



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

Thursday, November 29, 2012
9:00 am

Florida International University
Modesto A. Maidique Campus
Graham Center Ballrooms

Committee Membership:

Sukrit Agrawal, *Chair*; Cesar L. Alvarez; Robert T. Barlick, Jr.; Gerald C. Grant, Jr.; C. Delano Gray

Liaison:

Richard Brilliant, *Foundation Board of Directors*

AGENDA

- | | |
|---|--------------------|
| 1. Call to Order and Chair's Remarks | Sukrit Agrawal |
| 2. Approval of Minutes | Sukrit Agrawal |
| 3. Follow up to Item from Previous Meeting | Douglas Wartzok |
| 4. Action Items | |
| FA1. Request for Approval of Florida International University's
Revised 2013-14 Capital Improvement Fee Trust Fund
Legislative Budget Request | Kenneth A. Jessell |
| FA2. FIU Direct Support Organizations Financial Audits,
FY 2011-12 | Kenneth A. Jessell |
| A. FIU Foundation, Inc. | |
| B. FIU Research Foundation, Inc. | |
| C. FIU Athletics Finance Corporation | |
| D. FIU Academic Health Center Health Care Network Faculty
Group Practice, Inc. | |
| FA3. Signature Authority –Italy Program Account | Kenneth A. Jessell |
| A. Depository | |
| B. Authorization to Sign Checks for FIU in Italy Program | |
| FA4. Approval of the Amendments to the Bylaws of the Florida
International University Foundation, Inc. | Richard Brilliant |

5. Discussion Items *(No Action Required)*

- | | |
|--|---------------------------|
| 5.1 Foundation Report | Richard Brilliant |
| 5.2 Office of Internal Audit Status Report | Allen Vann |
| 5.3 Financial Performance Review - First Quarter FY 2012-13 | Kenneth A. Jessell |
| 5.4 Treasury Report | Phong Vu |
| 5.5 Priorities for the 2013 Legislative Session | Stephen A. Sauls |

6. Reports *(For Information Only)*

- | | |
|---|--------------------------|
| 6.1 Athletics Update | Pete Garcia |
| 6.2 University Compliance Report | Leyda Benitez |
| 6.3 Construction Status Update | John Cal |
| 6.4 Business Services Update | Aime Martinez |
| 6.5 Emergency Management Update | Amy B. Aiken |
| 6.6 Safety and Environmental Compliance Report | Roger Riddlemoser |

7. New Business

Sukrit Agrawal

- 7.1 Office of Internal Audit Discussion of Audit Processes

8. Concluding Remarks and Adjournment

Sukrit Agrawal

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 29, 2012

Subject: Approval of Minutes of the Meeting held September 5, 2012

Proposed Committee Action:

Approval of Minutes of the Finance and Audit Committee meeting held on Wednesday, September 5, 2012 at the Modesto A. Maidique Campus, MARC International Pavilion.

Background Information:

Committee members will review and approve the Minutes of the Finance and Audit meeting held on Wednesday, September 5, 2012 at the Modesto A. Maidique Campus, MARC International Pavilion.

Supporting Documentation: Finance and Audit Committee Meeting Minutes:
September 5, 2012

Facilitator/Presenter: Committee Chair Sukrit Agrawal

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**FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND AUDIT COMMITTEE
MINUTES
SEPTEMBER 5, 2012**

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 11:44 am on Wednesday, September 5, 2012, at the Modesto A. Maidique Campus, MARC International Pavilion.

The following attendance was recorded:

Present

Sukrit Agrawal, *Chair*
Cesar L. Alvarez
Robert T. Barlick, Jr.
Gerald C. Grant, Jr.
C. Delano Gray

University President Mark B. Rosenberg was also in attendance.

Committee Chair Agrawal welcomed all Trustees, faculty and staff. He also welcomed Faculty Trustee C. Delano Gray and thanked him for agreeing to serve as a member of the Committee, noting that his expertise will prove to be invaluable to the Committee.

On behalf of the Committee, Chair Agrawal recognized two employees from the University's Financial Aid office, Jorge Leniv and Gregory Mackey, and thanked them for their hard work and dedicated service to providing critical support to FIU students throughout the year. Committee Chair Agrawal noted that Mr. Leniv has been an integral part of the success of the Customer Service program and added that Mr. Mackey has streamlined the data request process.

2. Approval of Minutes

Committee Chair Agrawal asked that the Committee approve the Minutes of the meeting held on June 6, 2012. A motion was made and passed to approve the Minutes of the Finance and Audit Committee Meeting held on Wednesday, June 6, 2012.

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 recently completed investigations and work in progress.

3.2. Fiscal Year 2011-12 Financial Performance Review

Senior Vice President of Administration and Chief Financial Officer Kenneth A. Jessell presented the Fiscal Year 2011-12 Financial Performance Review and provided a summary of University revenues and expenditures. He reported that the University and direct support organizations' operating revenues were above estimates by \$38M (or five percent), which can be primarily attributed to greater than anticipated demand for Market Rate continuing education programs. He also reported that the University and direct support organizations' operating expenses were below estimates by \$2.4M (or zero percent) and noted that Educational and General expenses were below estimates by \$20.4M mainly due to delays in spending on base operations and critical investments, and vacant positions from the University and Herbert Wertheim College of Medicine. He stated that Auxiliary Enterprises were above estimates by \$16M primarily due to higher programmatic and administrative expenses in academic programs offset by vacant positions, and these were covered by additional revenues.

3.3 Strategic Discussion on Student Debt

University President Mark B. Rosenberg led the discussion on student debt. He noted that average debt levels are growing nationally but stated that the main force driving up the total amount of outstanding debt is the increase in enrollment in degree-granting institutions. He stated that enrollment growth in for-profit institutions contributes to a significant portion of the growth in average student debt levels. He presented data on the Florida State University System average debt upon graduation in addition to FIU-specific data. He reviewed with the Committee some of the factors that influence student debt. FIU Director of Financial Aid Francisco Valines reported on University initiatives aimed at early financial literacy outreach, loan repayment counseling sessions and improving student debt default rates. Mr. Valines noted that the University is identifying default patterns within the FIU student population in order to effectively target these students, adding that effective communication campaigns have been implemented to advise students in danger of default of the options available to them. He added that through these aggressive efforts, FIU has helped over 1,600 students rise out of delinquent status on their student loans.

3.4 Foundation Report

Sr. Vice President, University Advancement/President and CEO of the FIU Foundation, Inc. Howard R. Lipman noted that Foundation Treasurer and Liaison to the Board of Trustees Finance and Audit Committee Richard Brilliant sent his regrets as he was not able to attend. Sr. VP Lipman provided the Foundation Report, noting that the 2011-12 fiscal year fundraising total was \$53 million, which surpassed the goal of \$37 million. He reported on key advancement highlights and added that at the closing of the fiscal year, the investments total fund was at a loss of 1.5% with the underperformance stemming from the equity side of the portfolio. He stated that through August 31, 2012 the gains in the Foundation's investment portfolio totaled approximately 3.0%, or \$5.2 million. He further noted that beginning with the current fiscal year, the capital campaign goal of \$750 million will be reflected in FIU's fundraising target.

4. Reports

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

5. New Business

FA1. Tuition for Market Rate Programs, 2013-14 academic year

Sr. VP and CFO Jessell presented the request to establish Market Rate Tuition for the Professional Masters of Science in Counseling Psychology and the Master of Science in International Real Estate, noting that the programs would be offered through continuing education beginning academic year 2013-14. He further noted that market rate tuition programs receive no state funding and must cover all costs associated with program delivery.

A motion was made and passed that the FIU Board of Trustees Finance and Audit Committee recommend for Board of Trustees' approval the market tuition rates for the Professional Masters of Science in Counseling Psychology and the Master of Science in International Real Estate offered through continuing education beginning academic year 2013-14.

5.1 Office of Internal Audit Discussion of Audit Processes

Committee Chair Agrawal noted that as is stipulated in the Finance and Audit Committee Charter, the Committee must meet with the Office of Internal Audit without the presence of senior management. He requested to postpone this discussion until the next regularly scheduled Committee meeting. There were no objections.

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, September 5, 2012 at 1:04 pm.

<i>Trustee Request</i>	<i>Follow-up</i>	<i>Completion Date</i>
<i>Trustee Cesar L. Alvarez requested FIU-specific information that identifies common data sets among the most indebted and those with the highest default rates.</i>	<i>Provost and Executive Vice President Douglas Wartzok</i>	<i>November 2012</i>

MB
9.17.12

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 29, 2012

Subject: Follow up to Item from Previous Meeting

Proposed Committee Action:

None. Discussion Item.

Background Information:

In response to Board member request for follow up on the discussion on student debt, Provost and Executive Vice President Douglas Wartzok will provide an update on FIU-specific information that identifies common data sets among the most indebted and those with the highest default rates.

Supporting Documentation: N/A

Facilitator/Presenter: Douglas Wartzok

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 29, 2012

**Subject: Request for Approval of Florida International University's Revised 2013-14
Capital Improvement Fee Trust Fund Legislative Budget Request**

Proposed Committee Action:

Recommend to the Florida International University Board of Trustees (the BOT) approval of Florida International University's revised 2013-14 Capital Improvement Fee Trust Fund (CITF) Legislative Budget Request and authorize the University President to amend the Legislative Budget Request as necessary, consistent with State University System of Florida Board of Governors (BOG) and BOT directives and guidelines.

Background Information:

Section 1013.64(4)(a), Florida Statutes, requires the BOT to update annually its fixed capital outlay budget request. On June 14, 2012, the FIU BOT approved the CITF Legislative Budget Request in the amount of \$17,900,000 for the expansion of the Graham University Center, for the expansion of the Recreation Center at the Modesto A. Maidique Campus, and renovations to the Wolfe University Center. On October 9, 2012, the BOG revised the proposed CITF allocation to FIU to \$27,773,943, an increase of \$9,873,943. Based upon the new allocation, FIU's CITF 2013-14 Legislative Budget Request must be amended by the BOT.

Supporting Documentation:	2013-14 CITF Legislative Budget Request for Florida International University
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Facilitator/Presenter:	Kenneth A. Jessell
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**Florida International University Board of Trustees
Finance and Audit Committee**

CAPITAL IMPROVEMENT FEE TRUST FUND

Build-Out of Student Academic Support Center **\$ 4,500,000**

These funds will be used for the build-out of the Student Academic Support Center (SASC) facility. The SASC facility is a partially funded Public Education Capital Outlay (PECO) project, with the earliest funding dating back to 2008-09. The facility will allow for state-of-the-art classrooms and services to students by consolidating essential functions associated with student success such as admissions, a welcome center, financial aid, career services, student financial services, academic counseling, and registration. Combined with the \$20,146,976 in available PECO, the SASC will have a total cost of \$24,646,976 and will contain approximately 70,000 square feet of space.

Wolfe University Center Renovations **\$ 1,108,352**

These funds will be combined with \$2,500,000 of Activity and Service Fee fund balances to complete \$3.6 million in needed renovations to the Wolfe University Center on the Biscayne Bay Campus. Improvements include new flooring, renovations to the lobby, replacement of exterior windows, and expansion of third floor space.

Graham University Center Expansion **\$22,165,591**

These funds will be used for the construction of a new ballroom with a seating capacity of approximately 850 persons and student meeting rooms/multi-purpose rooms. The new ballroom, which can be sub-divided into smaller areas, will contain approximately 30,000 square feet and the meeting rooms will contain approximately 16,000 square feet. The expanded Center generates the first impression of FIU's commitment to quality student life, creates a hub of student engagement and social interaction, develops student and alumni affinity, and houses amenities that directly contribute to student retention and well-being.

TOTAL **\$27,773,943**

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 29, 2012

Subject: Florida International University Foundation Inc., Financial Audit, 2011-12

Proposed Committee Action:

Recommend approval by the Florida International University Board of Trustees of the Florida International University Foundation, Inc., Financial Audit for the 2011-12 Fiscal Year and authorize the President and CEO of the Florida International University Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

Pursuant to Regulation FIU-1502 (2)(f), the Florida International University Foundation, Inc. must submit an independently conducted financial audit of its accounts and records, which 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 Florida International University Foundation, Inc., Financial Audit for the 2011-12 fiscal year was approved by the Florida International University Foundation, Inc. Board of Directors on October 27, 2012, and the University President is recommending its approval.

Florida Board of Governors Regulation 9.011 (4) University Direct Support Organizations and Health Services Support Organizations, states in relevant part:

Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review.

Supporting Documentation:

Florida International University Foundation Inc.,
Financial Audit FY 2011-12

Facilitator/Presenter:

Kenneth A. Jessell

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

CONTENTS

Independent Auditors' Report.....	1-2
--	------------

Consolidated Financial Statements

Statement of Financial Position	3
Statement of Activities.....	4
Statement of Cash Flows	5

Notes to Consolidated Financial Statements	6-32
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Supplementary Information

Consolidated Schedule of Expenses – Schedule I	33
Eminent Scholars Chair Program – Schedule of Receipts, Expenditures and Endowment Balances – Schedule II.....	34-35
Major Gifts Program – Schedule of Receipts, Expenditures and Endowment Balances – Schedule III	36-51

Other Information

Board of Directors – Dates of Services and Committee Affiliation – Schedule IV.....	52-54
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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 <i>Government Auditing Standards</i>	55-56
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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, 2012 and the related consolidated statements of activities 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 2011 financial statements and, in our report dated November 17, 2011, we expressed an unqualified opinion on those consolidated 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, 2012, 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 October 26, 2012 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 conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules I through III on pages 33 to 51, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules I through III is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The other information included in Schedule IV on pages 52 to 54, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Marcum LLP

Miami, FL
October 26, 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

	2012	2011
Assets		
Cash and cash equivalents	\$ 4,806,843	\$ 25,360,829
Contributions receivable, net	61,536,667	42,319,332
Investments	168,514,586	152,352,145
Due from Florida International University	136,285	34,501
Bond issuance costs, net	122,590	135,060
Other assets	839,549	941,001
Fixed assets, net	<u>12,174,916</u>	<u>12,571,255</u>
Total Assets	<u><u>\$ 248,131,436</u></u>	<u><u>\$ 233,714,123</u></u>
Liabilities		
Accounts payable and other liabilities	\$ 289,652	\$ 977,189
Annuity payables	188,385	257,925
Deferred revenue	843,218	630,938
Due to Florida International University	673,237	580,626
Due to Florida International University Athletics Finance Corp.	56,100	--
Split-interest obligations	789,060	789,486
Derivative liability	432,872	536,947
Note payable	<u>8,180,000</u>	<u>8,785,000</u>
Total Liabilities	<u>11,452,524</u>	<u>12,558,111</u>
Net Assets		
Unrestricted	21,631,305	22,761,966
Temporarily restricted	33,472,532	34,874,337
Permanently restricted	<u>181,575,075</u>	<u>163,519,709</u>
Total Net Assets	<u>236,678,912</u>	<u>221,156,012</u>
Total Liabilities and Net Assets	<u><u>\$ 248,131,436</u></u>	<u><u>\$ 233,714,123</u></u>

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012	2011
Revenue, Gains and Other Support					
Contributions	\$ 4,302,042	\$ 9,882,947	\$ 18,269,654	\$ 32,454,643	\$ 25,545,751
Rental income	1,551,186	--	--	1,551,186	1,319,631
Administrative fees	1,180,924	--	--	1,180,924	2,743,185
Net investment income	231,573	837,393	--	1,068,966	5,599,376
Dues	408,296	1,434	88,940	498,670	449,124
Unrealized derivative gain	104,075	--	--	104,075	108,943
Royalty income	102,721	--	--	102,721	123,371
Other	1,003	49,863	--	50,866	161,108
Net unrealized investment gains (loss)	(761,446)	(2,743,234)	--	(3,504,680)	20,666,119
	<u>7,120,374</u>	<u>8,028,403</u>	<u>18,358,594</u>	<u>33,507,371</u>	<u>56,716,608</u>
Net assets released from restrictions	<u>8,733,015</u>	<u>(8,900,427)</u>	<u>167,412</u>	<u>--</u>	<u>--</u>
Total Revenue, Gains and Other Support	<u>15,853,389</u>	<u>(872,024)</u>	<u>18,526,006</u>	<u>33,507,371</u>	<u>56,716,608</u>
Expenses					
Program services	13,571,097	--	--	13,571,097	9,145,603
General and administrative	2,503,910	--	--	2,503,910	2,703,799
Fund raising	801,281	--	--	801,281	601,302
Total Expenses	<u>16,876,288</u>	<u>--</u>	<u>--</u>	<u>16,876,288</u>	<u>12,450,704</u>
Change in Net Assets from Operations Before Other Changes	<u>(1,022,899)</u>	<u>(872,024)</u>	<u>18,526,006</u>	<u>16,631,083</u>	<u>44,265,904</u>
Other Changes					
Changes in value of split-interest obligations	(83,574)	--	--	(83,574)	--
Provision for uncollectible promises to give	(24,188)	(529,781)	(470,640)	(1,024,609)	(84,074)
Change in Net Assets	<u>(1,130,661)</u>	<u>(1,401,805)</u>	<u>18,055,366</u>	<u>15,522,900</u>	<u>44,181,830</u>
Net Assets - Beginning	<u>\$ 22,761,966</u>	<u>\$ 34,874,337</u>	<u>\$ 163,519,709</u>	<u>\$ 221,156,012</u>	<u>\$ 176,974,182</u>
Net Assets - Ending	<u>\$ 21,631,305</u>	<u>\$ 33,472,532</u>	<u>\$ 181,575,075</u>	<u>\$ 236,678,912</u>	<u>\$ 221,156,012</u>

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, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	\$ 15,522,900	\$ 44,181,830
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	408,809	360,282
Provision for uncollectible pledges	1,024,609	84,074
Net unrealized investment (gains) loss	3,504,680	(20,666,119)
Unrealized loss on derivative liability	(104,075)	(108,943)
Contributions revenue from split-interest agreement	--	(882,514)
Changes in value of split-interest agreement	83,574	--
Contributions restricted for long-term investment	(2,322,338)	(23,793,355)
Net investment income restricted for reinvestment	(837,393)	(4,498,213)
Changes in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(20,241,944)	13,052,910
Other assets	101,452	(231,125)
Due from Florida International University	(101,784)	815,814
Increase (decrease) in:		
Accounts payable and other liabilities	(687,537)	635,718
Annuity payables	(69,540)	(11,880)
Due to Florida International University	92,611	78,642
Due to Florida International University Athletics Finance Corp.	56,100	--
Deferred revenue	212,280	201,164
Total Adjustments	<u>(18,880,496)</u>	<u>(34,963,545)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(3,357,596)</u>	<u>9,218,285</u>
Cash Flows from Investing Activities		
Purchases of investments	(304,552,225)	(128,139,048)
Sales of investments	284,885,104	112,280,153
Purchases of fixed assets	--	(45,746)
Net Cash Used in Investing Activities	<u>(19,667,121)</u>	<u>(15,904,641)</u>
Cash Flows from Financing Activities		
Principal repayments on note payable	(605,000)	(475,000)
Payments on split-interest obligations	(84,000)	(428,000)
Refinance fees	--	(52,213)
Proceeds from contributions restricted for long-term investment	2,322,338	23,793,355
Net investment income restricted for reinvestment	837,393	4,498,213
Net Cash Provided by Financing Activities	<u>2,470,731</u>	<u>27,336,355</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(20,553,986)</u>	<u>20,649,999</u>
Cash and Cash Equivalents - Beginning	<u>25,360,829</u>	<u>4,710,830</u>
Cash and Cash Equivalents - Ending	<u>\$ 4,806,843</u>	<u>\$ 25,360,829</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 351,171</u>	<u>\$ 389,890</u>

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, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

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

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

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

Foundation Enterprise Holdings I, LLC (“FEH”) is a Florida limited liability company of which the sole member is the Foundation. 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 Museum and 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, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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, 2012, include the accounts of the Foundation, Wolfsonian, Inc., and FEH 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 FEH 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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, 2011 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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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.

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 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. The receivables are then discounted to reflect their present value. Decreases in net realizable value are recognized as provision for uncollectable promises to give in the period the decrease occurs. Increases in net realizable value are not recognized unless they represent recoveries of previous provision for uncollectable promises to give incurred; increases are recognized as additional contribution revenue when the promise to give is collected.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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

CONTRIBUTIONS

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

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

INVESTMENTS AND INVESTMENT INCOME

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC 820, *Fair Value Measurements and Disclosures*, 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 5 for discussion of fair value measurements.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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

FIXED ASSETS (CONTINUED)

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.

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.

SPLIT-INTEREST OBLIGATIONS

The Foundation received a contribution of property in which the donor retains an 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 changes in value of split-interest obligations in the accompanying financial statements.

Obligations under split-interest agreements are recorded when incurred at the present value of the anticipated distributions to be made to the donor designated beneficiaries.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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

SPLIT-INTEREST OBLIGATIONS (CONTINUED)

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. The net revaluations together with any remaining recorded obligation after all trust or gift obligations under terminated agreements have been satisfied, are recorded as changes in value of split-interest obligations.

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.

PROGRAM SERVICES

Program services expenses on the statements of activities and changes in net assets include amounts transferred to related parties or amounts disbursed directly to third parties to benefit the University or its DSOs. These expenses include salaries, scholarships, and other program related expenses.

INCOME TAXES

The Foundation and Wolfsonian, Inc. 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, 2012.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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

INCOME TAXES (CONTINUED)

sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2012, 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 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 2009.

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, 2012, the Foundation did not exceed these limits. Cash and cash equivalents held with the Foundation's brokerage account at Merrill Lynch may be insured by the Securities Investor Protector Corp. ("SIPC"). The balance of this account was \$100 as of June 30, 2012.

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 SIPC, subject to various limitations. At June 30, 2012, \$168,514,586 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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

SUBSEQUENT EVENTS

Management has evaluated subsequent events to determine if events or transactions occurring through October 26, 2012, the date the consolidated financial statements were available to be issued, require adjustment to or disclosure in the consolidated financial statements.

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 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give, initially recorded at estimated fair value, including discounting to present value and for credit risk, are expected to be realized in the following periods:

	2012	2011
Receivable in less than one year	\$14,159,164	\$10,641,752
Receivable in one to five years	48,422,790	34,431,475
Receivable in more than five years	2,834,100	1,262,500
	<u>65,416,054</u>	<u>46,335,727</u>
Less: allowance for doubtful accounts	(1,664,580)	(509,693)
Less: discount to present value at .72% and 1.76%, respectively	<u>(2,214,807)</u>	<u>(3,506,702)</u>
Promises to Give, Net	<u><u>\$61,536,667</u></u>	<u><u>\$42,319,332</u></u>

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 program was temporarily suspended by the Legislature for donations received for this program on or after June 30, 2012. Existing eligible donations remain eligible for future matching funds. The program may be restarted after \$200 million of the backlog has been matched. The State of Florida has approved FIU Foundation’s state matching requests that have not yet been received totaling \$41,967,040. The State of Florida did not appropriate funds to pay for this program during fiscal year 2011-12; therefore the receivable has been recorded in the accompanying consolidated financial statements discounted back over five years through 2018 since the exact year of receipt is not known. This receivable is included in the table above.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 4 – INVESTMENTS

	2012	2011
Domestic common stocks and equity funds	\$ 87,337,046	\$ 59,001,957
Fixed income securities and funds	39,591,721	28,853,367
Hedge funds and interest in private equity partnerships and limited liability companies	33,581,817	37,019,161
International equity securities	<u>7,635,585</u>	<u>27,195,207</u>
	168,146,169	152,069,692
Plus: accrued income	<u>368,417</u>	<u>282,453</u>
Total Investments	<u>\$ 168,514,586</u>	<u>\$ 152,352,145</u>

Total net realized and unrealized investment losses and investment income for the year ended June 30, 2012 totaled a loss of \$2,435,714 of which \$1,916,213 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, 2012 totaled \$1,254,523. Investment consulting fees are reported as an expense on the statement of revenues expenses and change in net assets. Investment consultant fees totaled \$52,555. The 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.

