ 33,612,943	\$ 24,952,467	\$ 58,565,410

(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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. 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 3.60%.

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.

FAIR VALUE

As of June 30, 2011, the Athletics Finance Corporation swap has a derivative liability of \$3,274,250 as reported in the statement of net assets. The negative fair value was determined using a Mark-to-Market Value and represents the closing mid-market values.

As of June 30, 2011, the fair value of the Series 2007A ineffective interest rate swap was \$2,106,379. This interest rate swap was not terminated when the bonds were refunded in December 2009. The interest rate on the refunded Series 2009 bonds reflects a higher rate due to not terminating this interest rate swap. Accordingly, the fair value of \$2,106,378 of the ineffective Series 2007A interest rate swap is being amortized over the remaining life of the refunded Series 2009A bond.

The dollar offset method evaluates the effectiveness by quantitative approach. The dollar-offset method evaluates effectiveness by comparing the changes in expected cash flows or fair values of the potential hedging derivative instrument with the changes in expected cash flows or fair values of the hedgeable item. The Organization determined met the criteria of the dollar offset method. Therefore, the change in the fair value in the effective interest rate swap is presented in the statement of net assets as a deferred outflow of resources in the amount of \$1,167,871.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK

As of June 30, 2011, 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 Ba2 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.

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.

FIU ATHLETICS FINANCE CORPORATION (A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

SWAP PAYMENTS AND ASSOCIATED DEBT

Using rates as of June 30, 2011, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

For the				
Year Ending	Variable-F	Rate Bond	Interest Rate	
June 30,	Principal	Interest	Swap, Net	Total
2012	\$	\$ 399,714	\$ 755,286	\$ 1,155,000
2013		399,714	755,286	1,155,000
2014		399,714	755,286	1,155,000
2015		399,714	755,286	1,155,000
2016		399,714	755,286	1,155,000
2017-2021	4,155,000	1,871,710	3,536,715	9,563,425
2022-2026	5,955,000	1,386,533	2,619,942	9,961,475
2027-2031	7,425,000	766,404	1,448,171	9,639,575
2032-2033	3,465,000	99,738	188,462	3,753,200
Total	\$ 21,000,000	\$ 6,122,955	<u>\$ 11,569,720</u>	\$ 38,692,675

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

NOTE 7 - DEFERRED 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 deferred until the year they are earned. Suite sales will be recognized annually based on their corresponding contracts.

FIU ATHLETICS FINANCE CORPORATION

(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 - DEFERRED REVENUES (CONTINUED)

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
2012	\$ 650,325
2013	500,000
2014	400,000
2015	190,000
2016	190,000
2017 and thereafter	200,000
Total	\$ 2,130,325

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, 2011 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 \$3,591,348.

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 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 \$30,171,533.

FIU ATHLETICS FINANCE CORPORATION (A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 8 - RELATED PARTY TRANSACTIONS (CONTINUED)

LEASE COMMITMENTS (CONTINUED)

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
2012	\$ 1,221,959
2013	1,221,959
2014	1,221,959
2015	1,221,959
2016	1,221,959
2017-2021	6,109,793
2022-2026	6,109,793
2027-2031	6,109,793
2032-2033	2,342,085
Total	\$ 26,781,259
Reconciliation of the Statement of Net Assets	
to the Lease Commitment	
Current prepaid rent and other	\$ 1,237,681
Non current prepaid rent	25,559,300
Less: other	(15,722)
	\$ 26,781,259
	+,,,,,,,,,

As of June 30, 2011, construction draws amounting to \$30,171,533 have been paid by the University to various contractors. The prepaid rent has been amortized by \$1,221,959 in the current year.

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Members of the Board of Directors and the Assistant Vice President of Direct Support Organizations

FIU Athletics Finance Corporation

Miami, Florida

We have audited the financial statements of Florida International University Athletics Finance Corporation (the "Athletics Finance Corporation" or the "Organization") as of and for the year ended June 30, 2011 and have issued our report thereon dated November XX, 2011. 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.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 the assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, Management, the State University System of Florida, the Florida Board of Governors and the Board of Trustees of Florida International University and is not intended to be and should not be used by anyone other than these specified parties.

Miami, FL November XX, 2011 Agenda Item 3 FA4-C

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. Financial Audit, 2010-2011

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 2010-2011 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:

Pursuant to Regulation FIU-1502 (2)(f), 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 2010-2011 has been submitted and approved by the Florida International University Academic Health Center Health Care Network Faculty Group Practice Board of Directors on October 19, 2011, 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 Academic Health Center

Health Care Network Faculty Group Practice, Inc.

Financial Audit, 2010-2011

Facilitator/Presenter: Kenneth A. Jessell

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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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

We have audited the accompanying statement of net assets of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the "FIU HCN"), a component unit of Florida International University, as of June 30, 2011 and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the FIU HCN's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FIU HCN's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the FIU HCN as of June 30, 2011, and the respective changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2011, 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 and should be considered in assessing the results of our audit.



Management's Discussion and Analysis on pages 3 to 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Marcun LLP

Miami, FL November 1, 2011 MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This 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, 2011, 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 \$89 thousand at June 30, 2011. This balance reflects a \$17 thousand, or 24 percent, increase from the 2010 fiscal year, resulting primarily from an increase in prepaid assets of \$53 thousand. While assets increased, liabilities also increased by \$260 thousand, totaling \$315 thousand at June 30, 2011, compared to \$55 thousand at June 30, 2010. The increase in liabilities was a result of a loan agreement with Florida International University (the "University"), 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, 2011, the draw downs on the loan totaled \$234 thousand. As a result, the FIU HCN's net assets decreased by \$243 thousand, reaching a year-end deficit of \$226 thousand.

The FIU HCN's operating revenues totaled \$20 thousand for the 2011 fiscal year. This amount was comprised of specialty (gynecology) and primary care clinical services, which increased by \$10 thousand, or 100%, from the 2010 fiscal year. Operating expenses totaled \$260 thousand for the 2011 fiscal year, representing an increase of \$219 thousand over the 2010 fiscal year due mainly to an increase in professional and contracted services.

OVERVIEW OF FINANCIAL STATEMENTS

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

THE STATEMENT OF NET ASSETS

The statement of net assets 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 assets, is one indicator of the FIU HCN's current financial condition. The changes in net assets 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 assets at June 30:

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

	2011		2010		
Assets					
Current Assets	\$	87	\$	68	
Noncurrent Assets		2		. 4	
Total Assets	\$	89	\$	72	
Liabilities					
Current Liabilities	\$	52	\$	2	
Noncurrent Liabilities		263		53	
Total Liabilities	\$	315	<u>\$</u>	55	
Net Assets					
Unrestricted	\$	(226)	\$	17	
Total Net Assets	\$	(226)	\$	17	

The statement of net assets reflects the FIU HCN's expansion of operations. Current assets mainly depict cash and other current assets. The other current assets are comprised of radiology equipment purchased at year end and not yet placed in service.

In summary, total assets increased by \$17 thousand, or 25 percent, while total liabilities increased by \$260 thousand, or 473 percent. As a result, the net assets balance at June 30, 2011, had an unfavorable decrease of \$243 thousand.

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

THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The statement of revenues, expenses, and changes in net assets 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. 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 2011 and 2010 fiscal years:

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

	2011		2010	
Operating Revenues Operating Expenses	\$	19 260	\$	59 41
Operating Income		(241)		18
Nonoperating Expenses		(2)		(1)
Change in Net Assets		(243)		17
Net Assets - Beginning of Year		17		
Net Assets - End of Year	<u>\$</u>	(226)	<u>\$</u>	17

OPERATING REVENUES

The FIU HCN categorizes revenues as either operating or non-operating. Operating revenues are principally derived from direct patient care services provided by employed physicians of Florida International University's Academic Health Center.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2011 and 2010 fiscal years:

Operating Revenues (In Thousands)

	 011	20	010
Net patient service revenue Other revenues	\$ 19	\$	10
Total Operating Revenues	\$ 19	\$	59

The activities of the FIU HCN primarily consist of the provision of specialty and primary care clinical services to University faculty and staff. During the 2011 fiscal year, specialty services were limited to Gynecology. Other revenues in the prior year represented transfers from the University to support start up costs.

OPERATING EXPENSES

The FIU HCN categorizes expenses as operating or non-operating. The Governmental Accounting Standards Board (the "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 assets.

The following summarizes the operating expenses by natural classifications for the 2011 and 2010 fiscal years:

Operating Expenses (In Thousands)

	2011		2010	
Professional services	\$	140	\$	18
Rental of facilities		64		14
Contractual services		31		
Accounting services		- 8		
Promotional advertising		8		2
Pharmaceuticals		4		1
Other operating expenses		5		6
Total Operating Expenses	\$	260	<u>\$</u>	41

Operating expenses totaled \$260 thousand for the 2011 fiscal year. This represents a 550 percent increase over the 2010 fiscal year and was primarily due to an increase in professional and contracted services of \$153 thousand for nurses and support staff as the FIU HCN began expanding its medical service operations.

NON-OPERATING EXPENSES

Non-operating expenses include accrued 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 2011 and 2010 fiscal years:

Non-Operating Revenues (Expenses) (In Thousands)

	2011	2010
Interest Expense	\$ (2)	<u>\$ (1)</u>
Non-Operating Expenses	<u>\$ (2)</u>	<u>\$ (1)</u>

Additional information about the FIU HCN's obligations to the University is presented in Note 4 to financial statements on page 15.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

Although the overall economy continues to struggle, healthcare employment continues to rise. Opportunities should continue to abound for hiring qualified and competent personnel for many of the jobs that will be created through the future clinical enterprises that FIU will create and which will be managed by the FIU HCN.

As to revenue growth, it will be impacted as a result of the following:

- Reimbursement will continue to decline as "cuts" are proposed and implemented
- P4P (pay for performance) initiatives
- Implementation of stricter authorization guidelines for the higher modality diagnostic imaging services (i.e. MRI, PET CT)
- Increasing co-pays and deductibles and insurance plan benefit changes
- Ability to become "participating" providers with managed care organizations

From a volume perspective, we expect minimal impact from many of the current socio-economic factors to FIU HCN managed clinical enterprises, as the target population has been initially established as FIU faculty, staff and employees. As such, we expect continued growth at our clinical enterprise sites.

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.

STATEMENT OF NET ASSETS

JUNE 30, 2011

Assets				
Current Assets Cash and cash equivalents Patient accounts receivable Other current assets	\$	32,597 720 53,450	•	
Total Current Assets			\$	86,767
Noncurrent Assets Depreciable capital assets, net Total Noncurrent Assets		2,668		2,668
Total Assets			<u>\$</u>	89,435
Liabilities Current Liabilities Accounts payable	\$	24,733		
Due to FIU		27,583		
Total Current Liabilities	٠		\$	52,316
Noncurrent Liabilities Due to FIU		262,773		
Total Noncurrent Liabilities				262,773
Total Liabilities				315,089
Unrestricted Net Assets				(225,654)
Total Liabilities and Net Assets			\$	89,435

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

Operating Revenues	ŧ						
Net patient service revenue				\$	19,591		
Miscellaneous revenue	٠				60		
Total Operating Revenues						\$	19,651
Operating Expenses						•	
Professional services					139,490		
Rental of facilities					64,410		
Contractual services			•		30,675		
Accounting services					8,511		
Promotional advertising					7,984		
Pharmaceuticals					4,572		
Office supplies					2,436		'
Depreciation					890		
Medical supplies					570		
Plant equipment					380		
Books- general					122		
Banking fees					84		
Total Operating Expenses				`			260,124
Operating Loss	. •						(240,473)
Non-Operating Expenses							
Interest expense							1,829
Change in Net Assets							(242,302)
Net Assets - Beginning of Year							16,648
Net Assets - End of Year						\$	(225,654)

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows From Operating Activities Operating receipts Payments to suppliers for goods & services Payments to FIU	\$	18,931 (99,336) (27,186)		
Net Cash and Cash Equivalents Used By Operations			\$	(107,591)
Cash Flows From Non-Capital Financing Activities Borrowings from FIU		71,985		
Net Cash and Cash Equivalents Provided By Non-Capital Financing Activities				71,985
Net Change in Cash and Cash Equivalents				(35,606)
Cash and Cash Equivalents - Beginning of Year				68,203
Cash and Cash Equivalents - End of Year			\$	32,597
Reconciliation of Operating Loss to Net Cash and Cash Equivalents Used by Operations Operating loss	\$	(240,473)		
Operating loss Depreciation	Φ	(240,473) 890		
Increase in operating assets:				
Accounts receivable		(720)		
Other current assets		(53,450)		
Increase in operating liabilities:				
Accounts payable		24,733		
Due to FIU		161,429		
Net Cash and Cash Equivalents Used By Operations		•	<u>\$</u>	(107,591)
Non-Cash Investing and Financing Activities			•	1.000
Accrued Interest			\$	1,829

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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 shall exist 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, 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, 2011, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the FIU HCN applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

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. As of June 30 2011, cash is held in highly liquid investments, principally cash, which are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2011, those limits were not exceeded.

CAPITAL ASSETS

At June 30, 2011, capital assets consist of medical equipment. These assets are capitalized and recorded at cost at the date of acquisition. The FIU HCN has a capitalization threshold of \$1,000 for tangible personal property. Depreciation is computed on the straight-line basis over the estimated useful life of five years for this 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, then use unrestricted assets as needed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OPERATING REVENUE AND EXPENSES

The FIU HCN's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating 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 nonoperating 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 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.

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. There were no income taxes resulting from unrelated business income during the year ended June 30, 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 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.