NOTE 5 - FAIR VALUE MEASUREMENT

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

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

LEVEL 1

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

LEVEL 2

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

- a) quoted prices for similar assets or liabilities in active markets;
- b) quoted prices for identical assets and liabilities in markets that are not active;
- c) observable inputs, other than quoted prices, for similar or identical assets and liabilities; or
- d) inputs that are derived from or corroborated by observable market data by correlation or other means.

LEVEL 3

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

LEVEL 3 (CONTINUED)

The Foundation accounts for Level 3 investments in accordance with Accounting Standards Update (“ASU”) 2009-12, *Guidance for Measuring Fair Value of Certain Alternative Investments*, which permits entities, as a practical expedient, to use net asset value (“NAV”) per share for measuring the fair value of certain alternative investments that do not have a readily determined fair value, such as quoted market price, provided that the entity is able to redeem the investment with the investee at NAV as of the measurement date. In addition, ASU 2009-12 allows for the classification of investments that can be redeemed at a readily determinable NAV within the near term – where near term is defined as one year – as Level 2 investments. Investments with lock-ups greater than 12 months are deemed Level 3 investments, however, the Foundation has taken a conservative approach and included all assets with lock-ups of 45 or more days as Level 3 investments. If observable prices are not available for investments, ASC 820 provides a market approach valuation technique that may be use as viable option for measuring fair value. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities, such as a business.

The following tables set forth by levels, within the fair value hierarchy, the Foundation’s investments and liabilities measured at fair value on a recurring basis as of June 30, 2012 and 2011:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

Fair Value Measurements as of June 30, 2012

	Level 1	Level 2	Level 3	Total
Domestic Common Stocks and Equity Funds				
Consumer Disc & Staples	\$ 15,676,672	\$ --	\$ --	\$ 15,676,672
Information Technology	12,102,051	--	--	12,102,051
Industrials	10,159,926	--	--	10,159,926
Financials	9,475,583	--	--	9,475,583
Real Estate	9,071,451	--	--	9,071,451
Health Care	8,467,524	--	--	8,467,524
Energy	6,092,096	--	--	6,092,096
Commodities	4,738,162	--	--	4,738,162
Materials	4,224,031	--	--	4,224,031
Other	7,329,550	--	--	7,329,550
Fixed Income Securities and Funds				
Corporate/Convertible Bonds	5,091,306	19,050,361	--	24,141,667
US Gov't/Agency	6,945,629	2,310,717	--	9,256,346
MBS	1,378,009	1,200,169	--	2,578,178
Municipal bonds (MUNI)	223,794	247,326	--	471,120
Other	3,067,785	76,625	--	3,144,410
Hedge Fund of Funds and Interest in Limited Partnerships				
Long/Short Equity	--	--	10,478,020	10,478,020
Private Equity	--	--	8,008,973	8,008,973
Credit Opportunities	--	--	3,134,027	3,134,027
Global Macro/CTA	--	--	2,501,971	2,501,971
Distressed Securities	--	--	2,227,965	2,227,965
Event Driven	--	--	1,893,985	1,893,985
Other	--	--	5,336,877	5,336,877
International Equity Securities				
Consumer Disc & Staples	1,646,398	--	--	1,646,398
Energy	1,178,607	--	--	1,178,607
Financials	993,429	--	--	993,429
Information Technology	948,345	--	--	948,345
Industrials	858,841	--	--	858,841
Health Care	855,007	--	--	855,007
Materials	684,559	--	--	684,559
Other	470,398	--	--	470,398
Total	111,679,153	22,885,198	33,581,818	168,146,169
Plus Accrued Income	368,417	--	--	368,417
Total Investments at Fair Value	\$ 112,047,570	\$ 22,885,198	\$ 33,581,818	\$ 168,514,586
Derivative liability (see Note 11)	\$ --	\$ (432,872)	\$ --	\$ (432,872)
Split-Interest Obligations (see Note 12)	\$ --	\$ --	\$ (789,060)	\$ (789,060)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

Fair Value Measurements as of June 30, 2011

	Level 1	Level 2	Level 3	Total
Domestic Common Stocks and Equity Funds				
Information Technology	\$ 9,180,982	\$ --	\$ --	\$ 9,180,982
Consumer Disc & Staples	9,023,761	--	--	9,023,761
Financials	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
Hedge Fund of Funds and Interest in				
Limited Partnerships				
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
Credit Opportunities	--	--	2,400,080	2,400,080
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				
Consumer Disc & Staples	5,766,945	--	--	5,766,945
Energy	5,220,901	--	--	5,220,901
Materials	4,147,062	--	--	4,147,062
Industrials	3,554,262	--	--	3,554,262
Financials	3,270,458	--	--	3,270,458
Health Care	2,033,772	--	--	2,033,772
Information Technology	1,474,916	--	--	1,474,916
Other	1,726,891	--	--	1,726,891
Total	\$ 99,660,885	\$ 15,389,646	\$ 37,019,161	152,069,692
Plus Accrued Income	282,453	--	--	282,453
Total Investments at Fair Value	\$ 99,943,338	\$ 15,389,646	\$ 37,019,161	\$ 152,352,145
Derivative liability (see Note 11)	\$ --	\$ (536,947)	\$ --	\$ (536,947)
Split-Interest Obligations (see Note 12)	\$ --	\$ --	\$ (789,486)	\$ (789,486)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents a reconciliation of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2012:

	Level 3 Investments and Obligations Fiscal Year Ended June 30, 2012						
	Long/Short Equity	Absolute Return	Private Equity	Venture Capital	Privately Held Securities	Investments Total	Split-Interest Obligations
Balance - Beginning of Year	\$ 14,578,536	\$ 16,585,602	\$ 4,695,867	\$ 1,159,156	\$ --	\$ 37,019,161	\$ 789,486
Realized gains (losses)	1	(450,498)	186,011	38,848	--	(225,638)	--
Unrealized gains (losses)	(136,055)	(813,792)	550,673	317,293	--	(81,881)	83,574
Purchases	2,000,000	2,000,000	200,000	853,942	150,000	5,203,942	--
Sales	(1)	(5,782,595)	(700,008)	--	--	(6,482,604)	--
Issuances and settlements	--	--	--	--	--	--	(84,000)
Transfers out of Level 3	--	(1,851,162)	--	--	--	(1,851,162)	--
Transfers into Level 3	--	--	--	--	--	--	--
Balance - End of Year	<u>\$ 16,442,481</u>	<u>\$ 9,687,555</u>	<u>\$ 4,932,543</u>	<u>\$ 2,369,239</u>	<u>\$ 150,000</u>	<u>\$ 33,581,818</u>	<u>\$ 789,060</u>

Realized and unrealized gains and losses on Level 3 investments are reflected as part of the investment returns in the Foundation's statement of activities. There was a transfer out of Level 3 associated with the reclassification of an international equity investment in a limited liability company to a Level 1 investment. This determination was made based on further analysis of this investment, which has assets owned by the Foundation that should be categorized as Level 1 investments. It is the Foundation's policy to recognize transfers in and out of levels as of the end of the reporting period or change in circumstance that caused the transfer.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

The following table discloses the nature and risk of financial instruments (including hedge funds and limited partnerships by strategy and style) as of June 30, 2012:

	Fair Value at June 30, 2012	Valuation Method	Inputs	Unfunded Commitments	Exit Frequency	Days Notice
Hedge Funds (Fund of Funds)						
Long/short equity (a)	\$ 16,442,481	Practical Expedient	Net Asset Value (NAV)	\$ --	Quarterly	65-90 days
Absolute return (b)	9,687,555	Practical Expedient	Net Asset Value (NAV)	--	Semi-Annually	95 days
Limited Partnerships (c)						
Private equity	4,932,543	Practical Expedient	Net Asset Value (NAV)	2,567,457	Illiquid	N/A
Venture capital	2,369,239	Practical Expedient for fund of funds component; market approach for direct investments	Net Asset Value (NAV) for fund of funds component; cash flows for direct investments	2,630,761	Illiquid	N/A
Other						
Privately held securities (d)	<u>150,000</u>	Recent stock sale	Price per share	<u>--</u>	Illiquid	N/A
Balance - End of Year	<u><u>\$ 33,581,818</u></u>			<u><u>\$5,198,218</u></u>		
Split-Interest						
Obligations (See Note 12)	<u><u>\$ 789,060</u></u>	Present value	Period life tables; interest rate	<u><u>\$ --</u></u>	Illiquid	N/A

- (a) Long/short equity – This category includes hedge fund investments in offshore funds in which the largest sector allocation (50% – 60%) is in long and short domestic and international equity securities. These investments offer a low correlation to traditional long-only equity benchmarks in order to achieve absolute return. The funds are also exposed to other strategies such as global macro, event driven, credit/distressed, and multi-strategy. These funds seek to provide consistent, superior capital appreciation through the use of multi-manager investments as well as directional and non-directional strategies with significantly lower volatility than the general markets. The fair value of the investments in this category has been estimated using the NAV of the investments as a practical expedient. As reported in the funds' most recently audited financial statements, approximately 2.4% of the value these investments can be redeemed in one year or later due to restrictions and lock-ups; the remaining 97.6% can be redeemed in one year or less.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 5 - FAIR VALUE MEASUREMENT (CONTINUED)

- (b) Absolute return – This category includes hedge fund investments in offshore funds in which market-neutral, credit-related investment strategies are primarily employed to achieve absolute return. These funds seek to consistently provide profitable, low volatility returns through the use of multi-manager investments that have little or no correlation to the broader debt and equity markets. The fair value of the investments in this category has been estimated using the NAV of the investments as a practical expedient. As reported in these funds' most recently audited financial statements, approximately 37.7% of the value these investments can be redeemed in one year or later due to restrictions and lock-ups; the remaining 62.3% can be redeemed in one year or less.
- (c) Limited partnerships – This category includes investments in several limited partnership funds that invest in private equity and venture capital. The nature of the investment in this category prohibits redemptions through the duration of the partnership, which ranges between 7 to 10 years. The partnerships will periodically request funds from the Foundation (a limited partner) in the form of capital calls to fund underlying investments and expenses as specified in each partnership agreement. Capital calls have ranged, on average, between 2% – 5% of the total committed capital. Distributions are received through the liquidation of underlying assets of the funds. The fair values of the investments in this category have been estimated using inputs such as NAV, recent observable transactions and cash flows.
- (d) Closely held securities – This category includes non-publicly traded securities donated to the Foundation. Since an active market for trading these types of securities does not exist, there is infrequent trading of those securities, and it is, therefore, difficult to establish fair value. The fair value of the investment in this category has been estimated using the price per share of recent sales and analysis of the company's financial statements.

There have been no changes to the valuation methods used by investment managers with Level 3 investments at June 30, 2012 and June 30, 2011.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 6 - FIXED ASSETS

	2012	2011
MARC Building	\$13,325,539	\$13,325,539
Foundation Enterprise Holdings I, LLC Building	2,100,000	2,100,000
Land	2,500	2,500
Time Share	3,200	3,200
Furniture and Equipment	45,746	45,746
	<u>15,476,985</u>	<u>15,476,985</u>
Less: accumulated depreciation	<u>(3,302,069)</u>	<u>(2,905,730)</u>
Fixed Assets, Net	<u><u>\$12,174,916</u></u>	<u><u>\$12,571,255</u></u>

Depreciation expense was \$396,339 and \$348,183 for the years ended June 30, 2012 and 2011, respectively.

NOTE 7 - BOND ISSUANCE COSTS

As of June 30, 2012, issuance costs related to the tax-exempt bonds (Florida International University Foundation Project – Series 1999) issued by the Miami-Dade County Educational Facilities Authority are as described in Note 10. 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.

	2012	2011
Bond issuance costs	\$ 230,985	\$ 230,985
Less: accumulated amortization	<u>(108,395)</u>	<u>(95,925)</u>
Bond Issuance Costs, Net	<u><u>\$ 122,590</u></u>	<u><u>\$ 135,060</u></u>

Amortization expense was \$12,470 and \$12,099 for the years ended June 30, 2012 and 2011, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 8 – OTHER ASSETS

The cash surrender value of life insurance policies in the amount of \$609,685 is included in other assets of the Foundation. The net benefit value of the underlying life insurance in force at June 30, 2012 is approximately \$3,154,358. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner. In addition, there is a life insurance policy in force pursuant to an executive deferred compensation plan that is funded by the Foundation.

NOTE 9 - ANNUITY PAYABLES

The Foundation has received, as of June 30, 2012, \$520,000 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 annuity payables totaling \$188,385.

NOTE 10 - 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 16). The \$13,000,000 original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on fifty percent of the original issue, \$6,500,000, has been synthetically fixed at 4.63 percent through February 1, 2015, by way of an interest rate swap agreement with a commercial bank (see Note 11). The bond proceeds were used to acquire, construct and equip the multi-function support complex located on the University campus in Miami-Dade County and to pay issuance costs. As of June 30, 2012, the outstanding principal balance due under this note payable amounted to \$8,180,000. For the year ended June 30, 2012, total interest incurred and paid was \$351,171.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 10 - NOTE PAYABLE (CONTINUED)

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

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

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. On July 30, 2010, 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.

The aggregate maturities of the note payable as of June 30, 2012 are as follows:

For the Year Ending	
June 30	Amount
2013	\$ 640,000
2014	670,000
2015	705,000
2016	745,000
2017	785,000
Thereafter	<u>4,635,000</u>
Total	<u>\$8,180,000</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 11 - 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 10. Under the original swap agreement, the Foundation agreed to pay a fixed rate of 5.03 percent per annum and receive variable rates based on 67 percent of the one-month US Dollar LIBOR rate. Effective October 1, 2005, the Foundation renegotiated the swap agreement reducing the fixed payer rate under the swap to 4.63 percent per annum. The renegotiated swap agreement expires on February 1, 2015. The derivative liability at June 30, 2012 was \$432,872.

NOTE 12 – 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 indicated in the agreement 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 source 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 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 12 – 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 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 these assets held, which was fair valued at contribution, included in fixed assets in the accompanying consolidated statement of financial position and corresponding liability to the donor at June 30, 2012, included in split-interest obligation are as follows:

	<u>Fixed Asset</u>	<u>Liability to Donor</u>	<u>Net</u>
Life Annuity	<u>\$ 2,100,000</u>	<u>\$ 789,060</u>	<u>\$ 1,310,940</u>

NOTE 13 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$33,472,532 at June 30, 2012 were available for scholarships and other program specific expenses. Permanently restricted net assets of \$181,575,075 at June 30, 2012 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 ended June 30, 2012 was 3.0%. The spendable earnings are recorded as either temporarily restricted or unrestricted assets, as stipulated by the donor.

NOTE 14 - CONTRIBUTIONS TO UNIVERSITY BUILDING PROGRAM

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 14 - CONTRIBUTIONS TO UNIVERSITY BUILDING PROGRAM (CONTINUED)

During the year ended June 30, 2012, the Foundation transferred \$2,212,162 to support numerous construction projects, as follows:

Art Museum Construction Fund	\$ 13,713
Law School Building	65,107
Nursing - Health Sciences Building	76,565
Alumni Center Building	39,672
HM BBC Dining Facility Building	<u>2,017,105</u>
Total Contributions to University Building Program	<u>\$ 2,212,162</u>

NOTE 15 - COMMITMENTS AND CONTINGENCIES

LOAN GUARANTEES

The Foundation guarantees amounts on fraternity housing 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 \$1,060,412.

In January of 2012, the Foundation board approved a guarantee of the loan balance of the Graduate Association of Phi Gamma Delta Housing facility at Florida International University. This guarantee is expected to retire without being funded, and is not expected to significantly impact operations or future cash flows. The outstanding loan amount is \$579,214.

NOTE 16 - RELATED PARTY TRANSACTIONS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 16 - RELATED PARTY TRANSACTIONS (CONTINUED)

agreement were \$1,327,862 and \$1,270,027 for the years ended June 30, 2012 and 2011, respectively.

On December 1, 1999, the Foundation also entered into an operating lease with the Board of Regents on behalf of the University to lease the 75,000 square foot multi-function support complex to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 10, will be secured by the pledged lease payments from the University. The University has agreed to pay the Foundation, as lessor, rent in the amount equal to all amounts due and payable by the Foundation under the letter of credit agreement, if any, and the loan agreement. The payments also include any costs of operating and maintaining the multi-functional support complex, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the multi-function support complex became operational. The lease expires on May 1, 2022 which is the date of maturity of the loan agreement. The cost of the leased asset is \$13,325,539 and the net book value is approximately \$ 10,100,531 at June 30, 2012. Minimum future rentals as of June 30, 2012 are approximately as follows:

For the Year Ending June 30:	Amount
2013	\$ 1,260,000
2014	1,260,000
2015	1,260,000
2016	1,260,000
2017	1,260,000
Thereafter	<u>5,040,000</u>
Total Minimum Payments Required	<u><u>\$ 11,340,000</u></u>

NOTE 17 – ENDOWMENTS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 17 – ENDOWMENTS (CONTINUED)

INTERPRETATION OF RELEVANT LAW

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

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 \$(477,999) as of June 30, 2012. These deficiencies resulted from unfavorable market fluctuations.

As of June 30, 2012, endowment net assets consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	<u>\$ 3,588,434</u>	<u>\$ 21,205,406</u>	<u>\$ 181,575,075</u>	<u>\$ 206,368,915</u>
Endowment Net Assets - June 1, 2011	\$ 4,781,217	\$ 15,145,228	\$ 163,519,709	\$ 183,446,154
Endowment Investment Return				
Interest, dividends and realized gains	--	2,044,561	--	2,044,561
Unrealized gains (losses)	--	(3,960,774)	--	(3,960,774)
Total Endowment Investment Returns	--	(1,916,213)	--	(1,916,213)
Contributions	407,593	4,329,708	18,358,595	23,095,896
Release of restrictions and transfers	2,298,727	4,827,607	167,412	7,293,746
Endowment expenses	(5,080,027)		(470,641)	(5,550,668)
Appropriation for administrative fee 2%	<u>1,180,924</u>	<u>(1,180,924)</u>	<u>--</u>	<u>--</u>
Endowment Net Assets - June 30, 2012	<u>\$ 3,588,434</u>	<u>\$ 21,205,406</u>	<u>\$ 181,575,075</u>	<u>\$ 206,368,915</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 17 – ENDOWMENTS (CONTINUED)

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment policies and spending policies 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 inception) 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. As of June 30, 2012, the amount included in the endowments' temporarily restricted balance and approved for future spending on program services was \$2,907,362.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATED SCHEDULE OF EXPENSES-SCHEDULE I

FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)

	Program Services	General and Administrative	Fund Raising	2012	2011
Contribution to University Building Program	\$ 2,212,162	\$ --	\$ --	\$ 2,212,162	\$ 6,818
College of Medicine	1,604,241	--	--	1,604,241	1,470,595
College of Business Administration	1,522,945	--	--	1,522,945	1,619,567
Wolfsonian Museum	1,379,899	--	--	1,379,899	783,905
Athletics Fund - Golden Panthers	1,154,983	--	--	1,154,983	537,523
University Wide Scholarships and Programs	778,037	--	--	778,037	744,884
FIU Alumni Association	701,776	--	--	701,776	313,053
College of Nursing and Health Sciences	554,077	--	--	554,077	253,718
College of Arts and Sciences	514,104	--	--	514,104	628,846
College of Engineering and Computing	506,569	--	--	506,569	261,792
Advancement operations	--	--	501,687	501,687	317,075
President's compensation	--	421,452	--	421,452	508,665
Depreciation and amortization	--	408,809	--	408,809	360,282
Interest	--	351,171	--	351,171	389,890
School of Hospitality Management	344,617	--	--	344,617	526,740
Utilities and maintenance	--	323,651	--	323,651	611,260
Office of Engagement	321,843	--	--	321,843	78,028
Capital campaign	--	--	299,594	299,594	284,227
College of Architecture & the Arts	279,382	--	--	279,382	200,571
FIU Art Museum	266,581	--	--	266,581	390,077
Professional fees	--	227,949	--	227,949	220,753
School of Journalism	224,538	--	--	224,538	163,760
College of Social Work, Justice & Public Affairs	205,025	--	--	205,025	113,109
Academic Affairs	198,716	--	--	198,716	191,715
Insurance	--	184,986	--	184,986	29,894
College of Law	168,597	--	--	168,597	80,494
Business office operations	--	148,052	--	148,052	141,136
College of Education	139,839	--	--	139,839	216,364
School of Computing & Information	131,552	--	--	131,552	66,293
University support	--	114,542	--	114,542	244,749
University Advancement	105,837	--	--	105,837	12,288
President's allowance	--	94,479	--	94,479	95,072
Foundation Enterprise Holdings I, LLC	--	81,658	--	81,658	30,312
Honors College	66,632	--	--	66,632	73,658
Stempel School of Public Health	59,573	--	--	59,573	308,484
Other miscellaneous expense	--	56,787	--	56,787	10,571
University College	50,000	--	--	50,000	--
Student Affairs	43,603	--	--	43,603	27,877
Florida Board of Governor's assessment	--	36,216	--	36,216	32,924
Administrative reserve	--	34,484	--	34,484	--
FIU Libraries	16,030	--	--	16,030	60,998
FIU Vice President's allowance	--	13,153	--	13,153	11,272
Human Resources	7,831	--	--	7,831	6,149
External relations	6,540	--	--	6,540	7,190
Wolfsonian expenses	--	6,521	--	6,521	17,019
President's Office	5,379	--	--	5,379	--
Office of Sponsored Research	189	--	--	189	1,107
Total Expenses	<u>\$ 13,571,097</u>	<u>\$ 2,503,910</u>	<u>\$ 801,281</u>	<u>\$ 16,876,288</u>	<u>\$ 12,450,704</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1117030						
Jordan Davidson Chair in Humanities Endowment						
Permanently Restricted	\$ 1,000,000	\$ --	\$ --	\$ --	\$ --	\$ 1,000,000
Unrestricted/Temporarily Restricted	465,822	--	(18,524)	75,599	--	371,699
1139070						
G C Barley Endowed Chair Everglades Restoration						
Permanently Restricted	1,080,000	--	--	--	--	1,080,000
Unrestricted/Temporarily Restricted	299,063	--	(16,219)	60,898	--	221,946
1200220						--
James L Knight MIS Chair Endowment						--
Permanently Restricted	1,031,794	--	--	--	--	1,031,794
Unrestricted/Temporarily Restricted	465,448	--	(17,798)	106,364	--	341,286
1200630						--
JLK - Ctr for Leadership Endowment						--
Permanently Restricted	4,088,685	--	--	--	--	4,088,685
Unrestricted/Temporarily Restricted	838,845	--	(63,390)	423,132	--	352,323
1270040						--
Knight Ridder Eminent Scholar Chair in Accounting Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	91,701	--	(15,079)	54,761	--	21,861
1270050						--
Knight Ridder Eminent Scholar Chair in International Management Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	82,400	--	(15,079)	--	--	67,321
1270060						--
Byron Harless Eminent Scholar Chair in Management Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	82,399	--	(15,079)	496	--	66,824
1270070						--
J K Batten Eminent Scholar Chair in International Business Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	82,649	--	(15,079)	45,710	--	21,860
1270080						--
Alvah Chapman Eminent Scholar Chair in Leadership Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	65,631	--	(14,713)	15,150	--	35,768
1280060						--
Ryder System Eminent Chair in MIS Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	229,766	--	(14,656)	--	--	215,110

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1280070						--
Ryder Business Leadership Chair Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	72,904	--	(14,949)	--	--	57,955
1280080						--
Ryder Decision Sciences Chair Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	116,385	--	(14,950)	--	--	101,435
1280090						--
Ryder Global Logistics Management Chair Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	72,536	--	(14,948)	38	--	57,550
1500300						--
Harvey R Chaplin Beverage Management Chair Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	235,821	--	(15,251)	16,757	--	203,813
1600170						--
WH Coulter in Biomedical Engineering Eminent Chair Endowment						--
Permanently Restricted	2,000,000	--	--	--	--	2,000,000
Unrestricted/Temporarily Restricted	407,419	--	(31,324)	6,136	--	369,959
1700090						--
Paul L Cejas Eminent Scholars Chair Endowment						--
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	48,206	--	(14,552)	--	--	33,654
2400050						--
Miami Children's Hospital Eminent Scholar Chair in Pediatrics Endowment						--
Permanently Restricted	2,000,001	--	--	--	--	2,000,001
Unrestricted/Temporarily Restricted	233,458	--	(30,672)	42,385	--	160,401
2400060						--
Leon Med Center Eminent Scholar Chair in Geriatrics Endowment						--
Permanently Restricted	2,000,250	--	--	--	--	2,000,250
Unrestricted/Temporarily Restricted	224,907	--	(28,536)	--	(148,825)	47,546
4100190						--
We Will Rebuild Eminent Scholar Chair						--
Permanently Restricted	1,050,000	--	--	--	--	1,050,000
Unrestricted/Temporarily Restricted	470,193	--	(17,212)	37,571	--	415,410
	<u>\$ 30,056,283</u>	<u>\$ --</u>	<u>\$ (388,010)</u>	<u>\$ 884,997</u>	<u>\$ (148,825)</u>	<u>\$ 28,634,451</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE III

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1000030						
Madeline Kitts Scholarship Endowment						
Permanently Restricted	\$ 457,093	\$ --	\$ --	\$ --	\$ --	\$ 457,093
Unrestricted/Temporarily Restricted	206,726	--	(7,759)	10,721	--	188,246
1000060						
Patricia and Phillip Frost Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	82,276	--	(2,807)	3,879	--	75,590
1000140						
Perlman Family Faculty Grant Endowment						
Permanently Restricted	153,176	--	--	--	--	153,176
Unrestricted/Temporarily Restricted	12,440	--	(2,188)	--	--	10,252
1000420						
Perry Graduate Scholarship Endowment						
Permanently Restricted	254,552	--	--	--	--	254,552
Unrestricted/Temporarily Restricted	21,311	--	(3,773)	--	--	17,538
1000460						
Aventura Marketing Council Scholarship Endowment						
Permanently Restricted	207,517	--	--	--	--	207,517
Unrestricted/Temporarily Restricted	9,872	--	(2,981)	6,000	--	891
1000510						
Garcia-Zamor Haitian-American Scholarship Endowment						
Permanently Restricted	300,000	--	--	--	--	300,000
Unrestricted/Temporarily Restricted	26,228	--	(4,280)	13,000	--	8,948
1000540						
President's Council Worlds Ahead Faculty Award Endowment						
Permanently Restricted	131,264	18,202	--	--	--	149,466
Unrestricted/Temporarily Restricted	26,929	17,777	(2,018)	16,500	--	26,188
1000570						
Bank of America Scholarship Endowment						
Permanently Restricted	175,000	--	--	--	--	175,000
Unrestricted/Temporarily Restricted	19,777	--	(2,657)	3,064	--	14,056
1000590						
Adolfo Henriques Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	7,437	--	(1,464)	--	--	5,973
1000610						
Lucille E Snaith Memorial Scholarship Endowment						
Permanently Restricted	152,500	--	--	--	--	152,500
Unrestricted/Temporarily Restricted	6,684	--	(2,176)	--	--	4,508
1000650						
Manuel and Mercedes Mosteiro Scholarship Endowment						
Permanently Restricted	255,352	--	--	--	--	255,352
Unrestricted/Temporarily Restricted	12,407	--	(3,643)	1,500	--	7,264

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1000660						
Badia Spices Jose Marti Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	23,923	9,700	(1,447)	10,000	--	22,176
1000690						
Badia Spices Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	26,589	10,000	(1,427)	28,000	--	7,162
1000710						
Sedano's Family 1st Generation Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	5,560	--	(2,140)	--	--	3,420
1000730						
Armando Alejandro Jr Memorial Scholarship Endowment						
Permanently Restricted	141,463	40,485	--	--	--	181,948
Unrestricted/Temporarily Restricted	23,291	--	(2,434)	4,960	--	15,897
1000810						
Dr. Jose A. Marques Endowment						
Permanently Restricted	116,275	--	--	--	--	116,275
Unrestricted/Temporarily Restricted	29,773	--	(1,852)	2,559	--	25,362
1000900						
Miami Bayside Found Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	1,370	--	(1,446)	--	--	(76)
1100090						
Judit Evans Parker Scholarship Endowment						
Permanently Restricted	104,915	--	--	--	--	104,915
Unrestricted/Temporarily Restricted	9,206	--	(1,560)	--	--	7,646
1111110						
Barnes and Noble Creative Writing Endowment						
Permanently Restricted	450,000	--	--	--	--	450,000
Unrestricted/Temporarily Restricted	38,784	--	(6,420)	16,342	--	16,022
1111130						
Lawrence Sanders Prize Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	9,171	7,500	(1,512)	8,493	--	6,666
1119030						
Religious Studies Department Endowment						
Permanently Restricted	172,465	--	--	--	--	172,465
Unrestricted/Temporarily Restricted	46,709	216	(2,741)	7,411	--	36,773
1119050						
Helen J Dunnick E Native American Program Endowment						
Permanently Restricted	224,521	--	--	--	--	224,521
Unrestricted/Temporarily Restricted	9,762	--	(3,203)	--	--	6,559

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1119070						
Sephardic-Oriental Jewish Studies Program Endowment						
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	43,572	--	(14,552)	--	--	29,020
1119100						
A S Bhagwan Mahavir Professorship in Jain Studies Endowment						
Permanently Restricted	731,251	3,410	--	--	--	734,661
Unrestricted/Temporarily Restricted	56,197	--	(11,026)	11,623	--	33,548
1120040						
Jose Antonio Echeverria Political Science Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	5,418	1,222	(1,476)	1,000	--	4,164
1131050						
Glaser Biology Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	62,392	--	(2,779)	10,181	--	49,432
1131100						
Kelly Foundation Tropical Botany Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	14,076	--	(2,227)	7,590	--	4,259
1139040						
SE Environmental Research Center Endowment						
Permanently Restricted	602,000	--	--	--	--	602,000
Unrestricted/Temporarily Restricted	(44,731)	--	(7,923)	616	--	(53,270)
1139080						
Miccosukee Tribe of Indians of Florida for Everglades Studies Endowment						
Permanently Restricted	1,620,000	--	--	--	--	1,620,000
Unrestricted/Temporarily Restricted	342,461	--	(23,322)	130,311	--	188,828
1139100						
Environmental Preserve Endowment						
Permanently Restricted	100,000	689	--	--	--	100,689
Unrestricted/Temporarily Restricted	5,035	6,253	(1,436)	7,853	--	1,999
1139110						
JM Hibbard Memorial Lectures Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	6,258	--	(2,140)	1,344	--	2,774
1200040						
BMI Marketing Professorship Endowment						
Permanently Restricted	134,600	--	--	--	--	134,600
Unrestricted/Temporarily Restricted	60,483	--	(2,588)	3,577	--	54,318
1200070						
Macy's Retailing Professorship Endowment						
Permanently Restricted	225,000	--	--	--	--	225,000
Unrestricted/Temporarily Restricted	28,814	--	(3,210)	853	--	24,751

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1200100						
Deloitte - Touche Accounting Scholarship Endowment						
Permanently Restricted	137,556	--	--	--	--	137,556
Unrestricted/Temporarily Restricted	14,250	--	(2,038)	2,500	--	9,712
1200110						
Drexel Burham Lambert Scholarship Endowment						
Permanently Restricted	143,020	--	--	--	--	143,020
Unrestricted/Temporarily Restricted	70,939	--	(2,677)	21,700	--	46,562
1200140						
FIBA Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	19,650	--	(2,218)	--	--	17,432
1200150						
Wachovia Business Ethics Scholarship Endowment						
Permanently Restricted	300,000	--	--	--	--	300,000
Unrestricted/Temporarily Restricted	55,436	--	(4,436)	5,000	--	46,000
1200180						
Herbert Wertheim Lecture Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	40,888	--	(2,438)	11,232	--	27,218
1200190						
Ingersoll-Rand International Business Professorship Endowment						
Permanently Restricted	150,002	--	--	--	--	150,002
Unrestricted/Temporarily Restricted	6,642	--	(2,143)	--	--	4,499
1200250						
Bank of America Business Ethics Scholarship Endowment						
Permanently Restricted	300,000	--	--	--	--	300,000
Unrestricted/Temporarily Restricted	51,226	--	(4,478)	5,134	--	41,614
1200260						
Regions Bank Business Ethics Scholarship Endowment						
Permanently Restricted	487,500	--	--	--	--	487,500
Unrestricted/Temporarily Restricted	91,744	--	(7,148)	50,000	--	34,596
1200280						
SunTrust Bank Professorship Endowment						
Permanently Restricted	225,000	--	--	--	--	225,000
Unrestricted/Temporarily Restricted	13,265	--	(3,259)	--	--	10,006
1200290						
AXA Business Ethics Scholarship Endowment						
Permanently Restricted	210,275	--	--	--	--	210,275
Unrestricted/Temporarily Restricted	37,953	--	(3,060)	5,000	--	29,893

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1200330						
D R Parker Business Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	9,132	--	(1,493)	4,545	--	3,094
1200500						
R Kirk Landon General Endowment						
Permanently Restricted	500,000	--	--	--	--	500,000
Unrestricted/Temporarily Restricted	12,814	--	(7,133)	8,075	--	(2,394)
1200530						
Student Managed Investment Fund Endowment						
Permanently Restricted	200,000	--	--	--	--	200,000
Unrestricted/Temporarily Restricted	14,929	--	(2,940)	2,670	--	9,319
1200560						
Global Entrepreneurship Center Endowment						
Permanently Restricted	2,673,351	104,850	--	--	--	2,778,201
Unrestricted/Temporarily Restricted	184,580	137,370	(38,768)	141,107	--	142,075
1250040						
Barry-Roger Hersker Marketing Scholarship Endowment						
Permanently Restricted	249,278	--	--	--	--	249,278
Unrestricted/Temporarily Restricted	9,051	--	(3,556)	--	--	5,495
1260020						
Jerome Bain Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	83,636	--	(2,533)	18,500	--	62,603
1260030						
Jerome Bain Real Estate Institute Scholarship Endowment						
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	110,155	--	(14,979)	8,676	--	86,500
1270030						
Knight Ridder Center Endowment						
Permanently Restricted	548,707	--	--	--	--	548,707
Unrestricted/Temporarily Restricted	23,177	--	(7,828)	--	--	15,349
1280040						
Ryder Supply Chain Systems Center Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	180,263	41,936	(2,576)	37,943	--	181,680
1280050						
Ryder Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	69,810	--	(2,579)	3,564	--	63,667
1300030						
Henry Milander Public Service Scholarship Endowment						
Permanently Restricted	524,400	--	--	--	--	524,400
Unrestricted/Temporarily Restricted	265,441	--	(8,473)	189,209	--	67,759

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1400040						
Frost Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	63,420	--	(2,688)	3,715	--	57,017
1400140						
BellSouth Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	20,523	--	(2,278)	9,652	--	8,593
1400180						
Mark Blum Memorial Scholarship Endowment						
Permanently Restricted	228,636	--	--	--	--	228,636
Unrestricted/Temporarily Restricted	17,181	--	(3,262)	14,000	--	(81)
1400200						
Robert R Bellamy Scholarship Endowment						
Permanently Restricted	682,500	--	--	--	--	682,500
Unrestricted/Temporarily Restricted	102,554	--	(9,793)	65,000	--	27,761
1400250						
Lennar Corporation Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	5,107	--	(1,427)	3,000	--	680
1500020						
Hospitality Scholarships Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	7,874	19,550	(1,469)	32,130	--	(6,175)
1500030						
Hospitality Minority Scholarship Endowment						
Permanently Restricted	441,496	--	--	--	--	441,496
Unrestricted/Temporarily Restricted	18,806	--	(6,299)	13,693	--	(1,186)
1500040						
NAC Professorship Endowment						
Permanently Restricted	155,000	--	--	--	--	155,000
Unrestricted/Temporarily Restricted	123,379	--	(2,877)	9,454	--	111,048
1500100						
Coca Cola Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	62,578	--	(2,576)	3,560	--	56,442
1500140						
Ruby Tuesday Travel and Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	50,960	--	(2,573)	16,355	--	32,032
1500160						
Ernest R Graham Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	77,426	--	(2,855)	3,945	--	70,626
1500180						
Metromedia Restaurant Minority Scholarship Endowment						
Permanently Restricted	170,000	--	--	--	--	170,000
Unrestricted/Temporarily Restricted	24,667	--	(2,657)	10,672	--	11,338

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1500190						
Beverage Management Studies Endowment						
Permanently Restricted	454,819	--	--	--	--	454,819
Unrestricted/Temporarily Restricted	68,559	--	(6,544)	--	--	62,015
1500210						
FIU Hospitality Review Endowment						
Permanently Restricted	187,500	--	--	--	--	187,500
Unrestricted/Temporarily Restricted	30,130	--	(2,986)	7,762	--	19,382
1500220						
Hospitality Management Programs Endowment						
Permanently Restricted	213,152	--	--	--	--	213,152
Unrestricted/Temporarily Restricted	33,290	--	(3,149)	25,289	--	4,852
1500230						
John W Kluge Minority Scholarship Endowment						
Permanently Restricted	710,000	--	--	--	--	710,000
Unrestricted/Temporarily Restricted	107,071	--	(10,627)	31,985	--	64,459
1500240						
Hospitality Computer Equipment Endowment						
Permanently Restricted	175,637	--	--	--	--	175,637
Unrestricted/Temporarily Restricted	44,658	--	(2,607)	--	--	42,051
1500260						
A G Marshall American Dream Scholarship Endowment						
Permanently Restricted	111,370	97	--	--	--	111,467
Unrestricted/Temporarily Restricted	5,410	2,500	(1,589)	1,000	--	5,321
1500290						
Michael E Hurst Lecture and Scholarship Endowment						
Permanently Restricted	165,494	2,522	--	--	--	168,016
Unrestricted/Temporarily Restricted	40,835	--	(2,454)	11,887	--	26,494
1500370						
Marriott Scholarship Endowment						
Permanently Restricted	300,000	--	--	--	--	300,000
Unrestricted/Temporarily Restricted	12,057	--	(4,280)	7,500	--	277
1500410						
Ocean Waters Hospitality Management Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	4,907	--	(2,140)	2,750	--	17
1500450						
Marriott Tianjin China Program Endowment						
Permanently Restricted	1,500,001	--	--	--	--	1,500,001
Unrestricted/Temporarily Restricted	316,595	--	(23,890)	81,192	--	211,513
1500520						
Carnival Scholarship Endowment						
Permanently Restricted	300,000	--	--	--	100,000	400,000
Unrestricted/Temporarily Restricted	139,247	--	(6,108)	8,441	(100,000)	24,698

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1600020						
College of Engineering Scholarships Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	28,082	40,560	(2,239)	34,067	--	32,336
1600030						
Professorship in Engineering Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	80,070	--	(1,627)	2,249	--	76,194
1600140						
Norman Weldon Biomed Fellowship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	12,364	--	(2,221)	--	--	10,143
1600180						
WHC Bioinstrumentation and Biomeasure- ment Professorship Endowment						
Permanently Restricted	1,000,000	--	--	--	--	1,000,000
Unrestricted/Temporarily Restricted	192,649	--	(15,518)	45,000	--	132,131
1600190						
WH Coulter Biomedical Engineering Excellence Endowment						
Permanently Restricted	2,000,000	--	--	--	--	2,000,000
Unrestricted/Temporarily Restricted	365,239	--	(30,774)	61	--	334,404
1600210						
WHC Cardiovascular Engineering Center Endowment						
Permanently Restricted	500,000	--	--	--	--	500,000
Unrestricted/Temporarily Restricted	85,199	--	(7,694)	12,941	--	64,564
1600220						
Lucent Tech CALA Distinguished Professorship Endowment						
Permanently Restricted	450,000	--	--	--	--	450,000
Unrestricted/Temporarily Restricted	102,768	--	(6,420)	5,124	--	91,224
1600240						
WHC Biomedical Engineering Research Initiation Program Endowment						
Permanently Restricted	1,000,000	--	--	--	--	1,000,000
Unrestricted/Temporarily Restricted	189,842	--	(15,387)	5,932	--	168,523
1600250						
WH Coulter Graduate Fellowships in Biomedical Engineering Endowment						
Permanently Restricted	1,000,000	--	--	--	--	1,000,000
Unrestricted/Temporarily Restricted	167,588	--	(15,387)	33,460	--	118,741
1600260						
WH Coulter Biomedical Engineering Excellence Scholarship Endowment						
Permanently Restricted	500,000	--	--	--	--	500,000
Unrestricted/Temporarily Restricted	82,559	--	(7,694)	27,500	--	47,365

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1600270						
Coulter Young Inventor Award Endowment						
Permanently Restricted	1,500,000	--	--	--	--	1,500,000
Unrestricted/Temporarily Restricted	325,308	--	(23,749)	--	--	301,559
1600280						
WH Coulter Biomedical Engineering						
Lecture Series Endowment						
Permanently Restricted	500,000	--	--	--	--	500,000
Unrestricted/Temporarily Restricted	84,940	--	(7,694)	6,161	--	71,085
1600330						
Ware Foundation Professorship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	39,363	--	(2,189)	--	--	37,174
1600450						
Ware Foundation Research Endowment						
Permanently Restricted	700,000	--	--	--	--	700,000
Unrestricted/Temporarily Restricted	29,440	--	(9,986)	--	--	19,454
1600480						
Kelly Foundation Construction and Civil						
Engineering Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	3,262	--	(1,427)	--	--	1,835
1700060						
Festival of Trees Scholarship Endowment						
Permanently Restricted	148,467	--	--	--	--	148,467
Unrestricted/Temporarily Restricted	8,964	5,335	(2,118)	12,500	--	(319)
1700080						
Paul L Cejas Architecture Endowment						
Permanently Restricted	730,009	--	--	--	--	730,009
Unrestricted/Temporarily Restricted	57,102	--	(10,415)	660	--	46,027
1740040						
Evelyn Spiltany Music General Endowment						
Permanently Restricted	153,181	--	--	--	--	153,181
Unrestricted/Temporarily Restricted	28,165	--	(2,440)	15,771	--	9,954
1740060						
Wertheim Performing Arts Scholarship						
Endowment						
Permanently Restricted	1,020,000	--	--	--	--	1,020,000
Unrestricted/Temporarily Restricted	135,644	--	(15,794)	58,818	--	61,032
1800150						
Dresnick Nursing Scholarship Endowment						
Permanently Restricted	152,297	--	--	--	--	152,297
Unrestricted/Temporarily Restricted	17,750	--	(2,326)	7,614	--	7,810
1800170						
A Friedman Health and Nursing Scholarship						
Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	9,561	--	(2,182)	6,446	--	933
1810040						
School of Nursing Program Endowment						
Permanently Restricted	1,589,652	--	--	--	--	1,589,652
Unrestricted/Temporarily Restricted	131,793	24	(23,546)	74,343	--	33,928

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
1810050						
Betty Florman Nursing Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	10,313	--	(2,193)	5,476	--	2,644
1810110						
Blue Cross Blue Shield Nursing Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	7,110	--	(2,149)	3,023	--	1,938
1810130						
North Dade Medical Nursing Lab Equipment Endowment						
Permanently Restricted	437,500	--	--	--	--	437,500
Unrestricted/Temporarily Restricted	12,619	--	3,246	8,677	--	7,188
1810140						
North Dade Medical Nursing Scholarship Endowment						
Permanently Restricted	1,750,000	--	--	--	--	1,750,000
Unrestricted/Temporarily Restricted	(147,293)	--	12,982	63,983	--	(198,294)
1900050						
Janet Chusmir Memorial Scholarship Endowment						
Permanently Restricted	313,210	--	--	--	--	313,210
Unrestricted/Temporarily Restricted	185,964	--	(5,571)	20,198	--	160,195
1900060						
W.R. Hearst Visiting Professionals Endowment						
Permanently Restricted	300,000	--	--	--	--	300,000
Unrestricted/Temporarily Restricted	101,511	--	(4,778)	22,580	--	74,153
2000050						
Judge Thomas C Britton Scholarship Foundation						
Permanently Restricted	265,000	--	--	--	--	265,000
Unrestricted/Temporarily Restricted	24,172	--	(3,781)	--	--	20,391
2000070						
Cuban American Bar Association Scholarship Endowment						
Permanently Restricted	111,900	--	--	--	--	111,900
Unrestricted/Temporarily Restricted	7,954	--	(1,596)	--	--	6,358
2000120						
Law Professorship Endowment						
Permanently Restricted	1,275,000	--	--	--	--	1,275,000
Unrestricted/Temporarily Restricted	54,947	--	(18,190)	--	--	36,757
2000160						
C.A.M.P. 4 Justice Human Rights Endowment						
Permanently Restricted	400,000	--	--	--	--	400,000
Unrestricted/Temporarily Restricted	72,636	--	(6,121)	8,459	--	58,056

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
2100030						
Computer Science Professorship I Endowment						
Permanently Restricted	153,360	--	--	--	--	153,360
Unrestricted/Temporarily Restricted	149,018	--	(2,840)	3,925	--	142,253
2100040						
Computer Science Professorship II Endowment						
Permanently Restricted	153,360	--	--	--	--	153,360
Unrestricted/Temporarily Restricted	151,500	--	(2,840)	3,925	--	144,735
2100050						
Computer Sciences Fellowship I Endowment						
Permanently Restricted	153,410	--	--	--	--	153,410
Unrestricted/Temporarily Restricted	109,258	--	(2,841)	3,926	--	102,491
2100060						
Computer Sciences Fellowship II Endowment						
Permanently Restricted	153,360	--	--	--	--	153,360
Unrestricted/Temporarily Restricted	138,727	--	(2,840)	3,925	--	131,962
2100070						
Ryder Professor Computer Science Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	219,966	--	(2,714)	21,166	--	196,086
2200030						
General Library Materials Purchase Endowment						
Permanently Restricted	640,993	--	--	--	--	640,993
Unrestricted/Temporarily Restricted	237,939	202	(9,516)	--	--	228,625
2200040						
Green Library Visual Arts Research Materials Endowment						
Permanently Restricted	801,000	--	--	--	--	801,000
Unrestricted/Temporarily Restricted	71,159	--	(11,709)	585	--	58,865
2300030						
Honors College General Endowment						
Permanently Restricted	127,019	--	--	--	(269)	126,750
Unrestricted/Temporarily Restricted	48,596	19,837	(1,891)	30,675	269	36,136
2300060						
Harvey L Young Family Scholarship Endowment						
Permanently Restricted	151,000	--	--	--	--	151,000
Unrestricted/Temporarily Restricted	20,485	--	(2,249)	2,000	--	16,236
2300070						
Lucille E Snaith Honors College Memorial Scholarship Endowment						
Permanently Restricted	500,000	--	--	--	--	500,000
Unrestricted/Temporarily Restricted	64,568	--	(7,325)	17,500	--	39,743
2300090						
Gerald C Grant Jr Honors College Scholarship Endowment						
Permanently Restricted	100,000	--	--	--	--	100,000
Unrestricted/Temporarily Restricted	9,251	--	(1,522)	3,013	--	4,716