	Year Ending June 30, 2011		
Gross direct charges from patient care Less: contractual adjustments	\$ 100,031 (80,440)		
Total Net Patient Service Revenue	<u>\$ 19,591</u>		

For the year ended June 30 2011, there were no contractual adjustments related to adjustments provided to self-insured patient accounts, offered under a discount program according to FIU HCN's self-pay discount policy. Additionally, for the year ended June 30 2011, the FIU HCN did not participate in either the Medicare or Medicaid programs. FIU HCN is in the process of entering into payment arrangements with certain health maintenance organizations and commercial insurance carriers. Subsequent to year end, the FIU HCN has executed three (3) agreements with third party payors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3 - CAPITAL ASSETS

	Capital Assets					
		Ending			Ending	
	Useful	Balance			Balance	
	Lives	June 30,			June 30,	
	(Years)	2010	Additions	Disposals	2011	
Medical Equipment	5	\$ 4,448	\$	\$	\$ 4,448	
Total Capital Assets		\$ 4,448	<u> </u>	<u>\$</u>	\$ 4,448	
		Accumulated Depreciation				
		June 30,		June 30,		
		2010	Depreciation	Disposals	2011	
Accumulated	•					
Depreciation Totals		<u>\$ (890)</u>	\$ (890)	\$	\$ (1,780)	
Depreciable Capital						
Assets, Net		\$ 3,558			\$ 2,668	

NOTE 4 - RELATED PARTY TRANSACTIONS

DUE TO FIU

Following is a rollforward of the due to FIU activity for the year ended June 30, 2011:

	Beginning Balance			Ending Balance	Due Within One Year	
Due to FIU - Operations Due to FIU - Start Up Funding Due to FIU - Loan	\$ 2,352 52,761	\$ 26,396 1,715 235,099	\$ 27,967 	\$ 781 54,476 235,099	\$ 781 26,802	
Total Due to FIU	\$ 55,113	\$263,210	\$ 27,967	\$290,356	\$ 27,583	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

DUE TO FIU (CONTINUED)

For the Year Ending

Total

On June 1, 2009, the FIU HCN entered into a loan agreement totaling \$100,000 with FIU in order to fund start-up costs associated with the operations. This agreement was amended on January 25, 2010 to reduce the total principal payment due to \$51,100. Interest on the loan accrues at 3.25% and the loan is scheduled to mature on May 31, 2013.

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 the loan is scheduled to mature on June 1, 2030. Draw downs on the loan as of June 30, 2011 totaled \$234,985, of which \$163,000 represented non-cash operating expenses paid by FIU on behalf of the FIU HCN. The loan also includes \$114 of accrued interest as of June 30, 2011. Payments on the loan are scheduled to begin on June 1, 2015 at which time draw downs on the loan will be completed and a final amortization schedule will be available.

Estimated principal and interest payments for the life of the amounts due to FIU based on the balances as of June 30, 2011 are due as follows:

June 30,	Principal		Interest		Total	
2012	\$	27,583	\$	1,770	\$	29,353
2013		27,674		899		28,573
2014						
2015				4,700		4,700
2016				4,700		4,700
2017-2021		235,099		9,400		244,499

The University has entered into an agreement with a contractor for the build out of the facility, with a contracted amount of approximately \$1.3 million. Expenditures under this contract will be disbursed by the University in future periods and subsequently allocated to FIU HCN as part of the above noted loan agreement.

290,356 \$

21,469 \$ 311,825

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

LEASE COMMITMENT

The University and the FIU HCN entered into two distinct space leasing agreements during 2011. The first is an agreement dated July 27, 2009 whereby the FIU HCN will use the University Health Service Building to provide medical care to the faculty and staff of FIU. FIU HCN shall pay the University for rental of the premises in the sum of \$15,284 per year. The term of this agreement was originally scheduled to expire on July 26, 2011, but was subsequently renewed for an additional period of one year. Rent expense related to this lease was \$15,285 for the year ended June 30, 2011.

The second agreement is effective beginning on February 10, 2011 for an initial term of ten (10) years and will be for the Faculty Group Practice site at PG 5 Market Station. For the period through June 30, 2011, the FIU HCN will be responsible for rental of the premises at the initial monthly lease amount of \$10,500. From July 1, 2011 until expiration or termination of this agreement, FIU HCN will pay for this lease \$10,500 per month with step increases throughout the term of the lease. Rent expense related to this lease was \$49,125 for the year ended June 30, 2011.

Future minimum annual lease commitments are as follows:

For the Year Ending

June 30,	Amount		
2012	\$	154,000	
2013		196,000	
2014		196,000	
2015		182,000	
2016		182,000	
2017-2021		839,000	

Total \$ 1,749,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

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 board 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.

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 cost of the SIP. This funding will include the amount of the initial SIP funding plus 2% simple interest. This amount 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 all SIP funding.

COMPLIANCE SECTION



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

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

We have audited the financial statements of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the "FIU HCN" or the "Organization"), a component unit of Florida International University, as of and for the year ended June 30, 2011 and have issued our report thereon dated November 1, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Management, the Audit Committee, Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

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Miami, FL November 1, 2011

Marcune LLP

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Office of Internal Audit Status Report

Proposed Committee Action:

None. Discussion Item.

Background information:

The Office of Internal Audit Report provides an update on the status of audits since the Finance and Audit Committee last met on August 17, 2011.

Supporting Documentation: Office of Internal Audit Status Report

Facilitator/Presenter: Allen Vann

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Office of Internal Audit Status Report

BOARD OF TRUSTEES

November 22, 2011



OFFICE OF INTERNAL AUDIT

Date: October 10, 2011

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 an update on the status of our office's work activities. Our last update to you was on August 17, 2011.

We completed an audit of contracts and grants administration at the College of Engineering & Computing. During the past five years the College received approximately \$80 million in external funding from a variety of governmental and corporate sources. Over 50% of its faculty participates in research programs. Overall, our audit disclosed that controls and procedures could be strengthened. The audit resulted in twenty-three recommendations, which management agreed to implement. Many of the recommendations were directed to the Division of Research where improvements would provide the College and the University at-large with better tools to manage our contracts and grants.

Two investigations were also concluded:

- We received an anonymous complaint from a member of the general public concerning alleged misfeasance on the part of a vendor and an FIU employee as it relates to air conditioning repair and maintenance services. We worked jointly with the University's Police and the Facilities Management Department and found the allegation sustainable. We obtained sufficient evidence to justify a reasonable conclusion that it occurred and was improper and unlawful. The University immediately suspended doing business with the vendor and the employee is no longer employed by the University. The University continues to explore legal options.
- Another anonymous complaint concerned allegations against a senior University Health Services employee. Based on our investigation, we found that the complainant's allegations were sustained. The Vice President of Student Affairs in consultation with the Provost and Human Resources will determine what disciplinary action, if any, is deemed appropriate based on the facts and circumstances of the case.

Office of Internal Audit Status Report November 22, 2011 Page 2 of 2

WORK IN PROGRESS

Audits	Status
Cash and Investment Controls (Finance)	Fieldwork in Progress
Marriott Tianjin China Program (Hospitality and Tourism Mgmt.)	Fieldwork in Progress
Repairs & Maintenance (Facilities Management)	Fieldwork in Progress
Student Technology Fee (University-wide)	Fieldwork in Progress
Construction Costs (Facilities Management)	Fieldwork in Progress

OTHER ACTIVITIES

We are continuing to actively consult and assist management with their PeopleSoft HR Implementation Project. The Division of Human Resources is transitioning its entire payroll, time and attendance, and HR system from ADP to an in-house PeopleSoft solution. The project is scheduled to "go live" January 1, 2012. I am serving on the Steering Committee as an advisory non-voting participant. We are reviewing the project based upon agreed upon procedures in order to ensure the effectiveness of system testing, validation methodology, risk management, onboard/offboard user access provisioning and internal controls during the current production phase. A significant amount of our IT Audit resources is being devoted to this project.

FOLLOW-UP STATUS REPORT

Management is primarily responsible for addressing audit recommendations. The Office of Internal Audit periodically surveys cognizant University officials for a status report on recommendations due for implementation in their areas.

As of August 31, 2011, there were 91 outstanding recommendations, 47 of which are not due for implementation this period. Of the remaining 44 recommendations, management indicated that 36 recommendations (82%) are fully implemented, 7 recommendations (16%) are partially implemented and 1 recommendation is not implemented (2%). Revised target dates were provided for the remaining recommendations.

Attachment - Follow-up Status Report

FLORIDA INTERNATIONAL UNIVERSITY OFFICE OF INTERNAL AUDIT

FOLLOW-UP STATUS REPORT AS OF AUGUST 2011

Areas Audited	Implemented	Partially	Not	Total Due for	Not Due For
Division of Research	Implemented	Implemented 1	Implemented	Implementation 1	Implementation 1
College of Medicine		-			
	2	4		6	0
Athletics Department	6			6	0
Housing & Residential Life	2			2	0
Office of the Controller	1	1		2	3
Department of Emergency Management		1		1	2
College of Arts & Sciences Environmental Studies	1			1	0
College of Business Administration	3			3	0
Parking & Transportation Department	2			2	14
Facilities Management Department	5			5	1
FIU Foundation			1	1	0
PantherCARD Business Services	14			14	14
Division of IT					10
Human Resources					2
Total	36	7	1	44	47
Percentage	82%	16%	2%	100%	

Details for Partially/Not Implemented Columns:

Division of Research -1 Partially Implemented:

1. Audit of University Implementation of Prior Years' Recommendations (October 2010)

Recommendation No. 3.2 – Indirect/Direct Costs: OSRA should establish periodic monitoring procedures to ensure that indirect costs (office supplies, postage, local telephone costs and memberships) are not directly charged to Federal projects unless they meet the exceptional circumstances outlined in the OMB Circular A-21.

Action Plan to Complete:

An attribute was added to the contract and grants suite that would allow for the identification of projects with approved exemptions. Reports are being generated based on the attribute and account codes that incur the costs identified as normally F & A. The remaining task is to populate active projects starting prior to March 1, 2012 with the new attribute.

Original Target Date: July 2011 New Target Date: March 31, 2012

College of Medicine – 4 Partially Implemented Recommendations:

2. Audit of the Herbert Wertheim College of Medicine (September 2010)

Recommendation #1.2 - Develop, disseminate, and periodically update an operations manual giving due consideration to relevant University policies and procedures.

Action Plan to Complete:

Refining format and will distribute to staff electronically and maintain on College of Medicine website.

Original Target Date: December 31, 2010 New Target Date: October 31, 2011

Recommendation #7.1 - Work with Asset Management to follow-up on all unaccounted for property items and adjust incorrect location of property items in University property records.

Action Plan to Complete:

A list of unaccounted property items has been composed. The items are currently being located to provide and update to property records.

Original Target Date: December 31, 2010 New Target Date: October 31, 2011

Recommendation #7.2 - Re-tag those property items where FIU tag is missing or removed.

Action Plan to Complete:

College of Medicine is currently revamping asset management procedure with FIU Central Administration.

Original Target Date: December 31, 2010 New Target Date: October 31, 2011

Recommendation #7.5 - Strengthen its procedures to ensure that the IT property records are complete and accurate.

Action Plan to Complete:

A Sharepoint site (currently being constructed) will be used to manage all College of Medicine property. This site will be used to update locations and status of all attractive property. This site will be updated by a member of the College of Medicine IT and the College of Medicine Procurement Coordinator.

Original Target Date: December 31, 2010 New Target Date: October 31, 2011

Office of the Controller – 1 Partially Implemented Recommendation

3. Audit of ProCard/Credit Card Solutions Program: Better Controls & Administrative Practices Needed (April 2010)

Recommendation #2.2 - Ensure that all cardholders and reviewers/approvers are periodically retrained with an emphasis on the key risks identified.

Action Plan to Complete:

Due to the impending conversion, the retraining was postponed. The new credit card provider was awarded a contract in October 2010 and the contract was executed in August 2011. Training will occur as part of the implementation of the new credit card. We continue to send reminders to Approvers and Cardholders via the role specific listserve that highlights key areas of concern. Additionally, at the time the monthly transactions load into the PantherSoft System, Approvers are sent a reminder notification

containing program deadlines and highlights of their responsibilities. Required retraining for all Cardholders and Approvers will take place during the card program conversion from Bank of America to JP Morgan Chase and a program of continued retraining will be implemented (upon expiration of the card and as necessary). The revised due date is projected based on the new program implementation time line.

Original Target Date: December 31, 2010 New Target Date: December 31, 2011

Department of Emergency Management -1 Partially Implemented Recommendation

4. Audit of the Information Systems Continuity Plan (July 2010)

Recommendation #4.4 - Train its staff on Business Continuity.

Action Plan to Complete:

FIU is currently in the process of purchasing a web based continuity of operations planning tool developed for universities. Anticipated access to the system is 10/11 with an estimated 3 months to populate with FIU data. Roll out is scheduled for early 2012.

Original Target Date: December 31, 2010 New Target Date: March 31, 2012

FIU Foundation – 1 Not Implemented Recommendation

5. Audit of the Disbursement Controls Over FIU Foundation Cash and Investment Accounts (June2010)

Recommendation #1.1 - Ask the Foundation's Board of Directors to expand their resolutions to include signatory authority for wire transfers and ACH debits.

Action Plan to Complete:

At the next scheduled meeting, October 25, 2011, a new resolution will be presented to the Board that specifically includes authority to initiate electronic transfers.

Original Target Date: August 1, 2011 New Target Date: October 31, 2011

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Budget Variance Analysis – First Quarter 2012

Proposed Committee Action:

None. Discussion item.

Background information:

The Financial Summary Overview for Fiscal Year 2011-2012 provides the First Quarter 2012 Budget Variance Analysis.