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
2400030						
North Dade Medical Foundation MD Scholarship Endowment						
Permanently Restricted	5,000,000	--	--	--	--	5,000,000
Unrestricted/Temporarily Restricted	(34,775)	--	(70,836)	--	--	(105,611)
2400110						
H. Edwards Professorship in Pulmonary Medicine Endowment						
Permanently Restricted	600,001	--	--	--	--	600,001
Unrestricted/Temporarily Restricted	60,449	--	(9,144)	12,731	--	38,574
2400140						
Green Family Medicine Endowment						
Permanently Restricted	5,000,001	1,000,000	--	--	--	6,000,001
Unrestricted/Temporarily Restricted	738,634	--	(92,823)	239,679	--	406,132
2400150						
Herbert & Nicole Wertheim Professorship Endowment						
Permanently Restricted	5,957,808	--	--	--	--	5,957,808
Unrestricted/Temporarily Restricted	615,754	--	(90,779)	125,447	--	399,528
2400160						
Herbert & Nicole Wertheim Research Pilot Project Endowment						
Permanently Restricted	1,985,936	--	--	--	--	1,985,936
Unrestricted/Temporarily Restricted	205,251	--	(30,260)	41,816	--	133,175
2400170						
Herbert & Nicole Wertheim Education Endowment						
Permanently Restricted	1,489,452	--	--	--	--	1,489,452
Unrestricted/Temporarily Restricted	153,945	--	(22,695)	31,362	--	99,888
2400180						
Herbert & Nicole Wertheim Community Health Endowment						
Permanently Restricted	496,483	--	--	--	--	496,483
Unrestricted/Temporarily Restricted	51,313	--	(7,565)	10,454	--	33,294
2400190						
Herbert & Nicole Wertheim Scholarship Fund Endowment						
Permanently Restricted	9,929,680	--	--	--	--	9,929,680
Unrestricted/Temporarily Restricted	977,957	--	(151,298)	347,939	--	478,720
2400260						
Benjamin Leon Center for Geriatrics Research and Education Endowment						
Permanently Restricted	6,006,425	--	--	--	--	6,006,425
Unrestricted/Temporarily Restricted	726,822	--	(92,555)	153,701	--	480,566
2400350						
Albert & Debbie Tano Medical Simulation Center Endowment						
Permanently Restricted	600,000	134,000	--	--	--	734,000
Unrestricted/Temporarily Restricted	8,220	--	(8,802)	--	--	(582)

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
2500030						
R Stempel College of Public Health Endowment						
Permanently Restricted	3,298,411	--	--	--	--	3,298,411
Unrestricted/Temporarily Restricted	705,089	997	(48,407)	43,697	--	613,982
2500060						
CV Starr Public Health Scholarship Endowment						
Permanently Restricted	3,396,851	--	--	--	--	3,396,851
Unrestricted/Temporarily Restricted	410,799	--	(49,156)	10,500	--	351,143
2530040						
Bank of America Social Work Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	45,180	--	(2,201)	--	--	42,979
3000080						
Dorothea and Steven Green Program Endowment						
Permanently Restricted	3,200,010	--	--	--	--	3,200,010
Unrestricted/Temporarily Restricted	429,333	--	(46,775)	151,204	--	231,354
3000100						
Jane Hsiao Asian Art Endowment						
Permanently Restricted	909,766	--	--	--	--	909,766
Unrestricted/Temporarily Restricted	101,499	--	(12,979)	6,994	--	81,526
3100100						
Wolfsonian Program and Exhibitions Endowment						
Permanently Restricted	520,884	--	--	--	--	520,884
Unrestricted/Temporarily Restricted	39,864	--	(7,431)	150	--	32,283
3400010						
Osher Lifelong Learning Endowment						
Permanently Restricted	1,000,001	--	--	--	--	1,000,001
Unrestricted/Temporarily Restricted	66,702	49,863	(14,433)	50,000	--	52,132
4020090						
Lois P. Britton Women's Golf Scholarship Endowment						
Permanently Restricted	184,386	--	--	--	--	184,386
Unrestricted/Temporarily Restricted	57,758	--	(2,777)	11,221	--	43,760
4020150						
Michael Felsberg Scholarship Endowment						
Permanently Restricted	100,400	--	--	--	--	100,400
Unrestricted/Temporarily Restricted	12,762	--	(1,432)	3,272	--	8,058
4100030						
Homestead Campus Endowment						
Permanently Restricted	250,000	--	--	--	--	250,000
Unrestricted/Temporarily Restricted	259,435	--	(4,236)	5,854	--	249,345
4100200						
International Hurricane Center Endowment						
Permanently Restricted	700,008	--	--	--	--	700,008
Unrestricted/Temporarily Restricted	230,215	--	(11,542)	15,950	--	202,723

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

MAJOR GIFTS PROGRAM

**SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES-SCHEDULE III
(CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	Contributions	Interest and Investment Gains	Expenditures	Transfers	Ending Balance June 30, 2012
4200070						
ER and C Gross Scholarship Endowment						
Permanently Restricted	254,755	--	--	--	--	254,755
Unrestricted/Temporarily Restricted	55,916	--	(3,769)	7,000	--	45,147
4400010						
Alumni Association Program Endowment						
Permanently Restricted	607,772	89,335	--	--	--	697,107
Unrestricted/Temporarily Restricted	113,446	189,025	(9,480)	279,423	--	13,568
4410020						
C.A.M.P 4 Justice Foundation Human Rights Scholarship Endowment						
Permanently Restricted	150,000	--	--	--	--	150,000
Unrestricted/Temporarily Restricted	<u>6,340</u>	<u>--</u>	<u>(2,140)</u>	<u>--</u>	<u>--</u>	<u>4,200</u>
Total	<u>\$ 112,006,761</u>	<u>\$ 1,953,457</u>	<u>\$ (1,447,268)</u>	<u>\$ 3,305,291</u>	<u>\$ --</u>	<u>\$ 109,207,659</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

MAJOR GIFTS PROGRAM

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDOWMENT BALANCES - SCHEDULE III

(Continued)

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	State Match Presented	State Match Received	Write- Offs	Ending Balance June 30, 2012
B. Priority List					
CV Starr Scholarship Program Endowment	\$ 74,531	\$ --	\$ --	\$ --	\$ 74,531
Honors College General Endowment	51,649	--	--	--	51,649
Cuban American Bar Scholarship Endowment	50,050	--	--	--	50,050
Ware Foundation Research Endowment	50,000	--	--	--	50,000
Kelly Foundation Construction & Engineering Scholarship Endowment	50,000	--	--	--	50,000
North Dade Medical Foundation FIU College of Medicine (E)	5,000,000	--	--	--	5,000,000
Wolfsonian Program Endowment	53,000	--	--	--	53,000
MCH Eminent Scholars Chair in Pediatrics (E) - 1	250,000	--	--	--	250,000
C.V. Starr Scholarship Program Endowment	125,000	--	--	--	125,000
Lennar Corporation Scholarship Endowment	50,000	--	--	--	50,000
Barnes & Noble Creative Writing Endowment	75,000	--	--	--	75,000
Pino Global Entrepreneurship Center Endowment - 4	150,000	--	--	--	150,000
Leon Medical Center Eminent Scholars Chair in Geriatrics	2,000,250	--	--	--	2,000,250
MCH Eminent Scholars Chair in Pediatrics (E) - 2	500,000	--	--	--	500,000
Marriott-Tianjin China Program Endowment - 1	250,000	--	--	--	250,000
R. Kirk Landon General Endowment	250,000	--	--	--	250,000
Pino Global Entrepreneurship Center Endowment - 5	230,000	--	--	--	230,000
Green Family Medicine & Society Program Endowment - 1	250,000	--	--	--	250,000
Anthony G. Marshall American Dream Scholarship (E)	54,335	--	--	--	54,335
Bhagwan Mahavir Professorship of Jain Studies Endowment - 1	100,000	--	--	--	100,000
MCH Eminent Scholars Chair in Pediatrics (E) - 3	375,000	--	--	--	375,000
C.A.M.P 4 Justice Human Rights Endowment - 2	50,000	--	--	--	50,000
Carnival Scholarship Endowment - 1	75,000	--	--	--	75,000
Marriott-Tianjin China Program Endowment - 3	540,021	--	--	--	540,021
COMedicine "Neighborhood HELP" Program Endowment-Batchelor Foundation	250,000	--	--	--	250,000
Leon Medical Center 2 - Benjamin Leon, Jr. Family Center for Geriatric Research and Education (E)	1,600,000	--	--	--	1,600,000
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
Michael Felsberg Scholarship Endowment	50,464	--	--	--	50,464
Student Managed Investment Endowment	100,000	--	--	--	100,000
Religious Studies Endowment	50,000	--	--	--	50,000
Environmental Preserve Endowment	50,000	--	--	--	50,000
Marriott-Tianjin China Program Endowment - 2	450,000	--	--	--	450,000
C.A.M.P. 4 Justice Human Rights Endowment - 1	50,000	--	--	--	50,000
Carnival Scholarship Endowment - 2	75,000	--	--	--	75,000
Dr. Herbert & Nicole Wertheim Medical Scholarship Endowment - 3	920,625	--	--	--	920,625
Dr. Herbert & Nicole Wertheim Endowment for Medical Education - 3	920,625	--	--	--	920,625
Leon Medical Center 3 - Benjamin Leon, Jr. Family Center for Geriatric Research and Education (E)	2,400,000	--	--	--	2,400,000
Dr. Harry Edwards Professorship in Pulmonary Medicine Endowment (Ware Foundation) - 2	94,500	--	--	--	94,500
Dr. Herbert & Nicole Wertheim Medical Scholarship Endowment - 2	1,512,500	--	--	--	1,512,500
Dr. Herbert & Nicole Wertheim Endowment for Medical Education - 2	1,512,500	--	--	--	1,512,500
COMedicine "Neighborhood HELP" Program Endowment-Batchelor Foundation - 2	1,350,000	--	--	--	1,350,000
Green Family Medicine & Society Program Endowment - 2	1,750,001	--	--	--	1,750,001
Jane Hsiao Asian Art Endowment	631,638	120,117	--	--	751,755

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. AND SUBSIDIARIES

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

FOR THE YEAR ENDED JUNE 30, 2012

	Beginning Balance July 1, 2011	State Match Presented	State Match Received	Write- Offs	Ending Balance June 30, 2012
Dr. Harry Edwards Professorship in Pulmonary Medicine Endowment (Ware Foundation) - 1	\$ --	\$ 105,500	\$ --	\$ --	\$ 105,500
Pino Global Entrepreneurship Center Endowment	--	80,000	--	--	80,000
Gerald C. Grant, Jr. Scholarship Endowment Fund	--	50,000	--	--	50,000
Jose Antonio Echeverria Political Science Scholarship Endowment	--	50,000	--	--	50,000
Bhagwan Mahavir Professorship of Jain Studies Endowment - 1	--	411,874	--	--	411,874
Armando Alejandro Jr. Memorial Scholarship Endowment	--	70,000	--	--	70,000
Lawrence Sanders Price Endowment	--	50,000	--	--	50,000
Dr. Harry Edwards Professorship in Pulmonary Medicine Endowment (Ware Foundation) - 2	--	220,000	--	--	220,000
Dr. Herbert & Nicole Wertheim Medical Scholarship Endowment - 3	--	3,000,000	--	--	3,000,000
Dr. Herbert & Nicole Wertheim Endowment for Medical Education - 3	--	3,000,000	--	--	3,000,000
UW Badia Spices Jose Marti Scholarship Endowment	--	50,000	--	--	50,000
UW Badia Spices Scholarship Endowment	--	50,000	--	--	50,000
Wallace Gilroy Endowed Research Fund (Hugoton Foundation)	--	75,000	--	--	75,000
C.A.M.P. 4 Justice Human Rights Endowment - 3 & 4	--	100,000	--	--	100,000
Leon Medical Center 4 - Benjamin Leon, Jr. Family Center for Geriatric Research and Education (E)	--	2,000,000	--	--	2,000,000
Miami Bayside Foundation Scholarship Endowment	--	50,000	--	--	50,000
Green Family Medicine & Society Program Endowment - 3	--	1,000,000	--	--	1,000,000
The Bernard Osher Foundation Endowment	--	750,000	--	--	750,000
Albert and Debbie Tano Medical Simulation Center Endowment	--	420,000	--	--	420,000
Carnival Scholarship Endowment - 3	--	50,000	--	--	50,000
MCH Eminent Scholars Chair in Pediatrics (E) - 4	--	875,000	--	--	875,000
Totals	<u>\$ 29,389,549</u>	<u>\$ 12,577,491</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 41,967,040</u>

OTHER INFORMATION

BOARD OF DIRECTORS

Fiscal Year

July 1, 2011 - June 30, 2012

Justo L. Pozo, *Chairperson* '80

T. Gene Prescott, *Vice Chairperson*

Richard Brilliant, *Treasurer* '93

Kathryn G. Chase, *Secretary*

Nelson L. Adams

David S. Adler '08*

Jose M. Aldrich

Agustin R. Arellano, Sr. *

Antonio L. Argiz, CPA '74

Victor C. Balestra

Stephen H. Bittel

John Bussel*

Nicholas G. Bustle '88

Carlos B. Castillo, Esq. '88

Veronica Cervera Goeseke

Thomas M. Cornish '85

Carlos A. Duart '94, MS '99

Candice Gidney*

Noel J. Guillama-Alvarez '99

Jorge J. Gonzalez '88

Jack F. Gonzalez '97

Gerald C. Grant, Jr. '78, MBA '89

C. Delano Gray

Denise Halpin

Fanny Hanono*

Jeffrey L. Horstmyer

Rosa L. Jones

Neisen O. Kasdin, Esq. *

S. L. Kahn*

Christopher G. Korge

R. Kirk Landon

Donald E. Lefton

Albert R. Maury '96, B.Acc. '02

Juan J. Martinez '90, '93*

Michael R. Mendez '03, '10

Chad Moss '94

Eileen Moss*

Mario Murgado

Marcel L. Navarro '93

Marcos A. Perez '90, MBA '00

Danny Pino '96 *

Lilly Bernal Pino '97*

Jonathan E. Perlman *

Enrique A. "Henry" Ramos

Carolina Rendeiro

Orlando Roche '88

Jorge Rossell *

Carlos A. Sabater, CPA '81

Adalio T. Sanchez '87

Ronald A. Shuffield

Isaac Zelcer

Sanford L. Ziff

** Served on the Board for part of the Fiscal Year*



Foundation, Inc.

**FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
BOARD OF DIRECTORS**

***BOARD OF DIRECTORS
EXECUTIVE COMMITTEE***

Fiscal Year

July 1, 2011 - June 30, 2012

Justo L. Pozo, '80, Chairperson for the Board of Directors

Dates of Service: 05.30.2007 – 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 Sub-Committee, Vice Chairperson*
- > *National Board Task Force, Member*

Richard Brilliant, '93, Treasurer for the Board of Directors

Dates of Service: 9.23.08– Present

Committee Affiliations:

- > *Executive Committee, Member*
- > *Finance & Audit Committee, Chairperson*
- > *Investment Sub-Committee, Chairperson*

Kathryn G. Chase, Secretary for the Board of Directors

Dates of Service: 3.24.2009 – Present

Committee Affiliations:

- > *Executive Committee, Member*
- > *National Board Task Force, Member*

Carlos B. Castillo, '88

Dates of Service: 11.28.07 – Present

Committee Affiliations:

- > *Executive Committee, Member*
- > *Development Committee, Co-Chairperson*
- > *Bylaws Special Committee, Chairperson*



Foundation, Inc.

**FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
BOARD OF DIRECTORS**

***BOARD OF DIRECTORS
EXECUTIVE COMMITTEE (CONTINUED)***

*Fiscal Year
July 1, 2011 - June 30, 2012*

Carlos A. Duarte, '94, '99

Dates of Service: 09.23.2008 – Present

Committee Affiliations:

- > *Executive Committee, Member*
- > *Development Committee, Co-Chairperson*
- > *National Board Task Force, Co=Chairperson*

Thomas M. Cornish, '85

Dates of Service: 04.06.2006– Present

Committee Affiliations:

- > *Executive Committee, Member*
- > *Membership and Board Management, Co-Chairperson*

Veronica Cervera Goeseke

Dates of Service: 04.06.2006– Present

Committee Affiliations:

- > *Executive Committee, Member*
- > *Membership and Board Management, Co-Chairperson*

Noel J. Guillama-Alvarez, '99

Dates of Service: 11.27.2002– Present

Committee Affiliations:

- > *Executive Committee, Member*
- > *Real Estate Task Force, Chairperson*
- > *Investment Sub-Committee, Member*

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, 2012 and have issued our report thereon dated October 26, 2012. 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.

Marcum LLP

Miami, FL
October 26, 2012

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 29, 2012

**Subject: Florida International University Research Foundation, Inc. Financial Audit,
2011-12**

Proposed Committee Action:

Recommend approval by the Florida International University Board of Trustees of the Florida International University Research Foundation, Inc. Financial Audit for the 2011-12 Fiscal Year and authorize the Executive Director of the Florida International University Research Foundation, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

Pursuant to Regulation FIU-1502 (2)(f), the Florida International University Research Foundation, Inc. must submit an independently conducted financial audit of its accounts and records, which 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 Florida International University Research Foundation, Inc. Financial Audit for the 2011-12 fiscal was approved by the Florida International University Research Foundation, Inc. Board of Directors on October 29, 2012, and the University President is recommending its approval.

Florida Board of Governors Regulation 9.011 (4) University Direct Support Organizations and Health Services Support Organizations, states in relevant part:

Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review.

Supporting Documentation:

Florida International University Research Foundation,
Inc. Financial Audit FY 2011-12

Facilitator/Presenter:

Kenneth A. Jessell

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

TABLE OF CONTENTS

Independent Auditors' Report	1-2
---	------------

Management's Discussion and Analysis	3-7
---	------------

Basic Financial Statements

Statement of Net Assets – Research Foundation	8
Statement of Financial Position – iWASH Initiative Limited	9
Statement of Revenues, Expenses and Changes in Net Assets – Research Foundation.....	10
Statement of Comprehensive Income and Statement of Changes in Equity – iWASH Initiative Limited.....	11
Statement of Cash Flows – Research Foundation	12
Statement of Cash Flows – iWASH Initiative Limited.	13
Notes to Financial Statements.....	14-27

Reporting Section

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of Florida International University Research Foundation, Incorporated (the Research Foundation), a direct support organization and a component unit of Florida International University, as of June 30, 2012 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 Research Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Florida International Research iWASH Initiative Limited (iWASH Limited), a component unit of the Research Foundation, as of and for the year ended December 31, 2011, which were prepared in accordance with International Financial Reporting Standards and the Tanzania Companies Act. Those financial statements were audited by other independent auditors, in accordance with International Standards on Auditing, whose report thereon has been furnished to us, and our opinion on the financial statements insofar as it relates to the amounts and disclosures included for the Florida International Research iWash Limited are based solely on the report of the other auditors.

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 Research 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 and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Research Foundation as of June 30, 2012, 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 and, with respect to iWASH Limited, in accordance with International Financial Reporting Standards and the Tanzania Companies Act.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2012 on our consideration of the Research 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 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.

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

Marcum LLP

Miami, FL
November 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Florida International University Research Foundation, Incorporated (the "Research Foundation") for the fiscal year ended June 30, 2012, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements and notes thereto, are the responsibility of management.

FINANCIAL HIGHLIGHTS

The Research Foundation's assets totaled \$277.2 thousand at June 30, 2012. This balance reflects a \$135.5 thousand, or 96 percent, increase from the 2011 fiscal year, resulting from an increase in cash of \$135.5 thousand. While assets increased, liabilities also increased by \$88.8 thousand, or 222 percent. As a result, the Research Foundation's net assets increased by \$46.8 thousand reaching a year-end balance of \$188.0 thousand.

The Research Foundation had no operating revenues for the 2012 fiscal year. Transfers from Florida International University (FIU) totaled \$70 thousand. Operating expenses totaled \$23.2 thousand for the 2012 fiscal year, representing an increase of 21 percent over the 2011 fiscal year due mainly to an increase in professional fees.

OVERVIEW OF FINANCIAL STATEMENTS

The Research Foundation'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.

Statement of Net Assets

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

	2012	2011
Assets		
Current assets	\$ 277.2	\$ 141.7
Total Assets	<u>277.2</u>	<u>141.7</u>
Liabilities		
Current liabilities	<u>89.2</u>	<u>0.4</u>
Total Liabilities	<u>89.2</u>	<u>0.4</u>
Net Assets		
Unrestricted	<u>188.0</u>	<u>141.3</u>
Total Net Assets	<u><u>\$ 188.0</u></u>	<u><u>\$ 141.3</u></u>

Current assets are comprised mainly of cash. The increase in cash is primarily due to a U.S. Agency for International Development (USAID) grant in Burkina Faso in West Africa that is operated on behalf of the University. The activities are reflected on the balance sheet as Due to FIU.

In summary, total assets increased by \$135.5 thousand, or 96 percent, while total liabilities increased by \$88.8 thousand, or 222 percent. As a result, the net assets balance at June 30, 2012, had a favorable increase of \$46.8 thousand.

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

Statement of Revenues, Expenses and Changes in Net Assets

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the Research Foundation's activity for the 2012 and 2011 fiscal years:

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

	2012	2011
Operating Expenses	<u>\$ 23.2</u>	<u>\$ 19.2</u>
Operating Loss	(23.2)	(19.2)
Net non-operating expenses	-	(44.9)
Net non-operating revenues	<u>-</u>	<u>3.4</u>
Expenses before transfers	(23.2)	(60.7)
Transfer from FIU	<u>70.0</u>	<u>83.5</u>
Changes in Net Assets	46.8	22.8
Net Assets - Beginning of Year	<u>141.3</u>	<u>118.5</u>
Net Assets - End of Year	<u><u>\$ 188.1</u></u>	<u><u>\$ 141.3</u></u>

Operating Revenues

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

Operating Expenses

The Research Foundation categorizes expenses as operating or non-operating. GASB allows financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The Research Foundation has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the operating expenses by natural classifications for the 2012 and 2011 fiscal years:

Operating Expenses
(In Thousands)

	2012	2011
Professional fees	\$ 23.0	\$ 17.9
Other operating expenses	<u>0.2</u>	<u>1.3</u>
Total Operating Expenses	<u>\$ 23.2</u>	<u>\$ 19.2</u>

Operating expenses totaled \$23.2 thousand for the 2012 fiscal year. This represents a 21 percent increase over the 2011 fiscal year and was primarily due to an increase in professional fees of \$5 thousand coupled with a decrease in banking fees of \$1 thousand.

TRANSFERS

Transfers for the 2012 fiscal year totaled \$70 thousand and were related to the transfer of royalty income from the University to support the operating expenses of the Research Foundation.

BLENDED COMPONENT UNIT

Florida International Research iWASH Initiative Limited

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

In January 2010, Florida International University received a cooperative agreement funding award to support the Tanzania Integrated Water, Sanitation and Hygiene Program (iWASH). The company was established in Tanzania by the Florida International University Research Foundation, Inc. in order to implement the iWASH program in Tanzania. The funding is obligated under the USAID Strategic Assistance Objective #13 “Biodiversity Conserved in Targeted Landscapes through Livelihood Driven Approaches,” and is under the bilateral Economic and Technical Cooperation Agreement signed between the Government of the United Republic of Tanzania and the Government of the United States of America. Current funding is for the period January 1, 2010 through August 31, 2013. The company has a year end of December 31. For additional information on this component unit, see the blended component unit section in Note 1 of the financial statements on pages 14-15.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

The period from January to March 2010 was the “set up phase”, during which the company was established. The iWASH Office in Morogoro was established in April 2010. The full activities of the program started in July 2010.

The iWASH Program progressed well during the period from January to December 2011. A total of 87 new wells/boreholes in Mvomero District have been installed with locally manufactured Rope Pumps. These wells are currently functioning under community management and are serving a total of 17,145 people. New partnerships for provision of water supply have been formed with MSABI in Kilombero, and SHIPO in Njombe. Work started on a piped water scheme to serve at least 8,000 people in Mvumi Village in Kilosa District. A gravity supply scheme was completed in Pemba Village, Mvomero District, and is serving 6,800 people. The initial marketing of Tulip Water Filters has resulted in at least 1,840 people accessing clean safe drinking water. New activities relating to productive use of water are underway.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

REQUESTS FOR INFORMATION

This financial statement is designed to provide a general overview of the Research Foundation’s finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Florida International University Research Foundation, Incorporated, 11200 S.W. 8th Street, Miami, Florida 33199.

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

STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets

Current Assets

Cash	\$ 277,198
------	------------

Liabilities

Current Liabilities

Accounts payable	690
Due to FIU	<u>88,470</u>
	<u>89,160</u>

Net Assets

Unrestricted net assets	<u><u>\$ 188,038</u></u>
-------------------------	--------------------------

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

**FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED**
(A Component Unit)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

Assets

Non current assets

Property and equipment \$ 116,055

Current assets

Cash and cash equivalents 28,128

Total Assets

\$ 144,183

Equity and Liabilities

Fund accounts

Retained earnings \$ --

Long term liabilities

Capital grant 55,083

Current liabilities

Capital grant - current portion 60,972

Deferred grant 28,128

89,100

Total Equity and Liabilities

\$ 144,183

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

Operating Expenses	
Professional fees	\$ 22,983
Other operating expenses	<u>236</u>
Operating Loss	<u>\$ (23,219)</u>
Transfer from Florida International University (FIU)	<u>70,000</u>
Change in Net Assets	46,781
Net Assets - Beginning	<u>141,257</u>
Net Assets - Ending	<u><u>\$ 188,038</u></u>

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

**FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED**
(A Component Unit)

**STATEMENT OF COMPREHENSIVE INCOME AND
STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED DECEMBER 31, 2011

Statement of Comprehensive Income

Income

Grant income	\$ 309,323
Amortization of capital grant	<u>60,972</u>

Total Income 370,295

Expenditure

Operating expenditure	<u>370,295</u>
-----------------------	----------------

Operating Surplus --

Other Comprehensive Income (Net Taxes) --

Total Comprehensive Income \$ --

Statement of Changes in Equity

	<u>Accumulated Surplus</u>
Balance - January 1, 2011	\$ --
Surplus for the Period	<u>--</u>
Balance - December 31, 2011	<u><u>\$ --</u></u>

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

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities

Cash received from FIU	\$ 88,470
Cash paid for program activities	<u>(22,997)</u>

Net Cash Provided by Operating Activities 65,473

Cash Flows from Non-Capital Financing Activities

Transfers from FIU	<u>70,000</u>
--------------------	---------------

Increase in Cash 135,473

Cash - Beginning 141,725

Cash - Ending \$ 277,198

Reconciliation of Operating Loss to

Net Cash Provided by Operating Activities

Operating loss	\$ (23,219)
Changes in assets and liabilities:	
Increase in accounts payable	222
Increase in due to FIU	<u>88,470</u>

Net Cash Provided by Operating Activities \$ 65,473

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

**FLORIDA INTERNATIONAL RESEARCH
iWASH INITIATIVE LIMITED**
(A Component Unit)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

Cash Flow (Used in) from Operating Activities	
Operating surplus	\$ --
Depreciation	60,972
Amortization of capital grant	<u>(60,972)</u>
Operating Profit before Working Capital Changes	<u>--</u>
Net Cash Flow from Operating Activities	--
Cash Flow from Financing Activities	
Movement in deferred grant	<u>(41,955)</u>
Net Decrease in Cash and Cash Equivalents	(41,955)
Cash and Cash Equivalents - Beginning of Period	<u>70,083</u>
Cash and Cash Equivalents - End of Period	<u><u>\$ 28,128</u></u>

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

**I. FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION,
INCORPORATED**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

The financial reporting entity covered by this report includes the Organization and its component unit. The reporting entity has been defined by GASB Statement No. 14 (as amended by GASB Statement No. 39) as the Organization and those component units for which the Organization is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations, therefore, data for these units are generally combined with data of the Organization.

Blended Component Unit

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

The financial statements of iWASH presented are prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB). The iWASH board members consist of two members, one of which is authorized as the Research Foundation's representative at any

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Blended Component Unit (continued)

meeting of the company and is entitled to exercise the same powers on behalf of the company as if it were an individual member present at the meeting including power to vote. iWASH is fiscally dependent on the Research Foundation because the company was established as a legal entity solely to implement the development initiative known as Tanzania iWASH Program. Accordingly, iWASH is a blended component unit and is presented in the Research Foundation's financial statements. iWASH has a December 31st year-end. Since the iWASH year end and presentation is not compatible with the Research Foundation's presentation as it is presented under the international accounting standards and not in accordance with Generally Accepted Accounting Principles in the United States of America, the financial statements and notes related to iWASH are presented on separate pages. See notes Section II beginning on Page 19. Complete financial statements for the iWASH Limited can be obtained by writing to: Controller, Florida International University, Division of Research, 11200 S.W. 8th Street, Miami, FL 33199.

BASIS OF PRESENTATION

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

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

FLOW ASSUMPTION FOR RESTRICTED ASSETS

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

OPERATING REVENUE AND EXPENSES

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

INCOME TAXES

The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such are subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2012.

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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Management has analyzed the tax positions taken and has concluded that as of June 30, 2012, 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 2009.

TRANSFERS

Transfers for the 2012 fiscal year totaled \$70 thousand related to the transfer of royalty income from the University to support the operating expenses of the Research Foundation.

NOTE 2 – DEPOSITS

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

CONCENTRATIONS OF CREDIT RISK FOR CASH

In February 2012, a bank account in Burkina Faso in West Africa was opened to support the operations pertaining to the West Africa Water Supply, Sanitation and Hygiene (WA-WASH) Program under a U.S. Agency for International Development (USAID) grant. The balance in this account of \$90,138 as of June 30, 2012 is not FDIC insured and is subject to foreign exchange risk. The Research Foundation maintains its cash balances with high quality financial institutions, which the Research Foundation believes limits these risks.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – DUE TO FLORIDA INTERNATIONAL UNIVERSITY

The amount Due to FIU of \$88,470 represents funds that were sent to Burkina Faso related to grant operations. This liability will be reduced as vendors are paid in Burkina Faso. The funds for grant operations in Burkina Faso are repaid directly to the University from the grantor.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

II. FLORIDA INTERNATIONAL RESEARCH iWASH INITIATIVE LIMITED

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Florida International Research iWASH Initiative Limited (the Company) is an Organization domiciled in Tanzania. The financial statements of the Company are for the period ended December 31, 2011.

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

BASIS OF PREPARATION

Presentation of Financial Statements

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

Statement of Compliance

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

Basis of Measurement

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

Translation of Foreign Currencies

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

Use of Estimates and Judgment

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates and Judgment (continued)

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

Going Concern

The Company operations are funded by Florida International University.

Florida International University has confirmed in its letter dated October 4, 2012 its intention to continue providing financial support and will not recall the outstanding advance within the foreseeable future.

EMPLOYEE BENEFITS

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

REVENUE RECOGNITION

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

Interest is recognized, in the statement of comprehensive income as it accrues, using the effective interest rate method.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Recognition and Measurement

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

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

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

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

Subsequent Costs

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

Depreciation

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 – OPERATING EXPENSES

NRA - salaries and consultants non US	\$ 179,963
Foreign travel (travel in TZ)	25,732
Maintenance contracts	3,045
Security services	6,921
Rent expenses	7,447
Cellular phones	1,485
Communications charges other	3,613
Bank fees	411
Office supplies	4,917
Other materials and supplies	2,004
Gasoline and diesel	11,817
Other motor fuel supplies	9,364
Auto insurance	6,587
Postage	--
Courier/freight	1,029
Printing, copycard, Xerox and reproduction	665
Miscellaneous	930
Scholarships	22,185
Book allowance	218
F&E <\$1000	915
F&E > \$1000	2,403
Motor vehicles others	--
Stipend	2,367
Professional fees	12,424
Communication and outreach	356
Subcontracts under \$25K	1,103
Food products	1,422
Depreciation	60,972
Total Operating Expenses	\$ 370,295

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – PROPERTY AND EQUIPMENT

	Office Equipment	Motor Vehicles	Office Furniture and Fittings	Computer Accessories	Total
Cost					
At December 2010	\$ 2,465	\$ 203,110	\$ 9,091	\$ 23,333	\$ 237,999
Additions	--	--	--	--	--
At December 31, 2011	<u>2,465</u>	<u>203,110</u>	<u>9,091</u>	<u>23,333</u>	<u>237,999</u>
Depreciation					
At December 2010	308	50,778	1,136	8,750	60,972
Charge for the year	308	50,778	1,136	8,750	60,972
At December 31, 2011	<u>616</u>	<u>101,556</u>	<u>2,272</u>	<u>17,500</u>	<u>121,944</u>
Net Book Value -					
At December 31, 2011	<u>\$ 1,849</u>	<u>\$ 101,554</u>	<u>\$ 6,819</u>	<u>\$ 5,833</u>	<u>\$ 116,055</u>

NOTE 4 – CASH AND CASH EQUIVALENTS

USD Account 6002092	\$ 24,738
TZS Account 6000200	<u>3,390</u>
	<u>\$ 28,128</u>

NOTE 5 – CAPITAL GRANTS MOVEMENT

Opening Balance	\$ 177,027
Capital grant received during the period	--
Amortization of capital grants	<u>(60,972)</u>
Balance - December 31	<u>\$ 116,055</u>
Long term portion	\$ 55,083
Current portion	<u>60,972</u>
	<u>\$ 116,055</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 – CAPITAL GRANTS MOVEMENT (CONTINUED)

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

NOTE 6 – DEFERRED GRANT

Opening Balance	\$ 70,083
Receipts for the period	352,222
Grant income release to Statement of Comprehensive	
Income (see Note 2)	(278,122)
Capital grant deferred (see Note 5)	(116,055)
Exchange difference	<u>--</u>
Balance - December 31	<u><u>\$ 28,128</u></u>

NOTE 7 – RELATED PARTY TRANSACTIONS

The Florida International University, Winrock International and Cooperate for Assistance and Relief Everywhere (CARE) are the only related parties of the Company.

NOTE 8 – TAXES

The Florida International Research iWASH Initiative Limited has been registered as company limited by guarantee, governed by Companies Act, 2002, having no motive to make profits.

The company management is in the process of applying for exemption from Income Tax to the Tanzania Revenue Authority.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 – FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise cash and payables. These financial instruments arise directly from the Company's operations. The Company has not traded in financial instruments throughout the year end December 31, 2011.

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

LIQUIDITY RISK

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

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

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

MARKET RISK

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

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 – FINANCIAL RISK MANAGEMENT (CONTINUED)

INTEREST RATE RISK

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

CREDIT RISK

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

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

FOREIGN CURRENCY RISK

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

FAIR VALUES

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

NOTE 10 – SUBSEQUENT EVENTS

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 – CONTINGENT LIABILITIES AND OTHER COMMITMENTS

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

NOTE 12 – ULTIMATE HOLDING ENTITY

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

REPORTING SECTION

**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
Florida International University Research Foundation, Incorporated
Miami, Florida

We have audited the financial statements of Florida International University Research Foundation, Incorporated (the Research Foundation) as of and for the year ended June 30, 2012 and have issued our report thereon dated November 2, 2012. 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. Other auditors audited the financial statements of the Florida International Research iWASH Initiative Limited, a component unit, as described in our report on the Research Foundation's financial statements. Their audit was not performed in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting and other matters that are reported separately by those auditors.

Internal Control over Financial Reporting

Management of the Research Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Research Foundation'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 Research Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Research 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 Research Foundation'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 Research Foundation'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 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.

Marcum LLP

Miami, FL
November 2, 2012

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee**

November 29, 2012

Subject: Florida International University Athletics Finance Corporation Financial Audit, 2011-12

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 2011-12 Fiscal Year and authorize the Executive Director of the Florida International University Athletics Finance Corp. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background Information

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

The Florida International University Athletics Finance Corp. Financial Audit for the 2011-12 fiscal year was approved by the Florida International University Athletics Finance Corp. Board of Directors on October 24, 2012, and the University President is recommending its approval.

Florida Board of Governors Regulation 9.011 (4) University Direct Support Organizations and Health Services Support Organizations, states in relevant part:

Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review.

Supporting Documentation: Florida International University Athletics Finance Corp.,
Financial Audit FY 2011-12

Facilitator/Presenter: Kenneth A. Jessell

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FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

CONTENTS

Independent Auditors' Report	1-2
---	-----

Management Discussion and Analysis	3-8
---	-----

Basic Financial Statements

Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets.....	10
Statement of Cash Flows	11
Notes to Financial Statements.....	12-25

Reporting Section

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
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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, 2012 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. The prior year summarized comparative information has been derived from the Athletics Finance Corporation's 2011 financial statements and, in our report dated November 17, 2011, 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 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, 2012, 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 our report dated October 18, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marcum LLP

Miami, FL
October 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

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, 2012, 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 \$41.2 million at June 30, 2012. This balance reflects a \$1.3 million, or 3 percent, increase from the 2011 fiscal year, resulting primarily from an increase of prepaid rent. Liabilities increased by \$1.2 million, or 3 percent, totaling \$43.4 million at June 30, 2012, compared to \$42.2 million at June 30, 2011. As a result, the Athletics Finance Corporation's net assets increased (or deficit decreased) by \$89 thousand, reaching a year end deficit balance of \$2.2 million.

The Athletics Finance Corporation's operating revenues totaled \$3.5 million for the 2012 fiscal year, representing a 1 percent decrease over the 2011 fiscal year due primarily to a decrease in contribution revenue and rental income. Operating expenses totaled \$2.1 million for the 2012 fiscal year, which was stable from the prior year.

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.

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.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

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)

	2012	2011
Assets		
Current assets	\$ 4.3	\$ 5.5
Noncurrent assets	<u>36.9</u>	<u>34.4</u>
Total Assets	<u>41.2</u>	<u>39.9</u>
Liabilities		
Current liabilities	1.4	1.5
Noncurrent liabilities	<u>42.0</u>	<u>40.7</u>
Total Liabilities	<u>43.4</u>	<u>42.2</u>
Net Assets		
Unrestricted (deficit)	<u>(2.2)</u>	<u>(2.3)</u>
Total Net Assets	<u>\$ (2.2)</u>	<u>\$ (2.3)</u>

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 decrease is mainly a result of a decrease in investments.

In summary, total assets increased by \$1.3 million, or 3 percent, while total liabilities also increased by \$1.2 million, or 3 percent. As a result, the net assets balance at June 30, 2012, had an increase of \$89 thousand.

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

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.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the Athletics Finance Corporation's activity for the 2012 and 2011 fiscal years:

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

	June 30,	
	2012	2011
Operating revenues	\$ 3.5	\$ 3.6
Operating expenses	<u>2.0</u>	<u>2.1</u>
Operating Income	1.5	1.5
Net non-operating expenses	<u>(1.4)</u>	<u>(1.2)</u>
Change in Net Assets	0.1	0.3
Net Assets - Beginning of Year	<u>(2.3)</u>	<u>(2.6)</u>
Net Assets - End of Year	<u><u>\$ (2.2)</u></u>	<u><u>\$ (2.3)</u></u>

The statement of revenues, expenses, and changes in net assets reflects a decrease in operating revenues coupled with a slight decrease in operating expenses. Operating revenues and expenses remained very stable as compared to prior year.

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.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the operating revenues by source that were used to fund operating activities during the 2012 and 2011 fiscal years:

Operating Revenues
(In Millions)

	June 30,	
	2012	2011
Ticket sales	\$ 0.7	\$ 0.6
Athletic support	0.6	0.6
Sky suite revenues	0.6	0.7
NCAA and conference payments	0.6	0.6
Other operating revenues	0.5	0.4
Rental income	0.3	0.4
Contributions	<u>0.2</u>	<u>0.3</u>
Total Operating Revenues	<u><u>\$ 3.5</u></u>	<u><u>\$ 3.6</u></u>

Operating revenues totaled \$3.5 million for the 2012 fiscal year, representing a 1 percent decrease over the 2011 fiscal year. This was due to a decrease in contributions of \$110 thousand and a decrease in rental income of \$79 thousand coupled with an increase in ticket sales of \$118 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.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following summarizes the operating expenses by natural classifications for the 2012 and 2011 fiscal years:

Operating Expenses
(In Millions)

	June 30,	
	2012	2011
Amortization of prepaid rent	\$ 1.2	\$ 1.2
Professional fees	0.5	0.5
Utilities	0.1	0.1
Other operating expenses	0.2	0.3
Total Operating Expenses	\$ 2.0	\$ 2.1

Operating expenses totaled \$2.0 million for the 2012 fiscal year. This represents a 3 percent decrease over the 2011 fiscal year and was primarily due to a decrease in professional fees of \$210 thousand.

Non-Operating Revenues and Expenses

Non-operating revenues include interest income and unrealized gains on investments. Non-operating expenses include interest expense. The following summarizes the Athletics Finance Corporation's non-operating revenues and expenses for the 2012 and 2011 fiscal years:

Non-Operating Revenues (Expenses)
(In Millions)

	June 30,	
	2012	2011
Interest expense	\$ (1.4)	\$ (1.4)
Unrealized gain on investments	-	0.2
Net Non-Operating Expenses	\$ (1.4)	\$ (1.2)

Non-operating expenses are comprised mainly of interest expense and this remained fairly stable as compared to prior year.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT ADMINISTRATION

As of June 30, 2012, the Athletics Finance Corporation had \$33 million in outstanding bonds payable, representing a decrease of \$591 thousand, or 2 percent, from the prior fiscal year as a result of principal payments during the year.

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University has pledged a significant portion of game guarantee revenue, NCAA and Sunbelt Conference distribution revenues to the Athletics Finance Corporation. The Athletics Department, including the Football Program, has joined Conference USA effective July 1, 2013. Membership in this new conference will provide an excellent opportunity and platform for further growth.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

FIU ATHLETICS FINANCE CORPORATION*(A Direct Support Organization)***STATEMENT OF NET ASSETS****JUNE 30, 2012****(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)**

	2012	2011
Assets		
Current Assets		
Cash	\$ 471,831	\$ 847,258
Investments	1,740,617	2,623,812
Suites and ticket sales receivable	596,100	560,000
Due from FIU	129,167	205,596
Due from Foundation	56,100	--
Prepaid rent and other	1,319,900	1,237,681
Total Current Assets	4,313,715	5,474,347
Noncurrent Assets		
Restricted cash	2,516,656	3,015,581
Restricted investments	3,061,976	3,020,941
Suites and ticket sales receivable	1,148,300	1,480,000
Bond issuance costs, net	217,074	232,755
Deferred outflow of resources	3,951,124	1,167,871
Prepaid rent	25,972,990	25,559,300
Total Noncurrent Assets	36,868,120	34,476,448
Total Assets	41,181,835	39,950,795
Liabilities		
Current Liabilities		
Accounts payable	11,056	59,104
Accrued interest payable	124,386	124,570
Due to FIU	--	75,454
Bonds payable	636,987	618,074
Deferred revenue	652,388	650,325
Total Current Liabilities	1,424,817	1,527,527
Noncurrent Liabilities		
Due to FIU	2,500,000	3,000,000
Deferred revenue	1,148,300	1,480,000
Derivative liability	5,960,658	3,274,250
Bonds payable	32,384,102	32,994,869
Total Noncurrent Liabilities	41,993,060	40,749,119
Total Liabilities	43,417,877	42,276,646
Net Assets		
Unrestricted Net Assets (Deficit)	\$ (2,236,042)	\$ (2,325,851)

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

FIU ATHLETICS FINANCE CORPORATION*(A Direct Support Organization)***STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS****FOR THE YEAR ENDED JUNE 30, 2012****(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

	2012	2011
Operating Revenue		
Ticket sales	\$ 739,400	\$ 620,937
Athletic support	655,000	655,000
Suite revenues	600,602	660,336
NCAA and conference payments	600,000	600,000
Sponsorship revenues	330,000	306,500
Rental income	294,143	373,344
Contributions	175,000	285,765
General concessions and vending commissions	92,093	88,466
Stadium naming rights	56,100	1,000
Total Operating Revenues	<u>3,542,338</u>	<u>3,591,348</u>
Operating Expenses		
Amortization of prepaid rent	1,269,865	1,221,959
Game day contractors	507,835	396,339
Utilities	124,982	114,701
Materials and supplies	53,816	55,603
Repairs and maintenance	52,072	58,606
Banking fees	21,152	--
Professional fees	19,292	229,411
Other operating expenses	11,235	58,408
Total Operating Expenses	<u>2,060,249</u>	<u>2,135,027</u>
Operating Income	1,482,089	1,456,321
Non-Operating Revenues (Expenses)		
Interest income	2,268	6,213
Interest expense and fiscal charges	(1,435,322)	(1,421,783)
Unrealized gain on investments	40,774	254,610
Total Non-Operating Expenses	<u>(1,392,280)</u>	<u>(1,160,960)</u>
Change in Net Assets	89,809	295,361
Net Assets (Deficit) - Beginning	<u>(2,325,851)</u>	<u>(2,621,212)</u>
Net Assets (Deficit) - Ending	<u>\$ (2,236,042)</u>	<u>\$ (2,325,851)</u>

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

FIU ATHLETICS FINANCE CORPORATION

(A Direct Support Organization)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

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

	2012	2011
Cash Flows From Operating Activities		
Operating receipts	\$ 3,528,630	\$ 3,589,953
Payments to vendors	(2,679,566)	(875,624)
Net Cash Provided By Operating Activities	<u>849,064</u>	<u>2,714,329</u>
Cash Flows From Capital and Related Financing Activities		
Payments to FIU	(500,000)	(500,000)
Principal payments on bonds	(618,074)	(599,723)
Interest paid	(1,490,450)	(1,501,402)
Net Cash Used By Capital and Related Financing Activities	<u>(2,608,524)</u>	<u>(2,601,125)</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	7,916,561	6,413,429
Purchase of investments	(7,033,627)	(6,973,456)
Interest income received	2,174	6,207
Net Cash Provided By (Used By) Investing Activities	<u>885,108</u>	<u>(553,820)</u>
Decrease in Cash	(874,352)	(440,616)
Cash - Beginning (Includes Restricted Cash)	<u>3,862,839</u>	<u>4,303,455</u>
Cash - Ending (Includes Restricted Cash)	<u>\$ 2,988,487</u>	<u>\$ 3,862,839</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,482,089	\$ 1,456,321
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	295,600	(1,482,407)
Prepaid rent and other	(495,815)	1,221,959
Due from FIU	76,429	(89,412)
Due from Foundation	(56,100)	--
Decrease in:		
Accounts payable	(48,048)	51,452
Deferred revenue	(329,637)	1,481,012
Due to FIU	(75,454)	75,404
Total Adjustments	<u>(633,025)</u>	<u>1,258,008</u>
Net Cash Provided By Operating Activities	<u>\$ 849,064</u>	<u>\$ 2,714,329</u>
Non-Cash Investing and Financing Activities		
Change in deferred outflow of resources	<u>\$ (2,783,253)</u>	<u>\$ 534,660</u>

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

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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” or the “University”) and was organized in the State of Florida on November 20, 2006.