Supporting Documentation: Financial Summary Overview, FY 2011-2012

Facilitator/Presenter: Kenneth A. Jessell

Florida International University Financial Summary Overview ¹ FY 2011-12

		Year To	Date	
		Septemb		
(É in millions)	Budget	Current Year Actual	Variance	9/
(\$ in millions) Revenue / Receipts	_		\$	%
University				
Educational and General (net) ²	118.4	118.1	(0.3)	0%
University	109.2	108.8	(0.3)	0%
College of Medicine	9.2	9.3	0.0	0%
State Fiscal Stabilization Fund	0.0	(0.0)	0.0	0%
FIU Self-Insurance Program	0.0	0.0	0.0	0%
Auxiliary Enterprises	52.4	56.3	3.9	7%
Intercollegiate Athletics	8.7	8.2	(0.5)	-6%
Activities and Service	5.7	5.4	(0.3)	-5%
Technology Fee	3.3	3.1	(0.2)	-7%
Board Approved Fees	0.3	0.4	0.2	63%
Contracts and Grants	23.1	24.2	1.1	5%
Student Financial Aid	65.1	70.2	5.1	8%
Concessions	0.1	0.2	0.1	165%
Direct Support Organizations				
FIU Athletic Finance Corp	0.7	1.3	0.6	80%
FIU Foundation Inc	5.5	18.5	13.0	236%
FIU Health Care Network	0.1	0.0	(0.1)	-95%
FIU Research Foundation	0.3	0.0	(0.3)	-100%
Interfund Adjustments ³	(7.4)	(7.3)	0.1	-2%
Total Operating Revenues	276.3	298.8	22.4	8%
University Treasury (net)	(0.1)	(6.4)	(6.3)	4464%
FIU Foundation Inc	1.5	(20.8)	(22.2)	-1507%
Total Investment Revenues	1.3	(27.2)	(28.5)	-2140%
Total Revenues / Receipts	277.7	271.6	(6.1)	-2%
<u>Expenses</u>				
University				
Educational and General (net)	73.6	67.9	5.7	8%
University	66.9	62.3	4.6	7%
College of Medicine	6.7 0.0	<i>5.7</i> 0.0	1.0 0.0	15% 0%
FIU Self-Insurance Program Auxiliary Enterprises	32.2	29.0	0.0 3.2	10%
Intercollegiate Athletics	5.6	6.8	(1.2)	-21%
Activities and Service	7.9	7.8	0.1	1%
Technology Fee	2.8	1.1	1.7	61%
Board Approved Fees	0.0	0.0	0.0	0%
Contracts and Grants	20.0	21.5	(1.5)	-8%
Student Financial Aid	68.2	69.2	(1.0)	-2%
Concessions	0.2	0.1	0.0	24%
Direct Support Organizations				
FIU Athletic Finance Corp	0.6	0.6	(0.1)	-13%
FIU Foundation Inc	3.4	1.9	1.4	42%
FIU Health Care Network	0.3	0.0	0.3	88%
FIU Research Foundation	0.0	0.0	0.0	44%
Interfund Adjustments ³	(7.4)	(7.3)	(0.1)	2%
Total Expenses	207.3	198.8	8.5	4%
Principal Payment of Debt ⁴	2.8	0.1	2.7	95%
Change in Net Assets (incl. Investments)	67.5	72.6	5.1	8%
Change in Net Assets (excl. Investments)	66.2	99.8	33.6	51%
<u> </u>	14		30.0	

Notes:

- 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: The E&G budget expenses include year end commitments (encumbrances) even though they 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 an 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.
- Interfund transfers have been included resulting in higher revenue and expenses by fund allowing for an individual fund performance analysis. The interfund adjustments above eliminate this double counting. However, interfund transactions such as tuition funded by scholarships and auxiliary services provided to other units have not been eliminated. Since revenues and expenses are equal, the interfund adjustments are the same for both.
- 4 Principal payment of debt reflected above per BOG requirement that debt service payments be shown on a cash basis.

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Foundation Report

Proposed Committee Action:

None. Discussion Item.

Background information:

The FIU Foundation, Inc. Report contains the Financial Statements Recaps and Investment Summaries as of September 30, 2011.

Supporting Documentation: FIU FOUNDATION, INC. – Financial

Statements Recaps and Investment Summaries,

September 30, 2011

Facilitator/Presenter: Richard Brilliant

FIU FOUNDATION, INC. FINANCIAL STATEMENTS RECAPS & INVESTMENT SUMMARIES **September 30, 2011**

FIU FOUNDATION, INC.

Recap of Statement of Activities For the Period Ended September 30, 2011

(In Thousands of Dollars)

REVENUES:	3-)11-12 Month <u>udget</u>	3	011-12 -Month actuals	<u>v</u>	<u>ariance</u>		1	011-12 Annual Budget		3-	010-11 Month ctuals	То	010-11 tal Year actuals
Contributions:										l				
Endowments	\$	3,222	\$	1,116	\$	(2,107)	[1]	\$	14.661		\$	6,363	\$	27,438
Non-Endowed Funds:	ľ	0,222	Ψ	1,110	Ψ	(2,101)	[,]	Ψ	1-1,001		lΨ	0,000	Ψ	27,400
Scholarship & Programs	\$	1,541	\$	2,002	\$	461	[2]	\$	8,496		\$	1,198	\$	7,985
Building Funds	\$	0	\$	2	\$	2	[-]	\$	775		\$	48	\$	2,672
Unrestricted Annual Revenues	\$	272	\$	100	\$	(172)	[3]	\$	716		\$	106	\$	439
Pledged Revenue	\$		\$	14,810	\$	14,810	[4]	\$	-		\$	(4,062)		1,905
TOTAL CONTRIBUTIONS	\$	5,036	\$	18,029	\$	12.993	,	\$	24,648		\$	3,654	\$	40,440
Other Revenues:	_	, , , , , ,	Ť	,		,			,		•	- 1	Ť	-, -
MARC Building	\$	412	\$	417	\$	5		\$	1,711		\$	521	\$	1,750
Foundation Enterprise Holdings	\$	61	\$	65	\$	4		\$	244		\$	-	\$	-
Estimated Investment Returns	\$	1,473	\$	(20,758)	\$	(22,232)	[5]	\$	10,746		\$	10,143	\$	26,177
Administrative Reserve	\$	-	\$	-	\$	-	*	\$	2,055		\$	-	\$	3,845
TOTAL OTHER REVENUES	\$	1,946	\$	(20,276)	\$	(22,222)		\$	14,756		\$	10,665	\$	31,772
TOTAL DEVELUES	_		•	(0.0.17)		(0.000)			22.424		_	44040	•	
TOTAL REVENUES	\$	6,982	\$	(2,247)	\$	(9,229)		\$	39,404		\$	14,318	\$	72,212
EXPENSES:														
University Programs:														
Scholarships & Programs	\$	2,339	\$	1.394	\$	945	[6]	\$	8.108		\$	1,336	\$	6.453
Building Funds	\$	2,000	\$	1,004	Ψ	343	[O]	\$	0,100		\$	6	\$	7
Unrestricted Annual Expenses	\$	265	\$	54	\$	211	[7]	\$	802		\$	71	\$	576
TOTAL UNIVERSITY PROGRAMS EXPENSES	\$	2,604	\$	1,448	\$	1,156	[,]	\$	8,910		\$	1,414	\$	7,036
Operational:	<u> </u>	_,00.	Ψ	.,	Ψ.	.,		Ψ.	0,0.0		Ψ.	.,	Ψ.	.,,,,,
MARC Building	\$	304	\$	153	\$	151	[8]	\$	997		\$	473	\$	1,017
Foundation Enterprise Holdings	\$	40	\$	43	\$	(3)		\$	151		\$	-	\$, - I
Administrative Reserve	\$	376	\$	274	\$	102	[9]	\$	1,575		\$	304	\$	1,389
General Reserve	\$	34	\$	29	\$	5	[10]	\$	185		\$	16	\$	1,346
Administrative Fee	\$	-	\$	-	\$	-		\$	2,055		\$	-	\$	2,743
TOTAL OPERATIONAL EXPENSES	\$	754	\$	498	\$	255		\$	4,963		\$	793	\$	6,495
TOTAL EXPENSES	\$	3,358	\$	1,947	\$	1,411		\$	13,873		\$	2,207	\$	13,532
EXCESS REVENUES OVER EXPENSES	\$	3,624	\$	(4,194)	\$	(7,818)		\$	25,531		\$	12,112	\$	58,680

^{*}These financial statements recaps reflect revenues and expenses on a modified accrual basis.

^{**}Please refer to Appendix A for detailed variance notes.

Florida International University Foundation, Inc. Performance Summary Ending September 30, 2011

Fund/Manager/Inception Date
Total Fund (6/30/00) Total Fund Composite
Total Equity Accounts (6/30/00) Total Equity Composite
Total Fixed Income Accounts (6/30/00) Total Fixed Income Composite
Total Alternative Investments (3/1/02) Total Alternative Composite
Total Cash & Equivalents Investments (6/30/10) 90 Day Treasury Bills

Market <u>Value</u>	% Allocation	Target Allocation
\$155,502,162	100.0%	100.0%
\$78,206,227	50.3%	55.0%
\$35,318,275	22.7%	22.0%
\$39,043,805	25.1%	23.0%
\$2,933,855	1.9%	N/A

Current	Calendar	Fiscal	Trailing	Trailing	Trailing	
Month	YTD 2011	YTD	1 Year	3 Year	5 Year	Since
8/31/2011	12/31/2010	6/30/2011	9/30/2010	9/30/2008	9/30/2006	Investment
9/30/2011	9/30/2011	9/30/2011	9/30/2011	9/30/2011	9/30/2011	Inception
-6.6%	-7.7%	-11.8%	-1.4%	1.2%	0.6%	2.1%
-5.3%	-6.4%	-10.0%	-0.6%	2.2%	0.4%	1.5%
-11.0%	-15.8%	-20.2%	-6.9%	-2.0%	-2.2%	0.3%
-8.9%	-13.1%	-17.7%	-4.2%	-0.7%	-2.7%	-1.3%
-0.7%	5.8%	2.2%	5.4%	10.6%	7.7%	6.8%
0.0%	6.6%	3.4%	4.9%	8.8%	6.6%	6.1%
-2.5%	-0.4%	-4.5%	5.1%	1.0%	1.3%	4.3%
-2.6%	-2.0%	-4.0%	1.9%	0.5%	-0.1%	2.6%
0.3%	2.0%	0.8%	2.6%	N/A	N/A	2.3%
0.0%	0.0%	0.0%	0.1%	0.1%	1.5%	0.1%

Florida International University Foundation, Inc. Preliminary Performance Summary Ending September 30, 2011

				Current Month	Calendar YTD 2011	Fiscal YTD	Trailing 1 Year	Trailing 3 Year	Trailing 5 Year	Since
Ford/Monarch Houseless Date	Market	%	Target	8/31/2011	12/31/2010	6/30/2011	9/30/2010	9/30/2008	9/30/2006	Investment
Fund/Manager/Inception Date Domestic Equity Managed Accounts	Value	Alloc.	Alloc.	9/30/2011	9/30/2011	9/30/2011	9/30/2011	9/30/2011	9/30/2011	Inception
Atalanta Sosnoff Large Cap Growth (3/1/06) Russell 1000 Growth Index	\$15,468,284	9.9%	12.5%	-8.8% -7.4%	-15.8% -7.2%	-16.9% -13.1%	-7.5% 3.8%	-0.9% 4.7%	-1.2% 1.6%	-0.8% 1.7%
Wedge Capital Large Cap Value QVM (12/29/06) Russell 1000 Value Index	\$18,178,321	11.7%	12.5%	-8.5% -7.6%	-8.6% -11.2%	-17.5% -16.2%	1.6% -1.9%	1.2% -1.5%	N/A -3.5%	-3.6% -5.3%
Advisory Research Small Cap Value (6/1/01) Russell 2000 Value Index	\$8,124,458	5.2%	5.0%	-11.1% -10.9%	-14.7% -18.5%	-19.8% -21.5%	-0.4% -6.0%	-3.1% -2.8%	-1.2% -3.1%	7.5% 5.2%
IronBridge Small Cap Core Equity (12/2/03) Russell 2000 Small Cap Index	\$6,936,670	4.5%	5.0%	-10.6% -11.2%	-13.9% -17.0%	-20.1% -21.9%	-1.0% -3.5%	-0.6% -0.4%	1.5% -1.0%	4.5% 3.2%
Student Investment Management Fund (3/31/09)	\$199,163	0.1%	N/A	-1.9%	-0.4%	-6.3%	-2.6%	N/A	N/A	-0.2%
iShares Russell 1000 Growth Fund (07/31/11) Russell 1000 Growth Index	\$2,564,575	1.6%	N/A	-7.3% -7.4%	N/A -7.2%	N/A -13.1%	N/A 3.8%	N/A 4.7%	N/A 1.6%	-12.2% -12.3%
International Equity Managed Accounts Artio International Equity Fund (12/2/03) MSCI EAFE Index	\$12,726,723	8.2%	10.0%	-15.2% -9.5%	-23.3% -15.0%	-24.5% -19.0%	-18.2% -9.4%	-5.5% -1.1%	-4.8% -3.5%	3.7% 3.6%
Wentworth Hauser & Violich (3/31/10) MSCI EAFE Index	\$6,946,449	4.5%	5.0%	-16.5% -9.5%	-24.0% -15.0%	-25.8% -19.0%	-13.1% -9.4%	N/A -1.1%	N/A -3.5%	-10.7% -6.2%
Thornburg International Equity (1/31/11) MSCI EAFE Index	\$7,061,584	4.5%	5.0%	-10.6% -9.5%	N/A -15.0%	-21.4% -19.0%	N/A -9.4%	N/A -1.1%	N/A -3.5%	-18.0% -16.9%
TOTAL EQUITY INVESTMENTS	\$78,206,227	50.3%	55.0%							
Core Fixed Income Managed Accounts SCM Advisors Enhanced Core Fixed (6/1/01) Barclays Custom Index	\$15,222,816	9.8%	9.0%	-1.5% 0.3%	2.6% 6.1%	-0.9% 2.9%	3.9% 4.4%	11.4% 10.5%	7.8% 8.0%	6.6% 6.7%
Hillswick Asset Management (6/1/01) Barclays Aggregate Index	\$10,372,907	6.7%	8.0%	2.4% 0.7%	10.4% 6.7%	7.8% 3.8%	7.8% 5.3%	9.7% 8.0%	8.8% 6.5%	7.4% 6.0%
Brandywine Global Opp Bond (1/1/08) Citigroup World Gov't Bond Index	\$9,269,829	6.0%	5.0%	-2.4% -2.0%	7.1% 6.5%	2.0% 2.4%	5.8% 4.6%	11.3% 7.7%	N/A 7.5%	7.9% 6.7%
SunTrust Balanced Annuity Account (10/22/03) 70% Barclays Aggregate / 30% S&P 500	\$452,723	0.3%	N/A	-4.3% 0.7%	-3.7% 6.7%	-7.5% 3.8%	1.4% 5.3%	7.2% 8.0%	3.7% 6.5%	4.8% 5.5%
TOTAL FIXED INCOME INVESTMENTS	\$35,318,275	22.7%	22.0%							
Cash & Cash Equivalents State of Florida Treasury Fund (7/01/10) 90 Day Treasury Bills	\$2,933,855	1.9%	N/A	0.3% 0.0%	1.9% 0.0%	0.8% 0.0%	2.5% 0.1%	N/A 0.1%	N/A 1.5%	2.2% 0.1%
TOTAL CASH & EQUIVALENTS INVESTMENTS	\$2,933,855	1.9%								
Alternative Investments Ironwood Partners (3/1/04) HFR FOF: Conservative	\$7,234,361	4.7%	4.0%	-1.3% -1.9%	1.8% -3.4%	-2.8% -3.7%	5.6% -0.9%	1.5% -0.5%	1.2% 0.0%	3.3% 1.8%
Ironwood Partners (NDM Gift) (8/1/05) HFR FOF: Conservative	\$2,084,214	1.3%	1.0%	-1.3% -1.9%	1.6% -3.4%	-3.2% -3.7%	5.7% -0.9%	1.5% -0.5%	1.2% 0.0%	2.4% 1.3%
Titan Advisors (3/1/07) HFR FOF: Diversified	\$8,253,923	5.3%	4.0%	0.0% -1.7%	0.4% -3.9%	-2.2% -3.7%	1.7% -0.4%	4.0% 0.7%	N/A 0.7%	3.9% -0.9%
Archstone Offshore (5/1/10) HFR FOF: Diversified	\$7,466,203	4.8%	4.0%	-3.9% -1.7%	-7.1% -3.9%	-8.3% -3.7%	-3.5% -0.4%	N/A 0.7%	N/A 0.7%	-2.7% -0.7%
Cohen and Steers Realty (12/16/08) NAREIT US REIT Index	\$3,516,166	2.3%	2.5%	-11.2% -11.0%	-6.9% -6.1%	-16.3% -15.1%	0.8% 0.9%	N/A -2.0%	N/A -2.4%	18.0% 17.0%
Deutsche Bank Liquid Comm. Fund (1/1/08)	\$3,391,167	2.2%	2.5%	-14.5%	-6.8%	-11.3%	6.4%	-9.2%	N/A	-6.8%
DTC Private Equity II (\$5 Million) ¹ (12/15/05)	\$4,278,373	2.8%	5.0%			6.6%				7.2%
DTC Private Equity III (\$2.5 Million) ¹ (07/10/08)	\$741,207	0.5%				1.3%				-3.4%
Greenspring Global Partners IV (\$2.5 Million) ¹ (8/8/08)	\$1,616,191	1.0%				11.4%				11.3%
Foundation Enterprise Holdings I (3/31/11)	\$462,000	0.3%				0.0%				7.9%
TOTAL ALTERNATIVE INVESTMENTS	\$39,043,805	25.1%	23.0%							