The Athletics Finance Corporation is a tax-exempt organization as defined by Section 501(c) (3) of the Internal Revenue Code. The Athletics Finance Corporation provides direct support to Florida International 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.

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.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

USE OF ESTIMATES

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

INVESTMENTS

The Athletics Finance Corporation participates in investment pools through the Florida State Board of Administration in accordance with the provisions of §17.61 and §215.49, Florida Statutes. These are investments with Florida PRIME and Fund B administered by the State Board of Administration. These investment pools operate under investment guidelines established by §215.47, Florida Statutes. The Organization also invests in SEC Rule 2a-7 eligible money market funds.

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

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 synthetic instrument method to

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENT (CONTINUED)

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. See Note 6 for additional information on the Series 2007A ineffective interest rate swap.

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, 2012.

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, 2012, 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 2009.

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.

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 are amortized on a straight line basis over the life of the sublease.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2012, \$4,802,593 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 and in accordance with its investment policy.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 - INVESTMENTS

The Athletics Finance Corporation's investments at June 30, 2012, are reported at fair value, as follows:

Investment Type	Amount
Florida State Board of Administration:	
Florida PRIME	\$ --
Fund B	574,230
Money Market Mutual Funds	<u>4,228,363</u>
Total Investments (Includes Restricted Investments)	<u>\$ 4,802,593</u>

The Athletics Finance Corporation reported investments at fair value totaling \$574,230 at June 30, 2012, 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, is accounted for as a fluctuating net asset value (NAV) pool and the SBA provided a fair value factor of \$0.83481105 as of June 30, 2012 (i.e., total net asset value of Fund B divided by total participant balances of Fund B). The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME.

The Florida PRIME fund investments are also pooled. As a participant of Florida PRIME, the entity invests in a pool of investments whereby the entity owns a share of the respective pool, not the underlying securities. The SBA considers Florida PRIME an SEC 2a-7-like fund with the primary objective of preservation of principal. The account balance is considered the fair value of the investment. A 2a-7 like pool is an external investment pool that is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940. This rule permits money market funds to use amortized cost to maintain a constant NAV of \$1.00 per share, provided that such funds meet certain conditions. There was no balance in Florida PRIME at June 30, 2012. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other government agency.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – INVESTMENTS (CONTINUED)

The Organization also invests in a Federated Government Obligations Fund. This is a money market mutual fund seeking to provide current income consistent with stability of principal by investing in a portfolio of short-term, U.S. treasury and government securities. These investments include repurchase agreements collateralized fully by U.S. Treasury and government securities. The Fund limits its investment to those that would enable it to qualify as a permissible investment for federally chartered credit unions. The fund complies with the requirements of Rule 2a-7 under the Investment Company Act of 1940 Act, which sets forth portfolio quality and diversification restrictions for money market mutual funds. Investments are made in accordance with the Trust Indenture dated as of December 1, 2009 (the “Trust Indenture”), between the Miami-Dade County Industrial Development Authority and Regions Bank, as trustee. This transaction is further described in Note 5.

CREDIT RISK

Credit risk is the risk that an issuer of securities in which the Fund invests may default on the payment of interest or principal on the securities when due, which would cause the Fund to lose money. At June 30, 2012, Florida PRIME mutual fund investments were rated AAAM by Standard & Poor’s. Fund B is not rated by any nationally recognized statistical rating agency. The Federated Government Obligations Fund is rated AAAM by Standard & Poor’s, Aaa-mf by Moody’s and AAAMmf by Fitch.

CONCENTRATION CREDIT RISK

There are no investments that exceed 5% or more of investments with one issuer. However, the Organization does have investments held in the Fund B administered by the State Board of Administration (SBA), which consist approximately 12% of total investments. Approximately, 88% of the investments are held with Federated Government Obligations Fund money market mutual funds. According to the bond indenture, the Organization can invest the bond proceeds in these investment vehicles; there are no stated limitations on the amount that can be invested in any one issuer. The short term nature of the investments is due to liquidity needs, since those funds are being used for operating expenses, 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.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK (CONTINUED)

The WAM of the Florida PRIME at June 30, 2012 is 38 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, 2012, is estimated at 5.73 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, 2012 is 42 days while the WAL is 76 days.

NOTE 4 - BOND ISSUANCE COSTS

As of June 30, 2012, issuance costs related to both the tax exempt and taxable bonds (FIU Athletics Finance Corporation Capital Improvement Revenue Bonds Series 2009A and 2009B) totaled \$232,755, net of amortization. The bond costs will be amortized over the term of the bonds which mature in March 2033.

Issuance costs	\$ 271,941
Less: accumulated amortization	<u>(39,186)</u>
Bond Issuance Costs - Net	<u>\$ 232,755</u>
 Current bond issuance cost	 \$ 15,681
Non-current bond issuance cost	<u>217,074</u>
 Total Bond Issuance Costs	 <u>\$ 232,755</u>

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 - LONG-TERM DEBT

The debt activity for the year ended June 30, 2012 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 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)	4,003,984	--	618,074	3,385,910	636,987
Deferred amount on refunding	<u>(391,041)</u>	<u>--</u>	<u>(26,220)</u>	<u>(364,821)</u>	<u>--</u>
Total Long-Term Debt	<u><u>\$33,612,943</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 591,854</u></u>	<u><u>\$33,021,089</u></u>	<u><u>\$ 636,987</u></u>

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 the Trust Indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and non-operating revenues. Principal payments for the bonds began March 1, 2010. Interest payments are made on a quarterly basis. The interest rate on the Series 2009A Bonds is equal to the sum of 63.7% of three-month LIBOR plus 1.90%. The interest rate on the Series 2009B Bonds shall be at a rate equal to three-month LIBOR plus 2.65%. The total proceeds from the new bond issue were used solely to retire and current refund the outstanding Series 2007 A and B bonds and pay costs of issuance of the bonds and other refinancing costs. The bonds are secured by operating and non operating revenues as well as University athletic fees, not to exceed 5% of the total athletic fees collected. Total principal due at June 30, 2012 was \$33,385,910.

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 \$3,061,976 and is presented in restricted investments.

The Athletics Finance Corporation is required to maintain minimum deposits of \$2,500,000 with Regions Bank. The deposit is to be held in an interest-bearing additional reserve fund and is presented in restricted cash.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The interest rate on these bonds is both fixed and variable and is subject to a swap 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, 2012 are as follows:

For the Year Ending June 30,	Principal	Interest	Total
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	1,090,035	1,649,191	2,739,226
2018-2022	7,121,429	7,232,351	14,353,780
2023-2027	8,885,714	5,136,675	14,022,389
2028-2032	11,085,714	2,521,878	13,607,592
2033	2,535,715	136,308	2,672,023
	33,385,910	23,384,720	56,770,630
Less: amount deferred on refunding	(364,821)	--	(364,821)
Total	<u><u>\$33,021,089</u></u>	<u><u>\$23,384,720</u></u>	<u><u>\$56,405,809</u></u>

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 5.50%, which is the fixed rate payable by the Organization under the swap agreement of 3.60% plus 1.90%.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 synthetic fixed rate of 5.50% 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, 2012, the Athletics Finance Corporation swap has a derivative liability of \$5,960,658 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, 2012, the fair value of the Series 2007A ineffective interest rate swap was \$2,009,534. 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 \$2,009,534 of the ineffective Series 2007A interest rate swap is being amortized to interest expense over the remaining life of the refunded Series 2009A bond.

The synthetic instrument method evaluates the effectiveness by quantitative approach. The synthetic instrument method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item. The Organization determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap is presented in the statement of net assets as a deferred outflow of resources in the amount of \$3,951,124.

CREDIT RISK

As of June 30, 2012, 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.

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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, 2012

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

SWAP PAYMENTS AND ASSOCIATED DEBT

Using rates as of June 30, 2012, debt service requirements of the variable-rate portion of the debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

For the Year Ending June 30,	Variable-Rate Bond		Interest Rate	
	Principal	Interest	Swap, Net	Total
2013	\$ --	\$ 399,617	\$ 755,383	\$ 1,155,000
2014	--	399,617	755,383	1,155,000
2015	--	399,617	755,383	1,155,000
2016	--	399,617	755,383	1,155,000
2017	260,000	399,617	755,383	1,415,000
2018-2022	4,985,000	1,792,186	3,387,714	10,164,900
2023-2027	6,220,000	1,272,874	2,406,076	9,898,950
2028-2032	7,760,000	624,924	1,181,276	9,566,200
2033	<u>1,775,000</u>	<u>33,777</u>	<u>63,848</u>	<u>1,872,625</u>
Total	<u>\$ 21,000,000</u>	<u>\$ 5,721,846</u>	<u>\$ 10,815,829</u>	<u>\$ 37,537,675</u>

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 ticket and suite sales, athletics fees collected by the University, contributions, conference payments, and naming rights revenues. Non-operating revenues include capital gifts and investment earnings 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, 2012

NOTE 7 - DEFERRED REVENUES (CONTINUED)

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

For the Year Ending June 30,	Amount
2013	\$ 652,388
2014	456,100
2015	246,100
2016	246,100
2017	40,000
2018-2021	<u>160,000</u>
Total	<u>\$ 1,800,688</u>

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, 2012 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 \$3,542,338.

LEASE COMMITMENTS

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

FIU ATHLETICS FINANCE CORPORATION
(A Direct Support Organization)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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
2013	\$ 1,304,083
2014	1,304,083
2015	1,304,083
2016	1,304,083
2017	1,304,083
2018-2022	6,520,416
2023-2027	6,520,416
2028-2032	6,520,416
2033	<u>1,195,410</u>
Total	<u><u>\$27,277,073</u></u>

**Reconciliation of the Statement of Net Assets
to the Lease Commitment**

Current prepaid rent and other	\$ 1,319,900
Non current prepaid rent	25,972,990
Less: other assets	<u>(15,817)</u>
Total Lease Commitments	<u><u>\$27,277,073</u></u>

As of June 30, 2012, construction draws amounting to \$31,937,211 have been paid by the University to various contractors. The prepaid rent has been amortized by \$1,269,865 in the current year.

REPORTING SECTION

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

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 Organization) as of and for the year ended June 30, 2012 and have issued our report thereon dated October 18, 2012. 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.

26

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.

Marcum LLP

Miami, FL
October 18, 2012

**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 29, 2012

**Subject: Florida International University Academic Health Center Health Care
Network Faculty Group Practice, Inc. Financial Audit, 2011-12**

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 2011-12 Fiscal Year and authorize the Executive Director of the Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. to take all actions necessary pertaining to this Financial Audit, including filing the report with the Auditor General.

Background information:

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

The FIU HCN Financial Audit for the 2011-12 fiscal year was approved by the FIU HCN Board of Directors on October 30, 2012, and the University President is recommending its approval.

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

Supporting Documentation:	Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc., Financial Audit FY 2011-12
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Facilitator/Presenter:	Kenneth A. Jessell
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**THE FLORIDA INTERNATIONAL UNIVERSITY
ACADEMIC HEALTH CENTER HEALTH CARE NETWORK
FACULTY GROUP PRACTICE, INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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

CONTENTS

Independent Auditors' Report.....	1-2
Management Discussion and Analysis	3-8
Basic Financial Statements	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets.....	10
Statement of Cash Flows	11
Notes to Financial Statements.....	12-22
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	23-24

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, 2012 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. The prior year summarized comparative information has been derived from the FIU HCN's 2011 financial statements and, in our report dated November 1, 2011, 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 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 financial position of the FIU HCN as of June 30, 2012, and the 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 October 30, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marcum LLP

Miami, FL
October 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of The Florida International University Academic Health Center Health Care Network Faculty Group Practice, Inc. (the "FIU HCN") for the fiscal year ended June 30, 2012, 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 \$1.9 million at June 30, 2012. This balance reflects a \$1.8 million increase from the 2011 fiscal year, resulting primarily from an increase in fixed assets of \$1.5 million. While assets increased, liabilities also increased by \$3.6 million, totaling \$4.0 million at June 30, 2012, compared to \$315 thousand at June 30, 2011. The increase in liabilities was a result of a loan agreement with Florida International University (the "University" of "FIU"), whereby the University will loan the FIU HCN \$5.3 million to provide working capital and build out capital to fund the expansion of the faculty practice plan. As of June 30, 2012, the draw downs on the loan totaled \$3.8 million. As a result, the FIU HCN's net assets decreased by \$1.9 million, reaching a year-end deficit of \$2.1 million.

The FIU HCN's operating revenues totaled \$322 thousand for the 2012 fiscal year. This amount was comprised of specialty (primarily gynecology) and primary care clinical services, which increased by \$303 thousand from the 2011 fiscal year. Operating expenses totaled \$2.2 million for the 2012 fiscal year, representing an increase of \$1.9 million over the 2011 fiscal year due to the following: (a) salaries of administrative, clinical and support staff of the Herbert Wertheim College of Medicine and their associated benefits; (b) rent and lease expense; (c) medical and office equipment; (d) non-capitalized equipment supplies; and (e) consulting, professional, marketing and other expenses. These operating expenses and equipment all were incurred related to the expansion of medical services and the administrative capabilities for the faculty practice plan.

OVERVIEW OF FINANCIAL STATEMENTS

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

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)

	2012	2011	2010
Assets			
Current Assets	\$ 380	\$ 87	\$ 68
Noncurrent Assets	<u>1,475</u>	<u>2</u>	<u>4</u>
Total Assets	<u><u>\$ 1,855</u></u>	<u><u>\$ 89</u></u>	<u><u>\$ 72</u></u>
Liabilities			
Current Liabilities	\$ 129	\$ 52	\$ 2
Noncurrent Liabilities	<u>3,823</u>	<u>263</u>	<u>53</u>
Total Liabilities	<u><u>\$ 3,952</u></u>	<u><u>\$ 315</u></u>	<u><u>\$ 55</u></u>
Net Assets			
Unrestricted	<u>\$ (2,097)</u>	<u>\$ (226)</u>	<u>\$ 17</u>
Total Net Assets	<u><u>\$ (2,097)</u></u>	<u><u>\$ (226)</u></u>	<u><u>\$ 17</u></u>

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

In summary, total assets increased by \$1.8 million, while total liabilities increased by \$3.6 million. As a result, the net assets balance at June 30, 2012, had an unfavorable decrease of \$1.9 million.

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

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 fiscal years ended June 30:

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

	2012	2011	2010
Operating Revenues	\$ 322	\$ 20	\$ 59
Operating Expenses	<u>2,164</u>	<u>260</u>	<u>41</u>
Operating Income	(1,842)	(240)	18
Nonoperating Expenses	(29)	(2)	(2)
Change in Net Assets	(1,871)	(242)	16
Net Assets - Beginning of Year	<u>(226)</u>	<u>16</u>	<u>--</u>
Net Assets - End of Year	<u><u>\$ (2,097)</u></u>	<u><u>\$ (226)</u></u>	<u><u>\$ 16</u></u>

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 College of Medicine.

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

**Operating Revenues
(In Thousands)**

	2012	2011	2010
Net patient service revenue	\$ 267	\$ 20	\$ 10
Other revenues	<u>55</u>	<u>--</u>	<u>49</u>
Total Operating Revenues	<u><u>\$ 322</u></u>	<u><u>\$ 20</u></u>	<u><u>\$ 59</u></u>

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 2012 fiscal year, specialty services were limited to Gynecology and its sub-specialties (i.e., Gynecological Oncology), Rheumatology and Infectious Disease. Other revenues represent the following: (a) rental income from leasing physicians and (b) management service revenue.

Specialty and primary care volume are attributable to commercial managed care payers, in addition to self-pay patients and Medicare patients. In July 2012, the faculty practice plan was notified that it was accepted as a Medicare group provider retrospectively effective to February 2012.

Operating Expenses

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

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

	Operating Expenses		
	(In Thousands)		
	2012	2011	2010
Contractual personnel services	\$ 1,392	\$ 122	\$ --
Rentals and leases	167	64	14
Depreciation	164	1	--
Contracted professional and consulting services	154	39	18
Advertising and promotion	107	8	2
Supplies - other	45	3	--
Other operating	44	18	6
Supplies - medical	37	5	1
Utilities	34	--	--
Insurance	13	--	--
Repairs and maintenance	7	--	--
Total Operating Expenses	\$ 2,164	\$ 260	\$ 41

Operating expenses totaled \$2.2 million for the 2012 fiscal year. This represents a \$1.9 million increase over the 2011 fiscal year and was primarily due to: (a) salaries of administrative, clinical and support staff of the Herbert Wertheim College of Medicine and their associated benefits; (b) rent and lease expense; (c) medical, office and non-capitalized equipment supplies; and (d) consulting, professional, marketing and other expenses. These operating expenses all were incurred related to the expansion of medical services and the administrative capabilities for the faculty practice plan.

Non-Operating Expenses

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

Non-Operating Revenues (Expenses) (In Thousands)			
	2012	2011	2010
Interest Expense	\$ (29)	\$ (2)	\$ (2)
Non-Operating Expenses	<u><u>\$ (29)</u></u>	<u><u>\$ (2)</u></u>	<u><u>\$ (2)</u></u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

As it relates to the current funding of its operations, the FIU HCN is dependent upon the following funding sources: (a) clinical operating revenues; (b) management service revenues; (c) physician lease revenue and (d) loan proceeds. The decrease of funds from the first three sources will increase the need of loan proceed utilization.

For the fiscal year ended June 30, 2012, a significant portion of the FIU HCN's clinical revenues is generated from operations at the ambulatory clinical practice location. Clinical operating revenues are expected to continue to increase in the coming year due to the following factors:

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

Management service opportunities within the College of Medicine and throughout the University (i.e. Student Health) will continue to be evaluated. The FIU HCN also expects to continue to pursue the expansion of physician services at its clinical practice location and future locations through leasing arrangements with community physicians. Lastly, the FIU HCN will supplement any operational fund needs through the remaining loan availability.

Based on current market trends, the FIU HCN does not expect to experience a decrease in reimbursement rates, as the principal source of services is in primary care, which is a major focus of the federal government's Accountable Care Act. Revenue growth can be impacted through the following:

- P4P (pay for performance) initiatives
- Increasing co-pays and deductibles and insurance plan benefit changes
- Ability to become "participating" providers with managed care organizations

The FIU HCN also has submitted a funding request with Miami Dade County to recoup a portion of the funds expended relating to the construction/build-out of the Faculty Group Practice and its related equipping. It is expected that approximately \$1,500,000 will be received during the upcoming fiscal year. This is part of the greater Ambulatory Care Center building project that will be added to the Modesto Maidique Campus of FIU as a result of the \$10 million grant from the Miami Dade County. This project will combine the primary and specialty physician services with diagnostic imaging and ambulatory surgery and allow for the financial health and long-term viability of the FIU HCN.

REQUESTS FOR INFORMATION

This financial statement is designed to provide a general overview of the FIU HCN's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the 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.

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

STATEMENT OF NET ASSETS

JUNE 30, 2012

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 310,501	\$ 32,597
Patient accounts receivable	25,855	720
Other receivables	19,313	--
Other current assets	<u>24,522</u>	<u>53,450</u>
Total Current Assets	380,191	86,767
Noncurrent Assets		
Depreciable capital assets, net	<u>1,474,656</u>	<u>2,668</u>
Total Assets	<u>\$ 1,854,847</u>	<u>\$ 89,435</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 11,554	\$ 24,733
Due to FIU	27,674	27,583
Deferred revenue	<u>90,000</u>	<u>--</u>
Total Current Liabilities	129,228	52,316
Noncurrent Liabilities		
Due to FIU	<u>3,822,412</u>	<u>262,773</u>
Total Liabilities	<u>3,951,640</u>	<u>315,089</u>
Unrestricted Net Assets (Deficit)	<u>\$ (2,096,793)</u>	<u>\$ (225,654)</u>

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

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

	2012	2011
Operating Revenues		
Net patient service revenue	\$ 267,123	\$ 19,591
Rental income	38,229	--
Miscellaneous revenue	<u>16,001</u>	<u>60</u>
Total Operating Revenues	<u>321,353</u>	<u>19,651</u>
Operating Expenses		
Contractual personnel services	1,391,791	121,803
Rentals and leases	166,829	64,410
Depreciation	164,013	890
Contracted professional and consulting services	153,649	39,185
Advertising and promotion	107,361	7,984
Supplies - other	45,405	2,558
Other operating	43,751	18,154
Supplies - medical	36,989	5,140
Utilities	33,757	--
Insurance	13,208	--
Repairs and maintenance	<u>7,109</u>	<u>--</u>
Total Operating Expenses	<u>2,163,862</u>	<u>260,124</u>
Operating Loss	(1,842,509)	(240,473)
Non-Operating Expenses		
Interest expense	<u>28,630</u>	<u>1,829</u>
Change in Net Assets	(1,871,139)	(242,302)
Net Assets - Beginning of Year	<u>(225,654)</u>	<u>16,648</u>
Net Assets - End of Year	<u>\$ (2,096,793)</u>	<u>\$ (225,654)</u>

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

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

STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

	2012	2011
Cash Flows From Operating Activities		
Operating receipts	\$ 331,988	\$ 18,931
Other operating receipts	34,917	--
Payments to suppliers for goods and services	<u>(273,834)</u>	<u>(99,336)</u>
Net Cash and Cash Equivalents Provided by (Used in) Operations	<u>93,071</u>	<u>(80,405)</u>
Cash Flows From Non-Capital Financing Activities		
Borrowings from FIU	267,637	71,985
Payments to FIU	<u>(29,354)</u>	<u>(27,186)</u>
Net Cash and Cash Equivalents Provided by Non-Capital Financing Activities	<u>238,283</u>	<u>44,799</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	<u>(53,450)</u>	<u>--</u>
Net Cash Used in Capital and Related Financing Activities	<u>(53,450)</u>	<u>--</u>
Net Change in Cash and Cash Equivalents	277,904	(35,606)
Cash and Cash Equivalents - Beginning of Year	<u>32,597</u>	<u>68,203</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 310,501</u></u>	<u><u>\$ 32,597</u></u>
Reconciliation of Operating Loss to Net Cash and Cash Equivalents Provided by (Used in) Operations		
Operating loss	\$ (1,842,509)	\$ (240,473)
Depreciation	164,013	890
Expenses paid by FIU	1,710,266	--
(Decrease) Increase in operating assets:		
Patient accounts receivable	(25,135)	(720)
Other receivables	(19,313)	--
Other current assets	28,928	(53,450)
Increase (decrease) in operating liabilities:		
Accounts payable	(13,179)	24,733
Due to FIU	-	188,615
Deferred revenue	<u>90,000</u>	<u>--</u>
Net Cash and Cash Equivalents Provided by (Used in) Operations	<u><u>\$ 93,071</u></u>	<u><u>\$ (80,405)</u></u>
Non-Cash Investing and Financing Activities		
Accrued interest on balance due to FIU	<u>\$ 28,630</u>	<u>\$ 1,829</u>
Purchase of capital assets paid by FIU	<u>\$ 1,582,551</u>	<u>\$ --</u>
Borrowings from FIU	<u><u>\$ 3,292,817</u></u>	<u><u>\$ --</u></u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS 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 exists exclusively to support the mission of Florida International University to improve and support health education at the Florida International University in the Herbert Wertheim College of Medicine, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS 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.

COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

The FIU HCN considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. As of June 30 2012, cash is held in highly liquid investments, principally cash, which are fully guaranteed through December 31, 2012 by the Federal Deposit Insurance Corporation for non-interest bearing transaction accounts. 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

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS (CONTINUED)

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.

CAPITAL ASSETS

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

FLOW ASSUMPTION FOR RESTRICTED ASSETS

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

OPERATING REVENUE AND EXPENSES

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

NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

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

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE (CONTINUED)

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, except for unrelated business income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2012.

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, 2012, 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 2009.

RECLASSIFICATIONS

Certain 2011 financial statement line items have been reclassified to conform to the current year's presentation.

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS 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. A reconciliation of the net patient service revenue and amounts of services provided to patients at established rates to direct revenue from patient care, as presented in the statement of revenue, expenses and changes in net assets is as follows:

	Year Ending June 30,	
	2012	2011
Gross direct charges from patient care	\$ 547,452	\$ 100,031
Less: contractual adjustments	(280,144)	(80,440)
Less: bad debt expense	(185)	--
Total Net Patient Service Revenue	\$ 267,123	\$ 19,591

Contractual adjustments for 2012 include approximately \$28,542 related to adjustments provided to self-insured patient accounts, offered under a discount program according to the FIU HCN's self-pay discount policy.

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

Medicare: As of June 30, 2012, most College of Medicine faculty physicians are participating in the Medicare program. In most instances, Medicare pays 80% of the allowed charge with the patient being responsible for 20% co-payment and an annual deductible. For the fiscal year ended June 30, 2011, there was no participation by any College of Medicine faculty physicians in the Medicare program.

Medicaid: As of June 30, 2012, the Medicaid group application had been submitted to the State of Florida's Agency for Health Care Administration for approval, but has not yet been deemed accepted.

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

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

Other: The College of Medicine, on behalf of FIU, has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations (“HMO’s”) and preferred provider organizations (“PPO’s”). The bases for payment, which are deposited into an FIU HCN account under these arrangements, vary. Many of the HMO and PPO arrangements are based on the third party’s fee schedule and subsequent to year end, a capitated arrangement with a Medicare Advantage HMO has been executed.

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

	Year Ending June 30,	
	2012	2011
Patient accounts receivable based on established charges	\$ 57,455	\$ 720
Less: contractual adjustments	<u>(31,600)</u>	<u>--</u>
Patient Accounts Receivable, Net	<u>\$ 25,855</u>	<u>\$ 720</u>

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

	Year Ending June 30,	
	2012	2011
Insurance carriers under commercial plans	\$ 23,354	\$ --
Medicare	2,437	--
Patients, including self-insured	<u>64</u>	<u>720</u>
Patient Accounts Receivable, Net	<u>\$ 25,855</u>	<u>\$ 720</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 3 – DEPRECIABLE CAPITAL ASSETS

A summary of depreciable capital assets is as follows:

	Depreciable Capital Assets			
	Ending Balance June 30, 2011	Additions	Disposals	Ending Balance June 30, 2012
Medical equipment	\$ 4,448	\$ 239,763	\$ --	\$ 244,211
Leasehold improvements	--	1,396,238	--	1,396,238
Total Depreciable Capital Assets	<u>\$ 4,448</u>	<u>\$ 1,636,001</u>	<u>\$ --</u>	<u>\$ 1,640,449</u>
	Accumulated Depreciation			
	June 30, 2011	Depreciation	Disposals	June 30, 2012
Accumulated Depreciation Totals	<u>\$ (1,780)</u>	<u>\$ (164,013)</u>	<u>\$ --</u>	<u>\$ (165,793)</u>
Depreciable Capital Assets, Net	<u>\$ 2,668</u>			<u>\$ 1,474,656</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

DUE TO FIU

Following is a rollforward of the due to FIU balance for the year ended June 30, 2012:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Due to FIU - Operations	\$ 781	\$ --	\$ 781	\$ --	\$ --
Due to FIU - Start Up Funding	54,476	1,771	28,573	27,674	27,674
Due to FIU - Loan	235,099	3,587,313	--	3,822,412	--
Total Due to FIU	<u>\$ 290,356</u>	<u>\$ 3,589,084</u>	<u>\$ 29,354</u>	<u>\$ 3,850,086</u>	<u>\$ 27,674</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

DUE TO FIU (CONTINUED)

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 for the fiscal year ended June 30, 2012 totaled \$3,587,313, of which \$1,636,001 were expended for construction leasehold improvements to the site at PG 5 Market Station and related furniture and equipment to make the site operational. Furthermore, \$1,710,266 of these draw downs were related to expenses paid directly by FIU on behalf of FIU HCN. The loan also includes approximately \$29,000 of accrued interest as of June 30, 2012. 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 balance due as of June 30, 2012, are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2013	\$ 27,674	\$ 77,347	\$ 105,021
2014	--	77,977	77,977
2015	--	77,977	77,977
2016	--	77,977	77,977
2017	--	77,977	77,977
2018-2022	1,355,009	342,410	1,697,419
2023-2027	1,496,040	195,682	1,691,722
2028-2030	971,363	40,691	1,012,054
Total	<u>\$ 3,850,086</u>	<u>\$ 968,038</u>	<u>\$ 4,818,124</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)

LEASE COMMITMENT

The University and the FIU HCN entered into two (2) distinct space leasing agreements during 2011. The first agreement was for the FIU HCN's use of space at the University Health Service building, which expired in August 2012. For the years ending June 30, 2012 and 2011, rent expense under this agreement amount to \$2,424 and \$15,284, respectively.

A second agreement was effective February 10, 2011 for an initial term of ten (10) years, which will be for the Faculty Group Practice site at PG 5 Market Station. For the years ended June 30, 2012 and 2011, rent expense under this agreement amounted to \$154,020 and \$49,125, respectively. Furthermore, certain space within this facility was subleased. The sublease agreement was dated January 9, 2012, and is based on a monthly rate of \$5,665. For the year-ended June 30, 2012, the total sub-lease rental income was approximately \$38,000.

Future minimum annual lease commitments are as follows:

For the Year Ending June 30,	Amount
2013	\$ 196,000
2014	196,000
2015	182,000
2016	182,000
2017	182,000
Thereafter	<u>657,000</u>
Total	<u><u>\$ 1,595,000</u></u>

NOTE 5 – OPERATING LEASES

The FIU HCN entered into a medical equipment lease with an unrelated third party vendor. The non-cancelable operating lease agreement is effective February 1, 2012 for a term of four (4) years. Future minimum rental payments required under this lease are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 5 – OPERATING LEASES (CONTINUED)

For the Year Ending June 30,	Amount
2013	\$ 24,000
2014	24,000
2015	24,000
2016	<u>14,000</u>
Total	<u><u>\$ 86,000</u></u>

For the year ended June 30, 2012, the FIU HCN recognized \$10,385 in expense related to this operating lease.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

SELF-INSURANCE PROGRAM

Board of Governor's Regulation 10.001 authorizes self-insurance programs for the purpose of providing comprehensive general liability and professional liability insurance for health care and veterinary sciences to university 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 future cost of the SIP. This future surplus will be transferred to an appropriate FIU account as directed by the FIU's Division of Finance when such funds are available and budgeted by the Board of Directors of the FIU HCN for this purpose. FIU HCN will, when there is sufficient surplus from operations, fulfill its commitment to provide future SIP funding. Through June 30, 2012, FIU HCN has not made any transfers to this SIP.

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

NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011)**

NOTE 6 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

HEALTHCARE INDUSTRY

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

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

NOTE 7 – SUBSEQUENT EVENTS

As part of a strategic initiative between FIU and Miami-Dade County, a political subdivision of the State of Florida (“MDC”), for an on-campus Ambulatory Care Center, a request for funding was submitted by FIU to Miami-Dade County to recoup a portion of the approximate \$1,636,000 expended in capital assets relating to the PG 5 Market Station practice site. It is expected that these funds will be reimbursed to FIU and subsequently transferred to the FIU HCN during the 2013 fiscal 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***

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 "Organization"), a component unit of Florida International University, as of and for the year ended June 30, 2012 and have issued our report thereon dated October 30, 2012. 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

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

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 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 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.

Marcum LLP

Miami, FL
October 30, 2012

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 29, 2012

Subject: Depository

Proposed Committee Action:

Recommend to the Florida International University Board of Trustees approval of the following banking institution as a designated depository at which University funds may be deposited:

Banco Nazionale del Lavoro (BNL)

Furthermore, the Finance and Audit Committee recommends for Board of Trustees approval that the University President, the Senior Vice President for Finance and Administration and Chief Financial Officer, and the University Treasurer are each individually authorized to take all actions necessary to open or close bank accounts at the designated depository. Additionally, the following person is also authorized to take all actions necessary to open or close bank accounts in the above-mentioned bank:

Hilarion Arnaldo Martinez, Senior International Officer.

Background Information:

The Florida International University Board of Trustees is updating its official records with respect to the banking institutions that may serve as depositories of University funds.

Section 1011.42 of the Florida Statutes provides that the board of trustees of each university shall designate the depositories in which any university funds may be deposited, as provided by Florida Statutes.

Supporting Documentation: N/A

Facilitator/Presenter: Kenneth A. Jessell

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee**

November 29, 2012

Subject: Authorization to Sign Checks for Florida International University in Italy Program Account

Proposed Committee Action:

Recommend that the Florida International University Board of Trustees approve the following officers and employees of the University as authorized to sign checks to pay the legal obligations of the University from the designated University depository related to the Florida International University in Italy program:

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

Cecilia Hamilton, Associate Vice President and
University Controller

Hilarion Arnaldo Martinez, Senior International Officer

Matthew Hamilton Rice, Director, FIU in Italy Program

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: N/A

Facilitator/Presenter: Kenneth A. Jessell

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 29, 2012

Subject: Approval of the Amendments to the Bylaws of the Florida International University Foundation, Inc.

Proposed Committee Action:

Recommend to the Florida International University Board of Trustees (the BOT) approval of the Florida International University Foundation Inc. Bylaws as amended and restated on October 27, 2012 and authorize the President and CEO of the Foundation to take all actions necessary pertaining to these amended Bylaws.

Background Information:

On October 27, 2012, the Florida International University Foundation Inc. Board of Directors approved amendments to the Foundation's Bylaws.

The main Bylaw revisions that the Foundation's Board of Directors approved are as follows: (1) increase the membership of the Board of Directors from fifty (50) members to sixty (60) members; (2) create a streamlined process for Executive Committee approval of new members; (3) provide the Board with the ability to extend officers' terms of service by one additional year; and (4) restructure the Board's various committees to achieve greater Board participation and promote sound decision-making and governance, consistent with best practices.

The BOT must approve any amendments to the Florida International University Foundation, Inc. Bylaws before their becoming effective.

Regulation FIU-1502 Direct Support Organizations (2) (a) provides that any amendments to the Articles of Incorporation or Bylaws of a direct support organization must be submitted by the President of the University to the BOT for approval prior to becoming effective.

Article 9, Section 1 of the Florida International University Foundation Inc. Bylaws provides that any amendment to the Bylaws, approved by the Foundation's Board, shall be submitted by the University President to the BOT for approval prior to its effective date.

Supporting Documentation:

Florida International University Foundation, Inc. Bylaws as Amended and Restated on the 27th day of October 2012

Facilitator/Presenter:

Richard Brilliant, *Treasurer, FIU Foundation , Inc. Board of Directors*

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FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION INC.
A Florida Not For Profit Corporation
(The "Foundation")

BYLAWS

As Amended and Restated the 27²⁵th day of May~~October~~ 20121.

ARTICLE 1. BOARD OF DIRECTORS.

Section 1. Governance. In accordance with Article 5 of the Articles of Incorporation of the Foundation, the affairs of the Foundation shall be managed by and under the direction of the Board of Directors (the "Board") and by various Officers and committees thereof as powers may be delegated to such Officers and committees by these Bylaws or by Resolution of the Directors. Members of the Board shall be the sole voting members of the Foundation and shall be called "Directors."

Section 2. Number and Qualifications of Directors. The Directors shall include three categories of members:

(i) Elected Members. The Directors shall elect from the nominations of the Membership & Board Management Committee, or from nominations made from the floor, a total of not less than twenty-eight (28) and not more than ~~sixty~~^{fifty} (~~56~~⁵⁰) members in accordance with the nomination and election procedures specified by these Bylaws. Each Director shall have demonstrated outstanding qualities of leadership and managerial ability and a serious personal intention to promote the advancement of higher education and Florida International University ("the University") through dedicated service to the Foundation. Each Director should set an example of charitable interest in the University and the Foundation which alumni and other friends of the University may emulate. To that end, each elected member of the Board shall contribute to the Foundation, at a minimum, an annual membership gift, the amount of which shall be recommended by the Executive Committee and approved by the Board at the Annual Meeting, and which shall be paid to the Foundation by each Director during the first quarter of each fiscal year of membership. In addition, each Director shall either make a donation, or get others to make donations, annually in the amount established by the Board at its Annual Meeting. Directors shall be expected to participate in University functions and events whenever reasonable and practicable and act as an emissary to promote and advance the goals of the University.

(ii) Officers. The Directors shall elect a Chairperson of the Board ("Chairperson"), Vice Chairperson, Secretary and Treasurer from among its membership. The

Chairperson may appoint an Assistant Secretary and Assistant Treasurer to provide administrative support.

(iii) Designated Ex Officio Members. The Directors shall include among their members the persons who hold the following offices during the time they hold such offices: the President of the University or his designee, a Faculty representative from the Faculty Senate recommended by the President after consultation with the Faculty Senate Chairperson, the President of the Student Government Council who is not serving on the Board of Trustees, the President of the Alumni Association, the Chairperson of the ~~Florida International University~~ FIU President's Council ~~of 100~~, and others who may be designated by the Directors from time to time. - The Chairperson of the University Board of Trustees may appoint a representative to the Board and the Executive Committee. Ex Officio members shall have the right to vote and shall be counted towards quorum.

Section 3. Terms of Service. A newly elected Director, who has not previously been a Director, shall be elected to serve for one Board calendar year. If the initial term of service is less than 6 months, the Director shall continue to serve during the next calendar year before being elected to any subsequent term. Following the initial year, he/she may be elected for a two year term, followed by two three year terms before having to rotate off the Board for a minimum of one year. Current Directors shall be considered newly elected Directors when their current term is concluded and shall be eligible to serve for nine (9) years before having to rotate off the Board for one (1) year. Terms of service shall begin immediately after election.

Section 4. Election. The Board shall elect new members to fill expiring and vacant terms at the Annual Meeting of the Directors to be held in May or June of each year. Directors may elect additional members at any other regular or special meeting of the Directors, as provided in these Bylaws. Nominations for Directors shall be made by the Membership & Board Management Committee, as described in Article 3 of the Bylaws.

Section 5. Vacancies. Vacancies occurring during a term may be filled by the Directors at any regular or special meeting of the Directors, as provided in Section 4 of Article 1 of these Bylaws.

Section 6. Meetings. Regular meetings of the Board shall be held at least three times a year. One such meeting shall be held in May or June of each year and such meeting shall be the Annual Meeting of the Directors when new Directors and Officers shall be elected and take office, subject to other provisions of these Bylaws. Notice to the public of Regular meetings, Committee meetings, and Special meetings of the Board will be given by posting on the Foundation's website at <http://foundation.fiu.edu/> not less than seven (7) days before the meeting and will include a statement of the general subject matters to be considered. Notice to each Director shall be emailed or faxed to

each Director not less than seven (7) days prior to each meeting.. Special meetings may be called by the Chairperson, the President of the University or his designee, or by any three (3) Directors and the agenda for special meetings shall be limited to matters listed in the written notice of the special meeting.

Emergency Meetings: An emergency meeting of the Board may be called by the Chairperson or the Vice Chairperson in the Chairperson's absence, upon as much notice as is reasonably possible but not less than twenty-four (24) hours notice whenever, in the opinion of the Chairperson or Vice Chairperson, an issue requires immediate Board action. Whenever such emergency meeting is called, the Chairperson will notify the Secretary. The Secretary will immediately serve either verbal or written notice upon each member of the Board, and shall provide notice to the public, by any procedure that is fair under the circumstances, stating the date, hour and place of the meeting and the purpose for which the meeting has been called. No other business will be transacted at the meeting unless additional emergency matters are agreed to by a majority of those Board members in attendance. The minutes of each emergency meeting will show the manner and method by which notice of such emergency meeting was given to each member of the Board and to the public.

Executive Session: The Legislature has provided limited exemptions from the Sunshine law for certain meetings because of the confidential material that must be discussed. When the Board decides to avail itself of any such exemption, it will do so by convening an executive session of the Board.

A. Pending Litigation:

Meetings to discuss pending litigation in which the Board is presently a party before a court or administrative agency may be held in executive session outside the Sunshine, provided the following procedures and conditions are met.

1. Counsel for the Board must advise the Board at a public meeting that he or she desires an executive session and must state the basis therefore.
2. Only Board members, the Board's attorney(s) and the President of the University may attend a closed executive session to discuss pending litigation. Staff members or consultants are not permitted to attend. The Board must give advance public notice, pursuant to its procedures, of the time and date of the executive session, and must identify the names of the persons who will be attending the closed session.
3. The session must commence with an open meeting at which the Chairperson or his/her designee shall announce the commencement of the meeting, the estimated length of the closed executive session, and the

names of the persons attending. At that point, the meeting is closed to all except those whose names have been announced. The executive session may then commence. At the conclusion of the executive session, the meeting must be reopened to the public and the person chairing the meeting shall announce the termination of the closed executive session.

4. A certified court reporter must record the entire executive session. The reporter must record the times of commencement and termination of the executive session; all discussions and proceedings; the names of all persons present at any time; and the names of all persons speaking. No portion of any executive session may be held off the record. The Board must have the court reporter's notes fully transcribed, and the transcript filed with its records custodian. The transcript is exempt from Florida's public records law, and is not to be disclosed until the litigation concludes. Upon the conclusion of the litigation, the transcript becomes part of the public record.

5. The subject matter of the closed session must be confined to settlement negotiations or strategy sessions related to litigation expenditures. The Board may not go beyond these strict parameters. No final action, no vote, and no decisive action may be taken during the closed session. Any final decision to settle a lawsuit, for a certain amount of money, or under certain conditions, is a decision that must be voted upon in a public meeting.

Section 7. Quorum. A quorum of the Directors shall be one-third of the voting Directors holding office at the time of the vote. A quorum must be present to transact the business of the Foundation at a meeting.

Section 8. Voting. Each Director shall have one vote. When a quorum is present at the meeting, all questions shall be decided by majority vote of the voting Directors present, except as otherwise provided in these Bylaws.

Section 9. Proxies. Proxies, general or special, shall not be accepted for any purpose in the meetings of the Directors or committees.

Section 10. Telephonic Meetings. Meetings of the Directors and of committees may be conducted by conference telephone or similar communications facilities, in the same manner as if the meeting were held in person, if the Chairperson or the Chairperson of the Committee determines it is appropriate and is in full compliance with all requirements of the Sunshine Law. The notice of any meeting conducted by means of telephone or similar communication facilities will state where and how members of the public may gain access to the meeting.

Section 11. Resignation or Removal. A Director may resign at any time by giving written notice to the Chairperson, the President and CEO of the Foundation or the Secretary of the Foundation. Any such resignation shall take effect at the time specified therein or, if no time is specified therein, upon its acceptance by the Board. Any Director who is not present for three (3) regular meetings of the Board during a fiscal year, or who otherwise fails to meaningfully participate as a Director in accordance with the provisions of these Bylaws, shall be placed on probation. The Recruitment-Membership & Board Management Committee, in consultation with the Chairperson and the President and CEO of the Foundation, shall determine whether to remove the Director from the Board or continue his/her probationary period. In addition any Director may be removed from office by a two-thirds vote of all of the Directors present or no less than fifteen (15) members, effective as of the date of such vote.

ARTICLE 2. OFFICERS.

Section 1. Titles. The Officers of the Foundation, who also serve as Officers of the Board of the Foundation, shall be: a Chairperson, a Vice Chairperson, a Secretary, a Treasurer, and such other officers as the Board may determine.

Section 2. Election. The Chairperson, Vice Chairperson, Treasurer and Secretary shall be elected at the Annual Meeting of the Directors from nominations submitted to the Directors by the Recruitment-Membership & Board Management Committee, or from nominations from the floor. No Officer may hold more than one Foundation office concurrently.

Section 3. Term of Service. Each Officer shall be elected for a term of one year and shall be eligible to succeed himself/herself for no more than two (2) additional terms, except as may be otherwise extended for one additional year if approved by the recommendation of the Membership & Board Management Committee and the affirmative vote of two-thirds of the voting Directors present. In the event any officer is elected to fill a vacancy at any regular meeting other than the Annual Meeting of the Directors, the term for filling that vacancy shall not be counted towards the term limits set forth herein.

Section 4. Vacancies. In case any vacancy occurs in an elected office, an election shall be held at the first regular or special meeting of the Directors after such vacancy occurs and nominations may be received directly from the floor to fill such vacant positions. Notice of such vacancy and scheduled election must be given in the same manner as notice for regular or special meetings.

Section 5. Resignation and Removal. An Officer of the Foundation may resign at any time by giving written notice to the Board, the Chairperson or the Secretary of the Foundation. Any such resignation shall take effect at the time specified therein or, if no time is specified therein, upon its acceptance by the Board. Any Officer may be removed from office by a two-thirds vote of all of the Directors present or no less than fifteen (15) members, effective as of the date of such vote.

Section 6. Powers and Duties.

(i) Chairperson of the Board. The Chairperson shall preside at all meetings of the Board and Executive Committee, and perform all other duties as may from time to time be assigned by the Directors or the Executive Committee. Among the Chairperson's powers and duties, without limitation, are to appoint the members and Chairpersons of all Standing Committees established by the Directors, except when members or Chairpersons may be designated by these Bylaws; name Special Committees and appoint their members and Chairpersons; appoint, a person to serve as Registered Agent for the Foundation; represent the Foundation at official functions of the University and elsewhere as he/she may determine proper; and present a report of the activities of the Foundation and the conduct of his/her office at the Annual Meeting which occurs when his/her term of office expires. The Chairperson shall report to the Board and the University President.

(ii) Vice Chairperson. The Vice Chairperson shall be responsible for assisting the Chairperson in any way so designated by the Chairperson and shall serve as temporary Chairperson in the Chairperson's absence. He/she shall perform such other duties as may from time to time be assigned to him/her by the Chairperson, the Directors or the Executive Committee.

(iii) Secretary. The Secretary shall be responsible for the maintenance and management of the Foundation's activities as may be required by the Chairperson, the Directors or the Executive Committee. He/she shall have charge of the Foundation's corporate records and corporate seal; record the minutes of all meetings of the Directors, Executive Committee and other committees; give and serve notice of meetings as required by these Bylaws; and perform such other duties as may be assigned to him/her by the Chairperson, the Board or the Executive Committee. The Secretary may delegate part of his/her duties to an Assistant Secretary as set forth in Article 5 below.