^{*}These are short-term liquid funds

TOTAL FUND

\$155,502,162 100.0% 100.0%

¹ Since Inception return represents the internal rate of return since the initial capital call of the investment.

Variance Notes:

- [1] The negative variance of \$2.1 million for endowed revenues is a result of timing on the collection of a \$1 million pledge payment in support of the College of Medicine and the early collection last fiscal year of a \$1 million gift in support of University-Wide Scholarships & Programs (collected early due to the suspension of the State matching program effective June 29, 2011).
- [2] The positive variance of \$461,000 for Scholarship and Program revenues is a result of a new gift made to the Office of Engagement for \$388,000 as well as the early collection of various smaller gifts across various units.
- [3] The negative variance of \$172,000 in unrestricted annual revenues is a result of a lag in collection of Board of Directors unrestricted membership dues; delays in billing and receipt of President's Council dues; transition in staffing and changes in fund raising strategies related to the Annual Giving program; and changes in how the Foundation/Advancement Initiative is currently collected compared to how it was budgeted (budget assumed the 3% fee would be charged on the entire pledged amount and netted against the first installment, however currently, the fee is being charged on the cash installment received).
- [4] The Board of Directors agreed to not budget the change in contributions receivable for FY 2011-12 since it relates primarily to gift requests and agreements under negotiations. The actual change in contributions receivable for the 3-month period ended September 30, 2011 totaled \$14.8 million, \$11 million of which pertains to new State match receivables for gifts received last June (submitted to the State on August 27, 2011) and the difference representing an excess of new signed gift agreements over pledged payments.

Below is an aging schedule of all Foundation contributions receivable as of September 30, 2011 net of a 1.1% allowance for doubtful accounts equal to \$689,194:

	CURRENT YEAR	1 - 2 YEARS	3 - 4 YEARS	5+ YEARS	TOTAL
NON-ENDOWED*	\$5,464,763	\$3,494,418	\$1,405,438	\$845,595	\$11,210,213
ENDOWED*	\$4,812,835	\$2,826,704	\$10,570,521	\$32,544,501	\$50,754,562
TOTAL*	\$10,277,598	\$6,321,122	\$11,975,959	\$33,390,096	\$61,964,775

^{*} Receivables on the statement of financial position total \$57.6 million and are discounted by \$4.8 million to their present value. The total also includes other receivables such as dues receivables, workman's compensation claim reimbursements, and an intercompany receivable from the College of Nursing and Health Sciences totaling \$503,933.

- [5] Investment returns for fiscal year 2011-12 were projected at 6.5% or \$10.7 million, based on a beginning balance of \$125 million. The monthly budgeted returns were forecasted based on our asset allocation and the historical performance of indexes for each asset class. Total fiscal year-to-date returns totaled -11.8%, or \$20.8 million. The biggest contributors to these losses were equities, which were down 20.2% for this period, followed by alternative investments, which were down 4.5%. Fixed income investments delivered gains of 2.2% as of September 30, 2011.
- [6] The positive expense variance of \$945,000 for Scholarships and Programs is a result of timing of expenses incurred primarily in the College of Business Administration, College of Nursing and Health Sciences, Frost Art Museum, and College of Medicine. The majority of these expenses are expected to be incurred by the end of the second quarter.
- [7] The positive variance of \$211,000 for unrestricted annual expenses is a result of timing of budgeted expenses in Advancement Operations and Fundraising & Stewardship as well as delays in the Annual Giving program campaign (mail solicitations and call center) due to transition in staffing and changes in fund raising strategies related to the program.

- [8] The positive variance of \$151,000 for MARC building expenses is a result of expenses related to repairs & maintenance that have not yet been billed by Facilities Management and a \$30,000 interest payment made last fiscal year but budgeted for payment on July 1st.
- [9] The positive variance of \$102,000 for Administrative Reserve expenses is a result of timing of budgeted expenses related mainly to Lobbying and reimbursement of the President's salary.
- [10] The General Reserve is comprised of earnings made on non-endowed accounts, including realized and unrealized gains and losses made on the sale of gifts of stock (brokered through Merrill Lynch). All investment earnings, however, are held in the General Reserve until endowment earnings are distributed at year-end. As of September 30, 2011, 23.6% of the total amount invested (equal to approximately -\$4.9 million) pertained to non-endowed accounts; the remaining 76.4% (equal to approximately -\$15.9 million) pertained to endowments. The ending balance in the General Reserve is estimated at \$763,000.

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Priorities for the 2012 Legislative Session

Proposed Committee Action:

None. Discussion Item.

Background information:

Florida International University's top legislative priorities for the 2012 session include:

- 1. Sustain the State's Investment in University Operations
- 2. Fully Fund the College of Medicine
- 3. Support New Florida
- 4. Funding for Fixed Capital Outlay
- 5. Matching of Major Gifts
- 6. Support for Faculty and Staff

Annually, the Florida Board of Governors (BOG) must prepare and submit a State University System (SUS) Legislative Budget Request (LBR) for state appropriated operating funds. The following goals and objectives of the SUS Strategic Plan were addressed in the 2012-13 LBR:

- 1. Access to and production of degrees
- 2. Meeting statewide professional and workforce needs
- 3. Building world-class academic programs and research capacity
- 4. Meeting community needs and fulfilling unique institutional missions

These System goals and objectives, as well as institutional goals and initiatives are outlined in the BOG's 2012-13 LBR.

Supporting Documentation: Building a Better Florida, FIU's Priorities for the 2012

Legislative Session

Florida Board of Governors, 2012-13 State University System and Board General Office Legislative Budget

Request

Facilitator/Presenter: Stephen A. Sauls



Building a Better Florida Priorities for the 2012 Legislative Session

FIU encourages the Florida State Legislature to partner with state universities in working towards improving institutional and system quality, increasing baccalaureate degree production and providing appropriate and predictable funding. FIU's top legislative priorities for the 2012 session include:

I. SUSTAIN THE STATE'S INVESTMENT IN UNIVERSITY OPERATIONS

FIU's primary objective for the 2012 appropriation is to maintain current funding levels for university programs. Since 2007-2008, there has been more than a 23% reduction in state funds to university base budgets. For FIU to help build a better Florida, minimizing further reductions is imperative. FIU has implemented an aggressive budget reduction plan while simultaneously remaining committed to providing the best possible educational opportunities for its 46,000 students and the community. While enrollment continues to grow, FIU remains committed to educating and graduating its current students and meeting the community's need for access to a quality public university.

II. FULLY FUND THE COLLEGE OF MEDICINE

For 2012-2013, \$946,098 in incremental start up funds is needed for year 6 of implementation of the FIU College of Medicine. FIU urges the Legislature to fully support the funding request as approved by the Board of Governors in accordance with the LCME accreditation plan. On March 23, 2006, the BOG approved the implementation of a new medical school at FIU. The Legislature followed suit during the 2006 session by authorizing the College of Medicine at FIU. This request reflects new dollars and will keep the College of Medicine on track to full implementation and accreditation.

III. SUPPORT NEW FLORIDA

The Board of Governors requests \$152M in incremental operating funds for the New Florida initiative. New Florida is a long-term strategy and roadmap for how Florida's State University System can help build Florida's knowledge and innovation economy through research and commercialization. It will allow state universities to focus on areas that will increase STEM education and research, innovation, job creation, and growth and economic development. Focus areas include: supporting university activities that assist in creating more private sector jobs, increasing the development of talent for Florida's economy, and ensuring quality universities.

IV. FUNDING FOR FIXED CAPITAL OUTLAY

Public Educational Capital Outlay (PECO) is critical to the continued growth and in turn success of FIU. FIU's request for Facilities/Infrastructure/Capital Renewal is \$10.5M. FIU's PECO priorities include the Student Academic Support Center at \$7.8M, Land Acquisition at \$2M, and the Satellite Chiller Plant at \$7M. (Note: final revenue estimate remains pending).

V. MATCHING OF MAJOR GIFTS

FIU encourages the Legislature to consider funding the Courtelis Facility Enhancement Challenge Grant Program and the Matching Gifts Program for the State University System. The Courtelis Grant Program provides a dollar for dollar match for facilities. A \$5.3M match is pending for FIU. The Matching Gifts program is a powerful incentive that FIU uses to leverage large private donations that enhance the university's ability to attract recognized scholars, provide scholarships, and support program improvements. Currently, FIU has \$29.5M in line awaiting a state match.

VI. SUPPORT FOR FACULTY AND STAFF

The 2012-2013 academic year could be the sixth consecutive year in which university faculty and staff do not receive a state-funded across the board pay raise and may see continued changes to benefits. FIU urges the Legislature to support a faculty/staff pay package. Further changes to state employee total compensation packages, including a reduction in health benefits, could have a disproportionate and adverse impact on low income staff and will inhibit recruitment of the best faculty on the national market.

STATE UNIVERSITY SYSTEM OF FLORIDA BOARD OF GOVERNORS

Budget and Finance Committee September 14, 2011

SUBJECT: 2012-13 State University System and Board General Office Legislative Budget Request

PROPOSED COMMITTEE ACTION

Approve the 2012-13 operating Legislative Budget Request for the State University System and the Board General Office and allow the Chancellor to make technical changes as necessary.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution

BACKGROUND INFORMATION

Annually, the Board of Governors must prepare and submit a State University System and a Board General Office Legislative Budget Request (LBR) for state appropriated operating funds. Both budgets must be reviewed and recommendations made on the issues to be included in the 2012-13 LBR.

State University System (SUS):

For the SUS, total funding of \$3.99 billion is requested. This represents a 14.8% increase over the current year appropriation. Two major components drive this increase; New Florida funding of approximately \$150 million and the major gift matching program of \$283 million. The New Florida initiative has 2 major strands; STEM / Research and Access / Improving Graduation rates. Significant effort will be placed on improving STEM fields, enhance research efforts, providing student access for institutional growth and improving graduation / retention rates.

The SUS budget can be divided into 2 primary areas; the Education and General (E&G) core budget and the special units/state initiatives budget.

a. The E&G core budget increase focuses on two main areas; The STEM/Research and Access/Improved Graduation Rates, with continued funding for plant

operations and maintenance for new and existing facilities, and the Florida Institute of Oceanography. The net increase to the E&G core budget is \$237 million or a 7.1% increase over the current year. With the adoption of the proposed LBR, the SUS core E&G appropriation per full-time equivalent student will increase by \$577 or 5.4% to \$11,185.

b. The special units/state initiatives portion of the budget requests an increase of \$306 million and focuses on continued support of the new medical schools and matching funds for private donations.

Board General Office:

The Board General Office budget requests totals \$5.7 million, an increase of 3.3%. This request would provide funding for 52 positions and associated support costs. This includes funding to enhance one currently vacant position that would be responsible for STEM and Health initiatives. This position will be closely linked to the overall SUS request of funding for STEM and research initiatives. This position will coordinate STEM and Health activities for the university system, focusing on STEM and Health degree production. This position will work with Universities to find ways to efficiently and effectively develop STEM programs, increase STEM and medical degree production, and increase research activities.

The Chancellor recommends approval of the SUS and Board General Office LBRs.

Supporting Documentation Included: See Table of Contents

Facilitators/Presenters: Tim Jones

State University System of Florida 2012-2013 Budget Executive Summary

	2012-13 Budget
2011-12 Total Appropriations	
2 State Support	\$1,998,807,132
3 Tuition Support	\$1,480,377,367
4 Sub-total	\$3,479,184,499
2011-2012 Non-recurring Appropriations	(\$25,780,770)
8 2011-2012 Beginning Recurring Base Budget	\$3,453,403,729
2012-2013 Budget Issues:	
STEM, Research & Other Areas of Strategic Emphasis (\$91 M)	
STEM / Research Initiatives	\$77,415,985
21st Century World Class Scholars in STEM	\$10,000,000
14 Florida Institute of Oceanography	\$1,174,500
Professional Science Master's Statewide Initiative	\$331,200
Florida Small Business Development Center Network	\$2,078,315
17 Student Access & Improving Graduation/Retention Rates (\$63 M)	
Student Access / Improved Graduation Ratess	\$53,047,966
19 Florida Critical Languages Network	\$516,500
20 Auxiliary Learning Aids	\$5,000,000
Florida Distance Learning Consortium/FACTS.org	\$715,267
Building Academic and Administrative Support Infrastructure - NC	
23 Medical School Phase-in - FIU/UCF	\$1,946,098
24 Medical* School Student Phase-in Tuition Authority - FIU/UCF/FAU,	
25 Major Gifts Matching Endowment Program	\$282,551,025
26 Annualization of PO&M** for 2011-12 Phased-In Facilities	\$4,115,667
PO&M for 2012-13 New Facilities	\$7,528,719
28 PO&M for Existing Facilities	\$6,255,199
29 Moffitt Cancer Center	\$2,900,000
30 Institute of Human and Machine Cognition	\$3,000,000
Annualization of 2011-12 Tuition Increases - Tuition Authority	\$14,746,882
32 Estimated 2011-12 Enrollment Alignments - Tuition Authority	\$58,854,270
33 Sub-total	\$542,980,319
35 Total 2012-2013 Budget	\$3,996,384,048
36 % Increase over 2011-2012 Total Budget (Line 4)	14.87%
37	\$1,973,026,362
38 2011-2012 Beginning State Support	\$459,876,441
Increase in State Support Total State Support Needed for FY 2012-13	\$2,432,902,803
41 42 2011-2012 Beginning Student Tuition Support	\$1,480,377,367
the state of the s	\$83,103,878
43 Increase in Student Tuition Support (Assuming no Tuition Increase) 44 Total Tuition Support Needed for FY 2012-13	\$1,563,481,245
45 46 Total Support	\$3,996,384,048

^{*} FIU/UCF/FAU - Medicine; USF - Pharmacy

^{**} Plant Operations & Maintenance

State University System Florida Board of Governors 2012-13 Legislative Budget Request Development Policy Guidelines

Pursuant to Section 7, Article 9 of the Florida Constitution, the Board "...shall operate, regulate, control, and be fully responsible for the management of the whole university system." Included within this responsibility is the development of a Legislative Budget Request (LBR). In addition, Section 216.023(1), Florida Statutes, requires the submission of a LBR to the Legislature and Governor based on an independent judgment of needs.

The 2012-2013 LBR shall be need-based and will provide flexibility for the Board of Governors (Board) and universities' boards of trustees to jointly manage the system to meet the critical needs of the state, achieve the statewide goals and objectives of the State University System (SUS) Strategic Plan, address specific institutional issues as outlined in the university work plans, and demonstrate accountability/justification. The following goals and objectives of the SUS Strategic Plan will be addressed in the request:

- 1. Access to and production of degrees
- 2. Meeting statewide professional and workforce needs
- 3. Building world-class academic programs and research capacity
- 4. Meeting community needs and fulfilling unique institutional missions

These System goals and objectives, as well as institutional goals and initiatives outlined in university work plans, should be incorporated into the following priorities, which will be reflected in the LBR:

Operating and Specialized Program Funds:

- 1. Continuing costs associated with existing programs This policy addresses the funds needed to continue existing programs.
 - a. Administered Funds Funds will be requested for the annualization associated with the 2011-2012 change in employee salary and benefits, if appropriated by the 2011 legislature.
 - b. Major Gift Program Funds will be requested to continue support at 100% for the major gift matching program.
 - c. Plant operations and maintenance for new and existing buildings -

Approved 3/24/11

- i. Funds will be requested for the annualized operations and maintenance costs for buildings completed and phased-in during 2011-2012;
- ii. Funds will be requested for the operating costs for new buildings to be completed and occupied in 2012-2013.
- iii. Funds will be requested for the increased utilities and operating costs of existing buildings.
- d. Faculty and Staff Retention Keeping qualified faculty and staff is paramount to student success, and ensuring that the universities continue to be included in administered funds will be closely monitored.
- e. Medical Education Funding will be requested for continued implementation of the FIU and UCF medical schools and for Board approved issues at existing medical schools.
- 2. SUS Strategic Plan Goals Program and funding requests will be considered to increase access, address shortages in critical state workforce areas, and for the development and maintenance of nationally and internationally preeminent academic programs and research centers.
- 3. New Florida The ability to build the knowledge and innovation economy requires high-technology, high-wage jobs in the fields of science, technology, engineering and mathematics (STEM), as well as medicine and health care, finance, insurance, professional services, and education. The SUS can and should be the driver of Florida's new economy. Funding will be requested for this initiative.
 - Utilizing university work plans and the accountability metrics in the annual report, New Florida funding will focus on increased targeted degrees, workload increases; attracting top-level students, researchers, and industry; creating a strategic research agenda; and focusing each university on fulfilling its distinctive mission.
- 4. Task Force Reports and Studies Consideration will be given to initiatives recommended in any task force reports or studies and endorsed by the Board.
- 5. Shared System Resources Consideration will be given to initiatives that allow for greater efficiencies through shared system resources.

Approved 3/24/11

6. If a university received non-recurring funds for an initiative and that initiative is a priority for continued funding, then the university should submit that issue for consideration by the Board.

The following represents the timeline for submission of the SUS 2012-2013 LBR for operations:

• March: The Board approves the LBR Policy Guidelines.

• May: Universities submit LBR issues as a component of the 2011

work plans.

• June: Review university work plans in which goals, initiatives,

and financial assumptions are aligned with submitted LBR

issues.

July – Aug: Chancellor works with universities to develop any system

and university LBR issues.

• September: Board approves the operating LBR.

• October: Operating LBR is submitted to the Governor and

Legislature.

• January: If necessary, potential amendments will be considered.

Fixed Capital Outlay Funds1:

- 1. Public Education Capital Outlay (PECO) funding for Remodeling/Renovation/Maintenance/Repair will be requested pursuant to the provisions of Section 1013.64(1)(a), Florida Statutes.
- 2. The university's approved Five Year Capital Improvement Plan (CIP) will be prioritized, in the first year, as indicated below. Written justification, noting any exceptions to the priorities provided by the guidelines, and explaining why a priority exception is in the best interest of the university should be included in the cover letter submitted with the CIP package. This will assist Board staff in comparative evaluation of university projects, and justification in terms of relative system ranking for placing in system priority order. Each university should submit one and only one prioritized, sequentially numbered list.

¹ Each university must incorporate utilization data as a factor in prioritization of university CIP funding requests to the Board. Programs with classroom and teaching lab space utilization below the current SUS standard will not be eligible for inclusion on the university CIP. General purpose classroom or teaching lab space (space not designated for a specific academic program or discipline) will not be eligible for inclusion if utilization was below the SUS standard for 2011-12. This standard applies both to the university as a whole and on a site- specific basis.

Funding will be requested for institutional survey recommended² PECO projects in the following priority order:

- a. Matching external funds from non-private sources.
- b. Continuation projects
 - i. Funded by the Legislature in the amount and in the year as last included on the Board adopted three year list.
 - ii. Funded by the Legislature, but not on the Board adopted three year list.
 - iii. Require additional funding to complete project as originally requested.
- c. Utilities/infrastructure/capital renewal/roofs needs.
- d. Renovation and remodeling projects to meet current space needs, structural/mechanical repairs, and technology upgrades that are in accordance with Section 1013.64(4)(a), Florida Statutes. (Survey recommendation)
- e. Instructional, then research, followed by support space needs to include projects that will bring each university to the system average percentage of formula need.
- f. Projects to provide specialized space for a newly approved academic program.
- g. Land or building acquisition in accordance with university board of trustees adopted master plans.
- h. Non-survey recommended projects.
- 3. Special consideration and emphasis will be given to proposed joint-use PECO projects that meet the requirements of Section 1013.52, Florida Statutes, as well as PECO projects included in university work plans as a component of the New Florida initiative.
- 4. State matching funds for the facilities enhancement matching program will be requested for eligible projects as proposed by the universities that meet the requirements of Section 1013.79, Florida Statutes.
- 5. Required legislative authorizations will be requested for externally funded projects as proposed by the universities, in accordance with Section 1010.62, Florida Statutes.
- 6. Each facilities project should be designated by strategic type:

Medical Education

Approved 3/24/11

² Specific survey recommendation is not required for infrastructure and matching funds projects.

Strategic Discipline (Teaching, Nursing, Engineering)
Economic Development/Enhanced Critical Research
Improved Geographic Access
Campus Sustainability
Increased Baccalaureate Production
Other

The following represents the timeline for submission of the SUS 2011-2012 Fixed Capital Outlay LBR.

March The Board approves the LBR Policy Guidelines.

• April: Chancellor provides draft technical instructions and requests

universities to submit their five-year CIPs to include proposed

projects and authorizations. Board staff will review draft CIPs with

university designee(s).

May Universities submit five-year CIP summary as a component of the

2011 work plans.

• June: The Board reviews university work plans which includes proposed

five-year CIP summary August: Universities submit five-year

CIPs.

September: Board approves the fixed capital outlay LBR.

• October: Fixed capital outlay LBR is submitted to the Governor and

Legislature.

• December: Universities submit amended FCO requests to Board.

• January: Board approval of amended FCO requests.

March: If necessary, potential PECO amendments to reflect March PECO

revenue estimating conference allocations.

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Division of Research - Bonding Research Facility

Proposed Committee Action:

None. Discussion Item.

Background information:

The FIU Division of Research has continued its long-term efforts to grow and improve the quality of academic and research programs. It has done so by improving support for the faculty in its endeavors to conduct cutting-edge research, growing the breadth and quality of the research enterprise and providing necessary resources, both physical and monetary, to support research efforts of faculty and students.

Currently, there are 17 existing laboratories available for renovation or retrofitting for faculty recruitment for the current fiscal year, and there is very limited "dry" laboratory space for growth among current faculty and students. This space is insufficient for the projected growth in research activities by current faculty and projected growth in new faculty research, as well as projected growth in graduate students and postdoctoral fellows. While new buildings scheduled to open in 2013 (SCC, Stempel, IHRC) will provide 65 new laboratories, the project need (based on new research faculty to be hired during next four years) will be 106—a minimum shortfall of 41 laboratories.

In order to meet the needs related to this planned growth in research activities, doctorate programs, faculty hiring, and new specialized research areas, the Division of Research will be requesting this Board's approval next spring for construction and financing of the "Research I" building dedicated to research functions. The facility will meet research needs to include "dry" and "wet" laboratory space; "core" research facilities and "recharge" research centers; faculty and graduate student office space, and research administrative offices (i.e., Division of Research, Research Compliance, Clinical Trials Management, incubator space connected to University research commercialization, as well as Science, Technology, Engineering and Mathematics [STEM] student programs).

The building will encompass a minimum of 80,958 gross square feet and will be located at the current Master Plan site for the "Research I" building. The projected completion date is in August 2014, at an approximate cost of \$40,000 and will be financed by bonding F&A (overhead) from grants and contracts. Additional funding for research floors, research equipment, and business incubator space will be sought from the Economic Development Administration (EDA), and the National Center for Research Resources (NCRR). The mixed-used research building will meet the expansion needs of the entire research enterprise at FIU, while simultaneously enhancing research breadth and quality for FIU faculty and students.

Supporting Documentation: N/A

Facilitator/Presenter: Andres G. Gil

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Treasury Report

Proposed Committee Action:

None. For information only.

Background Information:

The Treasury Report provides a comparison of fiscal YTD performance vs. benchmarks by investment style, treasury summary and operating funds portfolio for the quarter ending September 30, 2011.

Supporting Documentation: Treasury Report

Facilitator/Presenter: Tony Vu



For quarter ending September 30, 2011

Treasury Report for FIU Board of Trustees Finance and Audit Committee 11.22.2011

LIQUIDITY

Real Days Payable¹

Overall, the university ended the quarter with \$348.8 million in available cash and investment balances. \$283.7 million, or 81 percent, of these balances were accessible within 5 business days. Average daily cash outflow rate was \$4.5 million and \$3.8 million based on monthly and FYTD activity, respectively. At quarter end, the university had 64 real days payable based on monthly outflows and 75 real days payable based on FYTD outflows.

Stress Tests

The university analyzes the possible effect of negative market performance on its liquidity position. At quarter end, difficult investment conditions would generate an estimated 7 percent loss in the portfolio or \$23.7 million in unrealized losses. Liquidity, as measured by 5 day accessibility, would drop to \$281.3 million, still 81 percent of the total available cash and investment balances. Real days payable would drop to 74 days based on FYTD outflows.

Extreme negative market conditions represented by a 14 percent loss or \$47.4 million in unrealized losses to the portfolio would result in a drop in liquid balances to \$112.1 million, or 32 percent of the total current available balances. This balance translates into 30 real days payable based on FYTD outflows.

CASH FLOWS

Outflows

The velocity of cash outflows was \$4.4 million per day in the month of September versus the FYTD velocity of \$3.8 million per day. Total cash outflows totaled \$98.2 million in September and \$253.0 million FYTD.

Inflows²

The velocity of cash inflows was \$5.1 million per day in the month of September versus the FYTD velocity of \$5.6 million. Total cash inflows totaled \$112.3 million in September and \$366.5 million FYTD.

INVESTMENTS

Performance

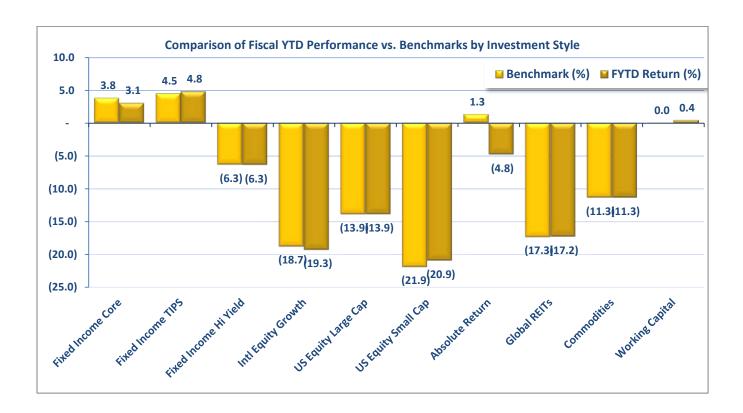
Most of the asset classes in the University's investment portfolio experienced negative performance in 1Q 2012 with the exception of Working Capital, Fixed Income Core and Fixed Income TIPS. Overall, the portfolio experienced negative returns of 3.0 percent. The Strategic/Reserve Pools experienced negative returns of 5.2 percent and the Working Capital Pool gained 0.4 percent for 1Q 2012. The following chart

¹ Real days payable represents the available balance of liquid funds divided by the average cash outflows of the university. The calculation uses the available balance in the university's bank accounts plus the market value of investments that are accessible within 5 business days as its balance of liquid funds.

² Cash inflows reported here include direct transfers from the state. The Treasury Summary, available at finance.fiu.edu/treasury/downloads/Monthly_Treasury_Summary.pdf includes transfers from the state in the W/C (Working Capital Pool) Transfers.

details the returns by asset class. Returns from the State Treasury's Special Purpose Investment Account (SPIA) totaled 0.6 percent during the same period.

As shown below, most of the investment managers met or exceeded benchmarks for the period. The Absolute Return Manager (-4.8 percent versus 1.3 percent benchmark), International Equity Growth Manager (-19.3 percent vs-18.7 percent) and Fixed Income Core Manager (3.1 percent versus 3.8 percent benchmark) each lagged against the benchmark.

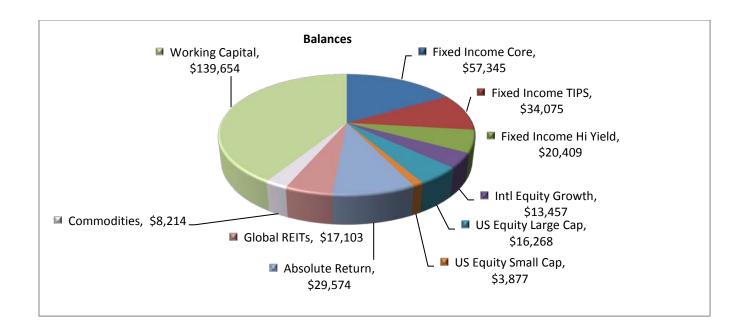


Composition

Asset allocations at the end of 1Q 2012 remained within policy guidelines. The University Investment Committee is currently considering adding an investment allocation to a Private Equity manager. Appropriate rebalancing action will be discussed at the next investment performance review meeting.

The quarter-end market value of the University's operating investment portfolio totaled \$340.0 million. This balance reflects an increase of \$62.9 million (22.7 percent) from the ending balance of the previous quarter. The quarterly increase was due to seasonal increases within the Working Capital Pool mainly attributable to the collection of tuition and fees at the start of the Fall semester. The University's quarter-end market value of total operating investment portfolio increased \$37.7 million (12.5 percent) over the ending balance of 1Q 2010. The year over year increase results from additions to the Working Capital Pool and an overall 1.8 percent portfolio return.

The following chart details the allocation of investments within the University's operating investment portfolio.



Meetings

The Investment Committee met on October 20, 2011 to discuss Private Equity options. The Committee last met on November 17, 2011 to review investment performance and discuss portfolio rebalancing. The investment committee consists of:

Membership

Sukrit Agrawal, Chair, Finance and Audit Committee, FIU Board of Trustees
Chun-Hao Chang, Ph.D. Department Chair, Finance and Real Estate, College of Business Administration
Kenneth A. Jessell, Ph.D., SVP & CFO, Office of Finance & Administration
Tony Vu (Chair), University Treasurer, Office of the Treasurer
William Welch, Ph.D., Retired, College of Business Administration

Consultant

Bill Bensur, Vice President, Wilshire & Associates

DEBT

Outstanding

The University and Direct Support Organizations ended 1Q 2012 with \$167.8 million in outstanding debt. The University outstanding debt of \$124.8 million consists mainly of revenue bonds totaling \$71.3 million for housing and \$52.8 million for parking auxiliaries. Direct Support Organization outstanding debt of \$42.9 million includes of stadium bonds with \$34.0 million outstanding and Foundation loan with \$8.9 million outstanding.

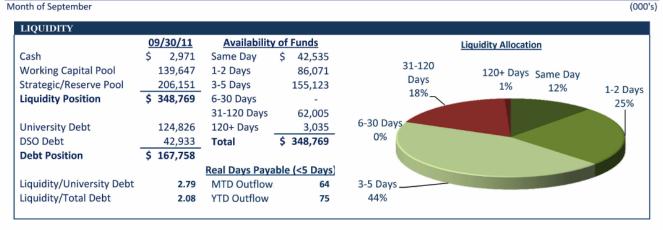
Refunding

The University is currently in the process of refunding \$22.6 million outstanding in its Series 1998 and 2000 bonds. Previous housing bonds were unrated, as they were insured by various bond insurers. As a part of the refunding the University worked with the state's Division of Bond Finance to establish credit ratings for the refunding bonds. Moody's, Standard & Poor's and Fitch rate the housing debt at Aa3, A and A+, respectively, with all three agencies viewing the outlook of the housing system at 'stable.' Moody's and Standard & Poor's also affirmed their Aa3/stable and AA-/stable ratings of the parking

system debt in their respective reports on October 2011. Fitch had previously affirmed their A+/stable rating of the parking system debt in September 2011.

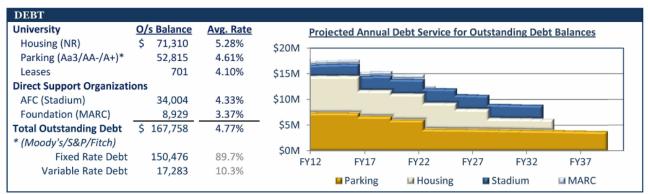
The refunding housing bonds are scheduled for competitive sale in early November 2011 and will generate significant savings for the University.





CASH FLOWS						
Cash Account		<u>Week</u>		MTD		YTD
Opening Balance	\$	2,960	\$	3,101	\$	13,365
W/C Transfers		(500)		13,000		(26,500)
Cash Inflows		9,619		85,094		269,081
Cash Outflows	_	(9,108)	_	(98,225)		(252,975)
Ending Balance	\$	2,971	\$	2,971	\$	2,971
Working Capital Pool						
Opening Balance		139,147		65,216		107,764
Transfers In/(Out)		500	_	74,431		31,884
Closing Balance	\$	139,647	\$	139,647	\$	139,647
\$400M \$300M \$200M	asn	+Investme	ent r	orecast	//	
\$100M	Acti	ual ecast		Bud _i 12M		iling
M A M J	J	A S		O N D	J	F M
\$0M	Fore	ecast		12M	Trai	

INVESTMENTS			
Investment Class	<u>Balance</u>	FYTD Ret	1Y Trailing
Strategic/Reserve Poo	ol		
Fixed Income	\$ 77,338	0.4%	4.2%
Real Assets	63,139	-4.9%	2.6%
Equity	35,435	-16.7%	-5.0%
Absolute Return	30,240	-4.8%	-0.6%
Working Capital Pool	139,647	0.4%	2.0%
Cash	2,971	0.0%	0.0%
Total	\$ 348,769	-3.0%	1.8%
Working Capital Pool 40%	Cash 1%	cion	Fixed Income 22%
Absoli Retui 9%	rn	Equity 10%	Assets 18%



September 30, 2011 (000's)

OPERATING FUNDS PORTFOLIO								
Manager	<u>Amount</u>	Allocation	<u>September</u>	Fiscal YTD	Trail 1 Year	Trail 2 Year	Trail 3 Year	Inception
Working Capital Pool	\$ 139,654	41%	0.1%	0.4%	2.0%	2.1%	1.9%	3.0%
91-day T-bill		30%	0.0%	0.0%	0.1%	0.1%	0.2%	2.0%
Strategic/Reserve Pools	200,323	59%	-4.0%	-5.2%	1.5%	6.6%	6.6%	4.6%
Weighted Avg Benchmark		70%	-3.3%	-3.5%	3.0%	6.8%	6.5%	5.2%
PORTFOLIO TOTAL	\$ 339,977	100%	-2.3%	-3.0%	1.8%	4.5%	4.7%	4.0%
Weighted Avg Benchmark		100%	-2.4%	-2.6%	2.1%	4.7%	4.6%	4.2%

<u>Manager</u>	<u>Ar</u>	nount	Allocation	September	Fiscal YTD	Trail 1 Year	Trail 2 Year	Trail 3 Year	Inception
SPIA	\$	114,564	82%	0.2%	0.6%	2.6%	2.7%	2.3%	3.3%
91-day T-bill				0.0%	0.0%	0.1%	0.1%	0.2%	2.0%
SBA-LGIP		10	0%	0.0%	0.0%	0.1%	0.1%	0.1%	1.5%
91-day T-bill				0.0%	0.0%	0.1%	0.1%	0.2%	1.8%
MS Institutional		20,064	14%	0.0%	0.0%	0.1%	0.2%	0.0%	0.2%
91-day T-bill				0.0%	0.0%	0.1%	0.1%	0.0%	0.1%
Regions		5,017	4%	0.0%	0.0%	0.2%	0.0%	0.0%	0.2%
91-day T-bill				0.0%	0.0%	0.1%	0.0%	0.0%	0.1%
WORKING CAPITAL POOL TOTAL	\$	139,655	100%	0.1%	0.4%	2.0%	2.1%	1.9%	3.0%
91-day T-bill				0.0%	0.0%	0.1%	0.1%	0.2%	2.0%

STRATEGIC and RESERVE CAPIT.	AL POOLS							
Manager	Amount	Allocation	<u>September</u>	Fiscal YTD	Trail 1 Year	Trail 2 Year	Trail 3 Year	Inception
Prudential Core	\$ 57,345	29%	0.5%	3.1%	5.3%	7.7%	9.5%	7.2%
Barclays Aggregate		28%	0.7%	3.8%	5.3%	6.7%	8.0%	6.4%
BlackRock HY Bond	20,409	10%	-3.0%	-6.3%	2.4%	11.6%	12.0%	6.8%
ML High Yield Master II		10%	-3.6%	-6.3%	1.3%	9.6%	13.7%	7.1%
FIXED INCOME COMPOSITE	77,754	39%	-0.4%	0.4%	4.2%	8.2%	9.1%	6.7%
Fixed Income Benchmark		38%	-0.4%	1.1%	4.3%	7.2%	8.4%	6.9%
Northern Trust S&P 500	16,268	8%	-7.0%	-13.9%	1.2%	5.6%	1.3%	0.0%
S&P 500		8%	-7.0%	-13.9%	1.2%	5.6%	1.2%	-0.1%
CS McKee Small Cap	3,877	2%	-11.9%	-20.9%	-4.5%	4.7%	2.1%	2.2%
Russell 2000		2%	-11.2%	-21.9%	-3.5%	4.6%	-0.4%	-0.7%
Thomas White International	13,457	7 %	-12.1%	0.0%	0.0%	0.0%	0.0%	-19.3%
MSCI EAFE Index		8%	-11.1%	0.0%	0.0%	0.0%	0.0%	-18.7%
TOTAL EQUITY COMPOSITE	33,602	17%	-9.7%	-16.7%	-5.0%	0.3%	-1.3%	-0.5%
Policy Index		18%	-9.1%	-17.1%	-4.1%	1.7%	0.2%	-1.0%
Urdang REIT	17,103	9%	-12.0%	-17.2%	-0.1%	15.3%	2.1%	2.2%
FTSE EPRA Index		8%	-12.4%	-17.3%	-1.3%	13.4%	-2.7%	-1.1%
Northern Trust TIPS	34,075	17%	-0.1%	4.8%	10.0%	10.1%	8.7%	7.7%
Barclays U.S. TIPS		18%	-0.2%	4.5%	9.9%	9.4%	8.1%	7.5%
SSGA Commodities	8,214	4%	-14.8%	-11.3%	0.0%	0.0%	0.0%	-20.1%
DJ UBS Commodities Index		5%	-14.7%	-11.3%	0.0%	0.0%	0.0%	-20.1%
REAL ASSETS COMPOSITE	59,392	30%	-6.0%	-4.9%	2.6%	0.0%	0.0%	7.1%
Policy Index		30%	-5.7%	-3.8%	3.0%	0.0%	0.0%	6.8%
Aetos Alternative Mgmt.	29,574	15%	-2.1%	-4.8%	-0.6%	3.0%	2.5%	2.1%
CPI +3.25%		15%	0.4%	1.3%	7.2%	5.8%	4.5%	5.6%
ABSOLUTE RETURN COMPOSITE	29,574	15%	-2.1%	-4.8%	-0.6%	3.0%	2.5%	2.1%
CPI +3.25%		15%	0.4%	1.3%	7.2%	5.8%	4.5%	5.6%
STRATEGIC AND RESERVE POOL TOTAL	\$ 200,322	100%	-4.0%	-5.2%	1.5%	6.6%	6.6%	4.6%
Weighted Average Benchmark	-	8%	-3.3%	-3.5%	3.0%	6.8%	6.5%	5.2%

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Athletics Update

Proposed Committee Action:

None. For information only.

Background information:

The Athletics Update provides a report on fundraising activities since the Finance and Audit Committee last met on August 17, 2011.

Supporting Documentation: Athletics Update

Facilitator/Presenter: Pete Garcia



ATHLETICS UPDATE November 22, 2011

Reports (For Information Only – no action required)

Pete Garcia, Executive Director of Sports & Entertainment

Fundraising Report

FIU Foundation, Inc.

Fundraising revenues are unfavorable \$66,000 on a year-to-date basis as of September 30, 2011.

- This variance is primarily driven by timing of donations versus budget
- Bank of America Affinity Card revenues are unfavorable \$15,000 to budget as of September 30, 2011

FIU Foundation, Inc. Preliminary Recap of Statement of Activities Through the Period Ended September 30, 2011 (in thousands)

	Actual	Budget	Variance
Revenues	\$112	\$178	(\$66)

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: University Compliance Report

Proposed Committee Action:

None. For information only.

Background information:

The University Compliance Program Report provides an update on the status of compliance initiatives since the last report dated July 22, 2011.

Supporting Documentation: University Compliance Report

Facilitator/Presenter: Leyda Benitez



MEMORANDUM

University Compliance Office

To: The Florida International University

Board of Trustees Finance and Audit Committee

From: Leyda Benitez, J.D.

University Compliance Officer & Interim Privacy Officer

Subject: University Compliance Program Report

Date: October 20, 2011

The University Compliance Office respectfully submits this report to the Finance and Audit Committee of the Florida International University Board of Trustees on the status of compliance initiatives since the last report dated July 22, 2011.

Executive Summary

This report captures compliance initiatives undertaken during the first quarter of Fiscal Year 2011-2012. Of primary importance are efforts underway to strengthen the University Compliance Program at Florida International University through the adoption of Enterprise Risk Management to identify and prioritize compliance risks and initiatives and the creation of a University Compliance Program Advisory Committee. Significant efforts have been dedicated to privacy and data security; the implementation of the U.S. Department of Education Program Integrity Rules; export controls compliance; and the review of policies and procedures that will govern a newly created compliance program for the University's academic health center and Health Care Network.

A. New Compliance Initiatives and Activities

1. Enterprise Risk Management and University Compliance
Program Advisory Committee: The University Compliance
Program will adopt Enterprise Risk Management (ERM) as a
tool it utilizes to identify and prioritize compliance risks and

initiatives at Florida International University. The ERM process and methodology were presented to the Operations Committee on October 3, 2011. At that time, the creation of a University Compliance Program Advisory Committee with broad based representation from the University community was also presented and approved. These programmatic initiatives will serve to strengthen the University's infrastructure to support compliance by increasing the level of awareness and knowledge regarding the institution's ever more complex regulatory landscape and the efficiency and effectiveness of resources dedicated to address these compliance concerns.

- 2. Consolidated Reporting on Compliance Initiatives: Another programmatic initiative currently underway is to consolidate the reporting on compliance initiatives of the various University offices and functions with day-to-day operational compliance responsibility. As we move toward such consolidated reporting, we are developing a more uniform matrix that the various areas will follow in reporting to this Committee, including the use of indicators that increase the accessibility to this information. At present, we incorporate the report issued by Environmental, Health and Safety on the status of their compliance initiatives during this first quarter. The Safety & Environmental Compliance Status Report is attached as Exhibit "A."
- 3. Academic Health Center/Health Care Network Compliance Program: On October 19, 2011, a workshop was held with the Finance and Audit Committee of the FIU-Health Care Network, Inc. and senior leadership of the Academic Health Center in order to review, discuss and recommend for approval the Academic Health Center/FIU-HCN Code of Conduct, Compliance Program and compliance policies and procedures. The Code, Program and policies will serve to guide the clinical and administrative support activities of the Academic Health Center and FIU-HCN. The leadership welcomed Ms. Kathleen Ojala who joined Florida International University on October 3, 2011 as the compliance officer for the Academic Health Center and FIU-HCN. Ms. Ojala joins us from The Ohio State University Medical Center, where she served in the capacity of Associate Compliance Director from 2008 to 2010 and as the Interim Compliance Director since 2010.

B. Updates

- 4. <u>U.S. Department of Education Program Integrity Rules</u>: The University has made great progress in the implementation of these regulations which aim to improve the integrity of the federal financial aid programs. In order to be eligible for federal financial aid (Title IV) funds, an educational program must: be offered by a public or non-profit institution and lead to a degree; or be offered by any institution and "lead to gainful employment in a recognized occupation." On August 22, 2011 and again on September 19, 2011, progress on implementation of these regulations was presented to the Operations Committee. These regulations create continuing obligations on the institution and cover areas such as:
 - a. <u>Distance Learning</u>: FIU must ensure that it is "legally authorized" to provide postsecondary education in all states in which it is providing educational programs, including online learning. The Office of the General Counsel and University Compliance Office continue to meet with representatives from University College who lead Florida International University's good faith efforts to comply with this requirement. The U.S. Department of Education has indicated that it will not initiate any enforcement action for distance learning activities undertaken by an institution prior to July 1, 2014 provided the institution is making good faith efforts to identify and obtain necessary State authorizations before that date.
 - b. <u>Incentive Compensation</u>: FIU is prohibited from paying any commission, bonus or other incentive compensation which is based in any part on the success in procuring enrollments or award of financial aid. The Divisions of Human Resources and Academic Affairs reviewed all positions to ensure that any compensation arrangement based on impermissible criteria was modified to comply with these new regulations effective as of July 1, 2011.
 - c. <u>Misrepresentation</u>: The Program Integrity Rules broaden both the definition and scope of misrepresentation that violates the regulations as it relates to statements made in four distinct areas: 1) graduation rates; 2) employability of graduates and expected salaries; 3) program expected costs; and 4) transferability of credits. To ensure

compliance with this provision, the University has reaffirmed its adherence to the Statement of Principles of Good Practice issued by the National Association of College Admissions considered a best practice guideline in this area. In addition, the University's External Relations has developed University Publications Guidelines that will be widely distributed to, and discussed with, the University's Communicators Group, which consists of those University representatives that lead marketing and communications efforts on behalf of their assigned areas within the University.

- d. Gainful Employment: The Division of Academic Affairs and the Financial Aid Office have completed their analysis of those programs offered by FIU that fit within the definition of gainful employment programs which at FIU are those programs that do not lead to a degree; are not at least two years in length and fully transferable to a bachelor's degree; or do not consist of preparatory course work necessary for enrollment in an eligible program. An example of such a gainful employment program at Florida International University is the Paralegal Certificate offered through the Legal Studies Institute. The University is in the process of working with these programs' directors to determine their future course—whether they intend to continue these programs as stand-alone certificate programs or become an integral component of a degree program and gathering the information that needs to be provided to the Department of Education. The Department of Education has provided institutions until November 15, 2011 to submit the required information on these programs.
- 5. Clinical Trials Office Work Group: A small group of College of Medicine and Division of Research representatives are working to establish the operational framework for the conduct of clinical trials. The possibility of outsourcing the operational and compliance aspects of this clinical research enterprise, at least initially, is under consideration. The University Compliance Officer has been advised that a draft agreement with a third party that would perform this outsourced function has been circulated amongst University leadership from the College of Medicine and the Division of Research and is undergoing review by the Office of the General Counsel. The University Compliance Officer will report on a more definitive

> basis when more information becomes available regarding how the regulatory infrastructure to support clinical trials will be handled.

6. <u>Identity Theft Prevention Program</u>: Members of the Identity Theft Prevention Committee have met since the last report to discuss new procedures that need to be in place with the transition to the FIU One Card. The University Compliance Office and IT Security Office published a brochure on how to detect and prevent identity theft which is made available to faculty and staff during Red Flags Rule/Identity Theft Prevention education and training. A more detailed report will be presented to the Florida International University Finance and Audit Committee of the Board of Trustees at its next regularly scheduled meeting.

C. <u>University Privacy and Data Security Matters</u>

- 7. Privacy and Data Security: During the months of July through the present, the University IT Security Officer and the University Compliance Officer have worked closely to address two IT security breaches involving sensitive data—the first coming from the College of Nursing and Health Sciences and the second, Undergraduate Education.
 - a. Corrective Action Plans have been developed for both breaches. These Plans are at varying degrees of implementation which will require cooperation from both the leadership and the faculty and staff from these academic units. Particular emphasis will be placed on recognizing where sensitive data is stored, and whether such storage comports with the requisite safeguards that ensure the privacy and security of this information.
 - b. We have identified a number of IT security and privacy initiatives that are underway, or will soon be underway, in order to strengthen the environment in which our sensitive information resides. Additionally, understanding that these breaches are sometimes the result of human error, and not technological failure, the institution is stressing the benefit of enhanced IT security awareness education and training for all University faculty and staff who are responsible for access to, and maintenance of, systems and applications maintaining sensitive data.

- c. On October 13, 2011, the Information Technology Administrators Committee held its second Annual IT Security meeting. The University's IT security and privacy compliance obligations, the safeguards the University must use to ensure the privacy and confidentiality of sensitive information, and the challenges to the implementation of these safeguards in the University's open technology environment and culture were all addressed. There were a number of follow up items identified during this meeting, prominent among which was the need to raise awareness regarding IT security and privacy compliance obligations to all University constituents, including faculty and graduate students engaged in research activities that may involve sensitive information.
- d. The University IT Security Officer, the University Compliance Officer, and the IT Director for the College of Medicine continue to meet every two weeks in order to discuss ways to improve upon security and privacy, ongoing initiatives or concerns, and the development of best practices as the University implements new systems, policies or processes that will maintain sensitive information which may include personally identifiable health information protected under the Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA).

D. Monitoring and Reporting

8. Monitoring and Reporting: Since the beginning of this fiscal year, the University Compliance Office has received fourteen compliance-related inquiries. In addition, seven reports have been lodged anonymously, five through EthicsPoint, the University's ethics and compliance hotline, and two reports via alternative means.

E. Education and Training Efforts

9. <u>Compliance Education and Training</u>: Since the beginning of Fiscal Year 2011-2012, compliance-related education and training opportunities made available to the University Community have included:

FY 2011-2012							
Training	# of Presentations	# Attending					
Enterprise Risk Management	1	18					
Ethics	1	10					
Export Controls	2 1	30					
HIPAA	5	81					
Identity Theft	4	32					
Information Technology Security - Privacy	1	60					
New Faculty Orientation	1	95					
New Employee Experience	8	160					
Program Integrity Rules	2	20					
TOTAL	25	506					

F. University Policies and Procedures

10. Alcohol and Drug-Free Workplace and Campus Policy: A work group consisting of senior leadership and representatives from the Divisions of Student Affairs and Human Resources convened to discuss necessary revisions to this important University policy. Additional revisions to the policy have been requested and will be circulated for review and input by senior leadership. Once all input on this policy has been received, the revised policy will be posted to the University Policies and Procedures Library.

11. Health Insurance Portability and Accountability Act (HIPAA):

i. <u>Policies, Procedures and Forms</u>: There are ten additional HIPAA policies which are in the process of review. These policies provide the framework for

¹ One of these presentations consisted of a two-day workshop held on September 21 and 22, 2011 sponsored by the Office of the General Counsel and the Division of Research and presented by the University Exports Control Officer for the University of Central Florida. Individuals from administrative and academic units impacted by export control considerations, as well as academic deans or their designees attended.

compliance with HIPAA for the use and disclosure of personally identifiable health information in the conduct of research and also serve to comply with new requirements under the Health Information Technology for Economic and Clinical Health Act, referred to as the HITECH Act, effective February 18, 2009. These policies will be presented to senior leadership for approval by the end of this calendar year.

- ii. <u>Business Associate Agreements</u>: The University Compliance Officer is leading a work group's efforts to develop the necessary infrastructure that will permit the identification and tracking of those individuals/entities that are business associates of the University. This is an ongoing effort, with an anticipated completion date of the end of this calendar year.
- 12. Policy & Procedure Library Maintenance: Since the last report to this Committee, all current policies and procedures from the various University departments and divisions have been updated and posted. The University Compliance Office continues to reach out to other University areas to assist in the review and update of their policy documents.
 - a. The following areas have added new policies or had existing policies or procedures revised or transitioned and posted to the University's Policies and Procedures Library:
 - i. Finance & Administration
 - Payment Card Processing
 - ii. Division of Research
 - Effort Reporting and Certification Policy
 - Eligibility to Submit Proposal as Principal Investigator
 - Salary and Wage Charges on Sponsored Project Proposals
 - iii. Division of Human Resources
 - PBA Policies (2011-2014 Collective Bargaining Agreement)
 - a. Compressed Work Schedule
 - b. Disciplinary Actions

- c. Flexible Work Schedule (Flextime)
- d. Holidays
- e. Jury Duty and Court Appearances
- f. Leave Pending Investigation
- g. Neutral, Internal Resolution of Policy Disputes
- h. Off Duty Law enforcement Employment
- Permanent Status for Certified Law Enforcement Personnel
- j. Seniority
- k. Shift Differential Pay
- 1. Special Duty Pay
- m. Spot Awards
- n. Temporary or Permanent Lateral Reassignments
- PBA Lieutenants Policies (2011-2014 Collective Bargaining Agreement)
 - a. Compressed Work Schedule
 - b. Disciplinary Actions
 - c. Flexible Work Schedule (Flextime)
 - d. Holidays
 - e. Jury Duty and Court Appearance
 - f. Leave Pending Investigation
 - g. Neutral, Internal Resolution of Policy Disputes
 - h. Off Duty Law Enforcement Employment
 - i. Permanent Status for Certified Law Enforcement Personnel
 - j. Seniority
 - k. Special Duty Pay
 - 1. Spot Awards
 - m. Temporary or Permanent Lateral Reassignments
- iv. Undergraduate Education
 - Re-Admission Policy

I respectfully submit this report to the Finance and Audit Committee of the Florida International University Board of Trustees in anticipation of the meeting scheduled to take place on November 22, 2011. As always, I welcome your questions, comments and concerns.

Thank you for your kind attention and consideration.

EXHIBIT "A"

FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES NOVEMBER 2011 UPDATE

SAFETY & ENVIRONMENTAL COMPLIANCE STATUS REPORT

Issue: Assessment of Elevated Chromium Levels in Groundwater Near Green Library

Agency: Miami Dade County Department of Environmental Resources Management (DERM)

Status: As previously reported to you, quarterly ground water sampling for the assessment of the chromium levels in the soil west of the lake in front of the Green Library is underway. The 1st ground water sample was taken on April 28, 2011. A quarterly groundwater report was submitted to and approved by DERM in June 2011. The 2nd groundwater sample was taken on July 11, 2011. Laboratory analytical data from both samples indicates that the chromium concentrations are below the groundwater and freshwater clean-up target levels. The final sample collection will be taken October 21, 2011.

Issue: Pump Failure in Main Sanitary Lift Station

Agency: Miami Dade County Department of Environmental Resource Management (DERM)

Status: A pump failure occurred in the main sanitary lift station at the chiller plant located near the VH building, between late evening of October 5th and early morning October 6th. Waste material was released into the nearby retention ponds through the underground stormwater drainage system. Lake water bacteriological samples of the north, central and south retention ponds were taken on October 7th and 10th. The samples from October 7th and 10th exceeded standards. The third round of samples was taken on October 14, 2011. Until the laboratory analytical data results are obtained for the October 14th samples and concentrations are below Total Coliform level standards, irrigation system and fountain operations are suspended, and access to the areas is restricted.

Issue: Biomedical Waste Annual Inspection Agency: Florida Department of Health (FDOH)

Status: On August 9, 2011, the Florida Department of Health, Biomedical Waste Section conducted the annual inspection of biomedical waste storage sites on the Modesto Maidique Campus. Two minor violations were documented and corrected within 30 days of the inspection date. No further action is required.

Issue: Bureau of Radiation Control Inspection Agency: Florida Department of Health (FDOH)

Status: On September 1, 2011, the Florida Department of Health, Bureau of Radiation Control inspected the X-ray machines registered under the FIU Engineering Campus registration. No violations were observed.

Issue: Annual Life Safety Code Compliance Inspections & Other Life Safety Code Activities

Agency: State Fire Marshal

Status: As of October 2011, EH&S has completed annual Life Safety Code inspections with the State Fire Marshal for Modesto Maidique Housing locations except the Towers, which is scheduled to be completed during the week of October 24-28, 2011. EH&S provided consultation for the finalization of the remodel project on the 5th floor of the Nursing and Health Sciences Building. EH&S also coordinated NFPA Fire Prevention Awareness information booths on Biscayne Bay (October 12) and Modesto Maidique (October 11) Campuses.

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Construction Status Report

Proposed Committee Action:

None. For information only.

Background information:

The Facilities and Construction Update provides an overview and the status of University projects.

Supporting Documentation: Construction Status Report

Facilitator/Presenter: John Cal



Facilities and Construction Update (October 19, 2011)

Projects Under Construction

- U.S. Century Bank Arena Expansion (USCBA) (BT-837) \$7.6M (multiple sources) project budget. A/E Gould Evans; CM Arellano; first FIU project for both firms. Construction pace has accelerated with a double-shift and weekend work. Opening is projected for the December 2011 graduation; however, schedule remains a serious project risk. Significant interior work will continue even after temporary occupancy. Facility has remained fully operational during construction. Chilled water connection to the more efficient central utilities is now being completed. Target delivery date: November 30, 2011.
- Science Classroom Complex (BT-876) \$57.8M (PECO) project budget. A/E Perkins + Will; CM DPR; first FIU construction project for both firms. Construction started contractually on August 8th. Final GMP based on 100% construction documents is now being finalized. MEP (Mechanical, Electrical and Plumbing) Systems have been reviewed. Foundation excavation is now in progress. Final finish boards will be presented in November 2011. Target delivery date: February 2013.

PECO Projects in Design

- Satellite Chiller Plant (BT-834) \$14.1M (PECO) project budget/\$7.1M funded to date. E/A SGM Engineering; CM Poole & Kent. FIU will build using the funded \$7.1M allocation with the objective of constructing the full building shell and outfitting it with two chillers and two cooling towers. Additional equipment will be added as funds are available. 100% Construction Documents (CD's) are on track for completion November 2011. As an essential facility, the building will be designed to withstand 146mph winds with an Importance Factor of 1.15. This hardening criteria correlates to a 100-year storm and effectively increases the wind speed capability to 157 mph. Conceptual building renderings have been approved. Owner direct preprocurement of cooling towers and chillers equipment came in on-budget. Target delivery date: October 2012.
- Stocker Astrophysics Center (BT-814) \$2.4M (multiple sources) project budget. A/E Siddiq Khan & Associates (SKA); CM Biltmore. Construction Documents (CD's) are 25% complete. CM will obtain pricing at 50% CD's in November with

Florida International University Board of Trustees Finance & Audit Committee Meeting Facilities and Construction Update As of October 19, 2011 Page | 2

100% CD's due December 2011. Groundbreaking anticipated for late January 2012 with a target delivery date of December 2012.

- Stempel Complex (BT-877/895) Stempel Complex (BT-877/895) \$43.54 M (multiple sources) project budget. A/E Perkins + Will; CM Skanska. Funding for the Robert Stempel College of Public Health and Social Work (\$23.3M) and the International Hurricane Center (IHRC) project (\$15.00 M) have been incorporated into one project. Additional funds (\$5.24M) have been identified to add a large (200 capacity) multi-purpose Active Learning Room, Research Wet and Dry Labs and a Behavioral Sciences Lab to the project. The program has been approved. The A/E has begun conceptual schematics design. Anticipated delivery date: October 2013.
- HM Dining & Kitchen Expansion Improvements (BT-855) \$2.0M (Auxiliary/SoBe proceeds). A/E MC Harry w/Echeverria as specialty consultant; CM Pirtle. Phase I (Dining Expansion) has begun with kitchen demolition and construction of dining room shell. Dining Room finishes GMP was delivered to the Architect and Owner for review on August 25. Funding transfer for finishes was completed on October 11 and the GMP proposal is under review. Shell with electrical and mechanical elements will be completed by February 2012. Finish packages, including a two story wine tower with a fully functional Point of Sales (POS) system and custom case work will be completed by July 2012. Phase II (Kitchen Expansion) drawings are 100% complete and a GMP will be prepared by the end of October. Target delivery date: July 2012.

Projects in Planning Stage

- Student Academic Support Center (SASC) (BT-882) \$30.9M (PECO) project budget/\$20.1M funded to date. A/E Gould Evans; CM Balfour Beatty pending contract. Construction Manager's (CM) pre-construction services are being negotiated with resolution expected by December 2011. The Program Committee has revised the building program adding academic space and a consolidated university data center; budget implications are now being analyzed. Design will start once program and budget have been finalized. Anticipated construction delivery date is contingent on final program and funding.
- Ambulatory Care Center (BT-870) \$10.0M (County bond) project budget. A/E AECOM; CM Klewin. The ACC had been envisioned as a two-story, approximately 20,000 gsf facility providing primary and specialty care office visits, minor diagnostic procedures and diagnostic imaging. However, funding is in place only for design and construction of the facility with the College of Medicine

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responsible for funding all equipment to make this a functional facility. Program concept and design are dependent on a viable business plan which is still pending. Anticipated delivery date is contingent on the business plan and finalization of funding.

- **Housing 2013 (BT-889)** \$47.5M (bond) project budget. A/E: HADP/HKS Joint Venture; CM Moss. Program has been further refined for Phase I (620 undergraduate beds). Living units will consist of 4 single bedrooms with 2 bathrooms and a shared common kitchen/living area, along with a limited number of studio and staff apartments. Parking will be integrated with the housing project. Design is now in Advanced Schematics stage. Target delivery date is July 2013.
- Parking Garage 6 (BT-868) \$37M (bond) project budget. Site options are still under review. The decision on the final site will determine whether a re-use of an existing design is viable, or whether a new design is required. Potential locations are west of PG4 (Red Garage) or west of WPAC. Target delivery date can only be set after location is identified.
- Mixed-Use College of Business Building (BT-886) \$29.6M (multiple sources) total project cost. The building program has been approved; it translates to a 4-5 story building totaling 88,000 gsf located due west of the Ryder Building. The program includes classrooms and academic support space for the R. Kirk Landon Undergraduate School of Business, FIU Online, and international graduate programs as well as space for a food court and full service catering kitchen to service the northwest sector of MMC. The advertisement for A/E selection has been posted; shortlist meeting is scheduled for late October 2011. Target delivery date: TBD 2013.
- Football Stadium Expansion & Master Plan (BT-842) Estimated preliminary cost: \$6-8M. Project envisions an overall stadium master plan that would outline a phased expansion with cost estimates for each phase to reach a maximum seating capacity of 40,000 45,000, along with state of the industry service areas and amenities (e.g. Press box, expanded suites, stadium club, etc.). The immediate construction project entails only the completion of the north-side seating and concourse. Two months have been allocated to master planning; completion of the north side construction is projected for 6-8 months. Project has been advertised for both A/E and CM selections. A/E submittals have been received with the shortlist meeting scheduled for October 18 and the final A/E selection on November 3. Funding & schedule are both high risks for project completion by August 2012. Funding must be set by mid-December 2011 (only \$107k is currently in place), and construction must start by February 2012 to meet the desired August 2012 completion date.

THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Business Services Update

Proposed Committee Action:

None. For information only.

Background information:

The Office of Business Services Update provides information on services, sales and venues.

Supporting Documentation: Business Services Update

Facilitator/Presenter: Liane Martinez



Office of Business Services Fact Sheet

UPDATES October, 2011

• **Website:** We launched a 10-day "Deal of the Day" campaign to increase our web presence and relevance within the campus' social media landscape. These aggressive daily deals had a significant impact on our web and social media marketing. Facebook members went from 18 to 617, with 25,497 page views; Twitter followers to 120; and our website traffic doubled, when compared to the same time period a month prior.

- **PG5 Market Station** proved to be an immediate success this past year, receiving an award from NACUBO for innovation, a designation as the Best Food Court in Miami from the Miami New Times, and recognition from the Florida Parking Association. Market Station will also be used as a model for new development both within Florida, as well as abroad.
- **Barnes & Noble BBC** A remodel took place this summer which included: the expansion of the convenience area, enhancements to the merchandising displays and new pantherization inside and out.
- Ongoing Competitive Solicitations: Ongoing competitive solicitations are underway for Office Supplies and for a Digital Billboard to be located on the SE corner of campus. We are finalizing negotiations on both ITNs and an award to the successful vendors is expected to be made during the month of November.

QUICK FACTS

Services Under Management

 30 food and convenience venues and 12 Retail Venues, Beverage & Snack Vending, FIU One Card Program, Office Supplies, Printing and Copying, Multiuse Facilities and Advertising

Food and Convenience Venues

- PG5 Market Station is at 100% occupancy; Sales for FY 2010-2011 have surpassed preliminary projections by 54%.
- FIU will have 31 food and convenience venues open for Fall 2011 including a new food truck, a new POD market in SIPA and 7 newly renovated venues.

Beverage and Snack Vending

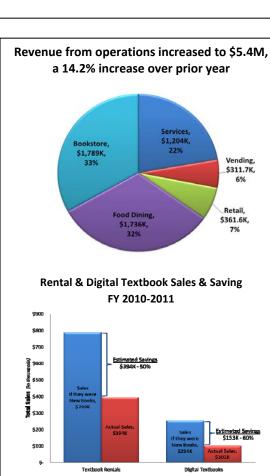
• FIU's 160 energy efficient beverage machines and 120 snack machines generated \$1.03M in sales for FY 2010-11.

Barnes & Noble at FIU

 Textbook Rental Program-The rental program is strong and continues to grow from 75 titles available at the inception of the program, to over 700 titles one year later.

FIU One Card/Wells Fargo

- The new FIU One Card office opened July 18th embarking on an aggressive plan to upgrade its software, enhance services, expand features, improve efficiencies and strengthen policies and procedures.
 The new office is awash in FIU colors and offers 4 self-service kiosks, 4 photo stations, two cash windows and one automated revalue machine.
- The faculty and staff re-carding events have been completed throughout October where a mobile carding station was set up at different locations within the University. Starting at the end of October and throughout November, the continuing students are being targeted to get their new FIU One Card. Students will be segmented for recarding alphabetically and by class level on a weekly basis.
- The new agreement with Wells Fargo to provide retail banking services and student banking services, presuming a 35% penetration rate, is estimated at \$2.465M over ten years.
- As of mid-October, over 22,000 cards have been issued and approx. 3,600 cards have been linked to a Wells Fargo account.



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THE FLORIDA INTERNATIONAL UNIVERSITY BOARD OF TRUSTEES

Finance and Audit Committee

November 22, 2011

Subject: Emergency Management Status Report

Proposed Committee Action:

None. For information only.

Background information:

The Emergency Management Status Report provides updates on training and exercises, automated external defibrillator program and the FIU Emergency Notification System.

Supporting Documentation: Emergency Management Status Report

Facilitator/Presenter: Amy Aiken



DATE: November 22, 2011

TO: Kenneth A. Jessell, Ph.D.

Senior Vice President and Chief Financial Officer

FROM: Amy B. Aiken, Director

Department of Emergency Management

SUBJECT: Emergency Management Status Report

Training and Exercises

On August 19th, 2011, the Department of Emergency Management (DEM) conducted its third table top exercise with the President and his Executive staff. The exercise was held in the new Emergency Operations Center (EOC) and focused on the impacts of a hurricane to the University. This exercise was longer and more complex than previous exercises as the University continues to further develop its emergency management program.

Staff from DEM and the Student Health Center participated in a table top exercise in collaboration with the Miami-Dade Department of Health, local hospitals, law enforcement, fire rescue and emergency medical services which focused on surge capacity and security issues resulting from a large scale public health emergency.

The DEM conducted training for the following units within the University:

- Hurricane Preparedness for Human Resources Liaison staff
- Hurricane Preparedness/Emergency Management Overview for new faculty orientation
- Overview of FIU's Emergency Management Department for Biscayne Bay Campus leadership
- Additional alert notification training for FIU's police dispatchers

Automated External Defibrillator Program

Department of Emergency Management (DEM) staff continues to assist in the installation and training of the Automated External Defibrillator (AED) program. To date, 39 additional AEDs have been installed on the Modesto A. Maidique and Biscayne Bay campuses. 200 staff has been trained on AED usage, 30 have received the American Heart Association CPR/AED certification, and an additional 18 staff are scheduled for certification in November.

Emergency Notification System

On October 15, 2011, the Informacast emergency notification system (speakers and telephones) was successfully tested. A test of FIU's entire emergency notification system (text messages, Informacast, e-mail, website, hotline and marquee) was conducted on October 21, 2011 and a full report will be provided for the next meeting. On November 9, 2011 at 2:00 pm, the first ever national Emergency Alert System (EAS) test was conducted by the Federal Emergency Management Agency.