(iv) Treasurer. The Treasurer shall serve as Chairperson for the Finance and Audit Committee; approve all day-to-day disbursements by the Foundation; have custody of all of the funds and financial records of the Foundation; disburse funds upon instruction of the Directors or the Executive Committee; keep full and accurate accounts of all funds, together with the report of the annual audit; present a financial report for

the Foundation at each meeting of the Directors and an annual financial report at the Annual Meeting; file all financial reports required by Federal and Florida law, regulation, rule or established procedure; and perform such other duties as may be assigned to him/her by the Chairperson, the Board or the Executive Committee. The Treasurer may delegate part of his/her duties to an Assistant Treasurer as set forth in Article 5 below.

ARTICLE 3. COMMITTEES.

Section 1. Designation and Appointment of Committees. Committees of the Board shall either be Standing Committees, as designated by these Bylaws, or Special Committees, as established by the Chairperson. Standing Committees or Special Committees shall have the power to establish Sub-Committees. The Chairperson of the Foundation shall appoint the members of all committees and designate their chairpersons, except as otherwise specified by these Bylaws. A majority of the members of Standing Committees, Special Committees and of any sub-committees must be Directors. All members of the committees shall have voting rights. One-third of the voting members of any Committee, except the Executive Committee as provided for below in these bylaws, shall constitute a quorum and a majority vote of the voting members of the Committee present, after a quorum has been declared, shall be required to enact business of the Committee. The actions of any committee shall be subject to review and approval by the Executive Committee, and to confirmation by the Board at its next ensuing meeting, except when the power to act is specifically granted to a committee by these Bylaws or by action of the Directors or Executive Committee. Each committee shall keep approved minutes and submit them to the Directors for review. Committees shall present an annual plan at the first meeting of the Board for the Foundation's calendar year.

Section 2. Standing Committees. The Directors shall have the following Standing Committees:

(i) Executive Committee. The Executive Committee of the Directors of the Foundation shall have and may exercise all powers and authority of the Board when the Directors are not in session, subject only to such restrictions or limitations as the Directors may from time to time specify, except that the Executive Committee shall have no authority to alter, amend, or repeal the Articles of Incorporation or Bylaws of the Foundation, to remove Directors or Officers or to elect ~~Directors or Officers.~~ The Executive Committee may elect Directors that have been recommended by the Membership & Board Management Committee, provided that the Membership & Board Management Committee circulates its recommendations to the full Board prior to the Executive Committee meeting where new directors will be elected. —The Executive

Committee shall meet at the call of the Chairperson of the Directors. A majority of the voting members of the Executive Committee shall constitute a quorum and a majority vote of the voting members of the Committee present, after a quorum has been declared, shall be required to enact business of the Executive Committee. When urgency precludes a formal meeting, matters may be handled by telephone in accordance with provisions of these Bylaws and the requirements of Florida law regarding meetings of the Directors. All actions of the Executive Committee shall be reported to the Directors at the next ensuing meeting of the Board, or when deemed sufficiently important by the Chairperson and the University President, such actions shall be reported to the Directors within thirty (30) days after such action is taken, or at a meeting of the Directors if a meeting is held within that period of time. All actions of the Executive Committee shall be included in the minutes of the Board. Members of the Executive Committee shall be the Chairperson, Vice Chairperson, Treasurer and Secretary of the Foundation, the President of the University or his designee, the Chairpersons of each standing committee, and two (2) additional members as may be designated by the Chairperson. The University President shall participate at Executive Committee meetings in a non-voting capacity in the event he or she appoints a designee to serve on the Board and Executive Committee.

(ii) Development Management Committee. The Development Management Committee shall review, approve and recommend to the Directors all major fundraising initiatives and campaigns undertaken by the Foundation or the University and each of its components; carry out a regular fundraising program and; coordinate the efforts of the Development Sub-Committee; prepare policies and strategies for the solicitation, receipt, acknowledgment, stewardship and recognition of financial support; and prepare standards for gift recognition including, without limitation, endowed chairs, endowed professorships, endowed lectureships, endowed scholarships, the naming of colleges, schools, centers, buildings, areas and other significant facilities and activities of the University, recognizing, however, that only the University Board of Trustees has the ability to recommend that state buildings and facilities be permanently named after donors. ~~The Development Committee shall coordinate all fundraising activities of the University, including those conducted by auxiliary groups which wish to use the Foundation's Certificate of Registration from the State of Florida or the University's trademarks.~~

(a) Development Sub-Committee. Each member of the Foundation board shall be a member of the Development Sub-Committee, which shall be known as the "Development Committee." The Development Committee, with the guidance and strategic direction provided by the Development Management Committee, shall be responsible for supporting the Foundation's overall efforts to secure private philanthropic financial support and for promoting the University's mission.

(iii) ~~Finance and Audit Committee.~~ The Finance ~~and Audit~~ Committee shall be responsible for the oversight of the fiscal matters of the Foundation, including but not limited to the preparation and periodic review of the Foundation's annual budget, which shall be prepared before the beginning of the University's fiscal year, approved by the Directors and recommended by the University President to the Board of Trustees each year no later than sixty (60) days following the beginning of the Foundation's fiscal year. The Board of Trustees must approve the Foundation budget before it can be enacted. The Finance Committee shall approve or reject gifts or bequests which impose unusual conditions on the Foundation or the University, subject to review and approval by the Executive Committee ~~and or~~ the Directors. It shall periodically review the Foundation's performance against budget and monitor and coordinate the work of ~~the~~ the Foundation's Assistant Treasurer and the Investment Sub-Committee, Audit Sub-Committee, and Real Estate Sub-Committee. ~~shall review and report to the Board on the Foundation's Financial Statements and ensure that all financial reports are filed in a timely manner.~~ The Finance Committee shall ensure that consistent and reliable financial practices are followed and that the current financial status of the Foundation is reported to the Executive Committee and the Directors regularly.

(a) The Investment Sub-Committee. ~~The Finance and Audit~~ Investment Sub-Committee, with the guidance and recommendations of the Finance Committee and the investment consultants hired by the Foundation, shall be responsible for formulation of the Foundation's investment objectives, and for assisting the Directors in its oversight of the Foundation's investment portfolio and investment managers. The Investment Sub-Committee shall recommend to the Board investment policies, asset allocation policies and guidelines, and shall review and advise on any other investment-related matters as the Finance Committee may from time to time determine. ~~relating to endowment funds, annuity funds, and short term investments, charitable remainder trusts,~~ The Investment Sub-Committee shall recommend engagement or termination of investment ~~counselors managers, consultants~~ and custodians ~~and the basis of such engagement.~~ It shall also appraise evaluate the performance of investment ~~counselors managers, consultants~~ and custodians and make periodic reports to the Finance Committee and the Board on investment performance and ~~other important~~ related matters. The Investment Sub-Committee shall meet at least quarterly to review the results of the investment portfolios and recommend appropriate adjustments, as necessary. All actions of the Investment Sub-Committee shall be reported to the Finance Committee.

(b) The Audit Sub-Committee. ~~The Audit Sub-Committee~~ shall be responsible for assisting the Directors in fulfilling its oversight responsibility with respect to the audit policies and system of internal controls of the Foundation. The Audit Sub-Committee shall cause an audit to be made by an independent certified public accountant of the books of the Foundation as soon as possible after the close of the fiscal

year of the Foundation, and to have the results reported to the President and CEO of the Foundation immediately, and to the full Board at their next meeting thereafter. The annual audit report shall be submitted by the University President to the Board of Trustees for review no later than the end of the fourth month following the close of the organization's fiscal year. The annual audit report shall also be submitted to the Auditor General and to the Board of Governors no later than nine (9) months after the close of the Foundation's fiscal year. The audit shall be conducted in accordance with rules promulgated by the Board of Trustees and with the policies adopted by the Auditor General. ~~The Finance and Audit Committee also shall ensure that the financial records of the Foundation are maintained in accordance with generally accepted accounting principles, that consistent and reliable financial practices are followed and that the current financial status of the Foundation is reported to the Executive Committee and the Directors regularly. The Finance and The Audit Sub-committee shall recommend the engagement or termination of the external auditors and shall review their performance. The Audit Sub-Committee shall ensure the financial records of the Foundation are maintained in accordance with generally accepted accounting principles and shall monitor compliance with internal controls and all requirements set forth in the Audit Charter, as may be amended from time to time by the Audit Sub-Committee. -attached hereto as Exhibit "A" to these Bylaws and incorporated by reference herein.~~

(c) Real Estate Sub-Committee. The Real Estate Committee shall be responsible for developing and coordinating the Foundation's overall real estate strategy and objectives, and for reviewing and recommending to the Finance Committee and the Directors general real estate policies, guidelines, and best practices for achieving the Foundation's goals. The Committee shall review potential real estate acquisitions and provide recommendations to the Finance Committee with regard to the potential use or disposition of real property.

~~(iviv)~~ Membership & Board Management Committee. The Membership & Board Management Committee shall receive recommendations for nominees to the Board and as Officers, evaluate such recommendations, and present nominations for open positions to the Board at least seven (7) days prior to the Annual Meeting, or any meeting where new Directors will be chosen. The Membership & Board Management Committee shall advise new Directors of the responsibilities of membership; nominate individuals for special recognition as members of the Foundation; and monitor the attendance, participation and activity of Foundation members and Directors.

~~(v) University and Community Relations Committee. The University and Community Relations Committee shall coordinate with, and render assistance to the Vice President for External Relations or the~~

~~Chairperson's designee in building awareness and support for FIU within the community by advocating for the University with external constituencies and assisting with university events and activities.~~

Section 3. Special Committees. The Chairperson of the Directors may establish Special Committees from time to time to assist the Directors in carrying out the purposes of the Foundation. The Chairperson shall report the establishment of all Special Committees and the names of their chairpersons and members to the Executive Committee and the Directors at the next ensuing regular meetings of the Executive Committee and Directors.

ARTICLE 4. SPECIAL MEMBERS OF THE FOUNDATION.

Section 1. Purpose of Special Members. The Directors may from time to time, acting by majority vote, establish special categories of membership in the Foundation for the purpose of honoring persons for contributions, service or achievement. The qualifications for special membership for each category shall be determined by the Directors as they deem necessary for the benefit of the Foundation and the University. Special members shall have no vote in meetings of the Foundation's members or Directors except as specifically provided in these bylaws.

Section 2. Special Member Categories. The Foundation shall have the following special member categories for honorary and recognition purposes:

- (i) Chairperson Emeritus. This category honors the Chief Executive Officers of the Foundation who have rendered extraordinary service to the Foundation. The Directors may elect a former Chairperson, after his/her term of office shall have expired, as Chairperson Emeritus of the Foundation. The Chairperson Emeritus shall be elected by a two-thirds vote of the Directors present.
- (ii) Director Emeritus. The Directors may elect a former Director, after his/her term of office shall have expired, as a Director Emeritus to honor those who have given distinguished service as members of the Board. The Director Emeritus shall be elected by a two-thirds vote of the Directors present.

ARTICLE 5. EXECUTIVE AND ADMINISTRATIVE SUPPORT

There shall be a President and CEO of the Foundation. The President of the University shall approve and recommend to the Board a person to serve as President and CEO of the Foundation. After duly considering the recommendation of the University President, the Board shall appoint, by majority vote, the President and CEO of the Foundation, whose primary responsibilities are to manage the corporate affairs of the Foundation on a day-to-day basis, in accordance with policies established by the

Directors, and to carry out the functions and duties of the position as prescribed by the Directors in consultation with the University President. The President and CEO shall report to the Board and the University President.

There may be an Assistant Secretary and an Assistant Treasurer to whom the Secretary or Treasurer may delegate part of their duties. The Assistant Secretary and Assistant Treasurer shall report to the Secretary and Treasurer respectively. Neither the President and CEO of the Foundation, the Assistant Secretary nor the Assistant Treasurer shall be considered members or officers of the Foundation nor shall they have voting rights.

ARTICLE 6. FUNDS.

Section 1. Fund Categories. The assets of the Foundation shall be held in various Funds as established in these Bylaws or as the Directors shall designate, with as many subfunds and accounts within these groupings as shall be necessary or desirable to achieve the purposes of the Foundation and to comply with the terms of gifts to the Foundation. The Foundation's Finance and Audit Committee shall review these fund categories at least annually and will recommend changes needed to the Executive Committee and the Directors. "Funds" include General Funds, Designated Funds (including Building Funds), Endowment Funds and other special fund categories.

Section 2. General Funds. General Funds are funds which may be used for the general purposes of the Foundation, including administration of the Foundation's affairs, or funds with restrictions which do not seriously inhibit their use for general Foundation purposes. All donations to the Foundation shall be credited to the General Funds when received, including all principal and income from properties donated to, disposed of, or held by the Foundation, unless the terms of the gift shall require the Foundation to credit such donations or the income of principal from such properties to a specific Designated Fund, as described in the Bylaws, or to a specific use or purpose inconsistent with the general unrestricted use by the Foundation of such donation or the income therefrom.

Section 3. Designated Funds. Designated Funds of the Foundation will be established for each major academic and administrative unit of the University to receive donations to the Foundation which are designated for such purposes. Additional Designated Funds for other specific purposes may be established by the Executive Committee or Directors. The principal of all designated Donations shall be credited to such Designated Fund. Interest income from designated funds shall be credited to the Foundation's General Funds to offset additional university fundraising and support activities unless the terms of the gift specify otherwise.

Section 4. Building Funds. The Board may, from time to time, establish Building Funds for specifically designated capital projects. They shall be administered as Designated Funds.

Section 5. Endowment Funds. Endowment Funds, or Permanently Restricted net assets, are contributions including state matching that must be held and invested in perpetuity as stipulated by the Donor. Only the earnings generated by these investments may be expended and only in accordance with the donor's intent and the gift agreement. All endowment funds are pooled and invested as directed by the Board. Investment earnings/losses are distributed to each endowment on a yearly basis based on its pro-rated share of earnings/losses generated by the permanently restricted net assets. Unless stipulated by the donor, earnings shall not be permanently restricted. The Board will determine the percentage of yearly earnings to be distributed for spending and the percentage to be held in reserve as added principal. The added principal is available for future spending and although it is temporarily restricted, it may be used to calculate the endowment's average balance from which future distributions are based. Losses attributable to permanently restricted net assets must first reduce any added principal held in reserve prior to reducing the corpus of the endowment. Any permanently restricted net asset which has been reduced by losses must be reinstated to its original corpus before any future investment earnings are distributed for spending. No corpus including state matching may be reduced for spending. An administration fee, as approved by the Board, may be charged to endowments. This fee will be covered by the endowment's investment earnings, but may not reduce an endowment's corpus.

Section 6. Ownership and Use of Funds.

(i) All Funds described herein shall be the property of the Foundation and shall be owned by the Foundation as defined in and limited by its Articles of Incorporation, Bylaws, and applicable Florida and Federal law and regulations. In such capacity, the Foundation shall have the ultimate authority and control over all property in the Funds, and the income derived there from, for the general purposes of the Foundation.

(ii) The assets and income of any Fund may be commingled with those of other unrestricted funds of the Foundation, or may be invested in units of a common investment fund which may be established or utilized by the Foundation, unless otherwise restricted by the terms of gift. The Foundation shall not have an obligation to commingle the assets for investment purposes and may, in its discretion, retain any assets received or hold the assets of a Fund as a separate unit for investment purposes. Any investment or reinvestment of assets shall be made only in such investments as are appropriate for a prudent fiduciary.

(iii) Specific expenses necessary or desirable for the proper administration of each Fund and subfund shall be charged to that Fund or subfund. General operational and administrative expenses shall be charged to each Fund or subfund in accordance with a formula approved by the Directors unless inconsistent with the terms of the gift or otherwise legally improper. Such charges shall be paid into the General Funds where they may be disbursed to pay such expenses. In the event such charges are inconsistent with the terms of the gift or otherwise legally improper, the Directors shall determine which Funds may be used to pay for such expenses.

(iv) These provisions shall not limit in any way the power and ability of the Directors to accept special gifts from donors which may be used for purposes specified by the donors, if such purposes fall within the Foundation's broad general purposes, and which may be subject to such ownership, income and distribution characteristics and restrictions as the Directors of the Foundation and the donors of such gifts may agree, but no characteristic or restriction shall jeopardize the Foundation's tax exempt status or its corporate charter. The Directors intend that all donations will be administratively grouped as a part of one or more of the Funds specified above or as may be established.

(v) Upon the voluntary or involuntary dissolution of the Foundation, or decertification of the Foundation by the Board of Trustees, the Directors shall, after paying or providing for all debts and obligations of the Foundation, transfer the assets of the Foundation to the University, subject to the conditions, restrictions and limitations to which the assets were subject when they were assets of the Foundation.

Section 7. Checks and Depositories. Except as may otherwise be specified in these Bylaws, the Directors shall provide by Resolution which Officers, Directors, or their designees are authorized to draw checks on the Funds of the Foundation and may impose any reasonable terms, conditions or limitation on such authority. Checks or drafts on the Funds of the Foundation shall be signed by any two of the Officers, Directors, or their designees authorized to do so by the Directors or by these Bylaws. Funds of the Foundation shall be deposited to the credit of the Foundation only in institutions approved by the Directors by resolution and only in financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

Section 8. Fiscal Year. The fiscal year of the Foundation shall be consistent with the fiscal year of the University.

ARTICLE 7. CODE OF ETHICS.

Code of Ethics – Conflict of Interest

Directors stand in a fiduciary relationship to the University and the Foundation. Therefore, Directors shall act in good faith, with due regard to the interests of the University and the Foundation, and shall comply with the fiduciary principles and law set forth in the Code of Ethics for Public Officers and Employees, Chapter 112, Part III, Florida Statutes. Directors shall comport themselves in accord with the statutory Code of Ethics and the Conflict of Interest Policy attached to these Bylaws as Appendix "B". Each Director shall annually complete and sign a disclosure form as required by said policy.

The Foundation shall maintain the highest ethical standards in all of its operations in order to protect and preserve the Foundation's good name, business interests, and relationships with donors, beneficiaries, and the community at large, and shall adhere to the requirements of the Florida Whistle-blower's Act, Sections 112.3187 - 112.31895, Florida Statutes.

ARTICLE 8. MISCELLANEOUS PROVISIONS

Indemnification

The Board shall, to the extent legally permissible, indemnify and defend each of its Directors, officers, employees, volunteers and other agents against all liabilities and expenses incurred in the connection with the disposition or defense of any action, suit or other proceeding, whether civil or criminal, in which such person may be involved by reason of Foundation service, except with respect to any matter in which such person shall have been adjudicated in any proceeding not to have acted in good faith; and further provided that no settlement shall be entered into without the prior consultation and approval of a duly authorized representative of the Board.

Service of Process

Service of process may be made on the Office of the University's General Counsel.

Fiscal Year

The fiscal year of the Foundation shall commence on July 1 of each year and end on June 30.

Foundation Records and Sunshine Laws

Public access to Board records will be governed by the provisions of Chapter 1004.28(5), Florida Statutes. Board meetings shall be governed by the provisions of the Open Meetings Law, Chapter 286, Florida Statutes. The Foundation shall maintain and/or dispose of all records made or received in connection with Foundation business in accordance with a document retention schedule as the Board may adopt from time to time.

ARTICLE 9. AMENDMENTS.

Section 1. Amendments to Bylaws. These Bylaws may be altered, amended, rescinded, or repealed at any regular or special meeting of the voting Directors by the affirmative vote of two-thirds of the voting Directors present. Any amendment to the Bylaws, approved by the Board, shall be submitted by the University President to the Board of Trustees for approval prior to its effective date.

Section 2. Amendments to Articles of Incorporation. Articles of Incorporation of the Foundation may be altered or amended at any regular or special meeting of the Board by resolution approved by the affirmative vote of two-thirds of the voting Directors present, subject to approval by the Secretary of State of Florida as required by law and subject to any approval which may be required by the Board of Trustees. Written notice of any proposed amendment of the Articles of Incorporation shall be mailed to each Director not less than fifteen (15) days prior to any meeting at which such proposed amendment is to be considered.

Section 3. Requirements of Florida Law. All amendments to the Bylaws and Articles of Incorporation of the Foundation shall comply with Florida law and appropriate state rules and policies.

ARTICLE 10. OFFICE.

The office of the Foundation shall be located at the University.

ARTICLE 11. EMPLOYEES OF THE FOUNDATION

Any person employed by the Foundation shall not be considered to be an employee of the State of Florida by virtue of such employment. Any employee of the State of Florida who is assigned to work on Foundation matters shall not be considered an employee of the Foundation.

ARTICLE 12. SEAL.

The corporate seal of the Foundation shall bear the words "FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC." and "MIAMI, FLORIDA" and the date "1969". The corporate seal shall be used only in connection with the transaction of business of the Board and of the University. The Secretary may affix the seal on any document signed on behalf of the corporation. Permission may be granted by the Secretary for use of the seal in the decoration of any University building or in other special circumstances. The seal of the Board shall be consistent with the following form and design:

ARTICLE 13. PARLIAMENTARY PROCEDURE.

Where not addressed by these Bylaws, the Articles of Incorporation, or Florida law, all matters of procedure shall be governed by Roberts Rules of Order (latest edition).

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**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 29, 2012

Subject: Foundation Report

Proposed Committee Action:

None. Discussion Item.

Background information:

The Florida International University Foundation, Inc. Report contains the Financial Statements Recaps and Investment Summaries as of September 30, 2012.

Supporting Documentation:	FIU FOUNDATION, INC. – Financial Statements Recaps and Investment Summaries, September 30, 2012
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Facilitator/Presenter:	Richard Brilliant
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FIU FOUNDATION, INC.

**FINANCIAL STATEMENTS RECAPS
& INVESTMENT SUMMARIES**

September 30, 2012

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FIU FOUNDATION, INC.
Recap of Statement of Activities
For the Quarter Ended September 30, 2012

<i>(In 000's)</i>	2012-13	2012-13			2012-13	2011-12	2011-12
	3-Month	3-Month	Variance		Annual	3-Month	Total Year
	<u>Budget</u>	<u>Actuals</u>			<u>Budget</u>	<u>Actuals</u>	<u>Actuals</u>
REVENUES:							
<u>Contributions:</u>							
Endowments	\$ 211	\$ 1,262	\$ 1,051	[1]	\$ 12,898	\$ 1,120	\$ 2,322
Non-Endowed Funds:							
Scholarship & Programs	2,266	2,575	309	[2]	8,549	2,299	8,957
Building Funds	6	109	102	[3]	1,751	7	1,128
Unrestricted Annual Revenues	152	123	(28)	[4]	903	78	467
Pledged Revenue	-	2,435	2,435	[5]	-	14,161	20,218
TOTAL CONTRIBUTIONS	2,635	6,505	3,869		24,100	17,665	33,092
<u>Other Revenues:</u>							
MARC Building	417	470	53	[6]	1,669	417	1,815
Foundation Enterprise Holdings	62	51	(12)	[7]	249	82	311
Estimated Investment Returns	1,106	7,593	6,487	[8]	12,818	(20,758)	(2,446)
Administrative Reserve	-	-	-		2,605	-	1,181
TOTAL OTHER REVENUES	1,586	8,113	6,528		17,342	(20,260)	861
TOTAL REVENUES	\$ 4,221	\$ 14,618	\$ 10,397		\$ 41,442	\$ (2,594)	\$ 33,953
EXPENSES:							
<u>University Programs:</u>							
Scholarships & Programs	\$ 2,838	\$ 1,015	\$ 1,822	[9]	\$ 10,148	\$ 2,182	\$ 10,343
Building Funds	2,301	7	2,294	[10]	3,301	-	2,212
Unrestricted Annual Expenses	312	169	143	[11]	809	54	801
TOTAL UNIVERSITY PROGRAMS EXPENSES	5,450	1,191	4,259		14,257	2,236	13,357
<u>Operational:</u>							
MARC Building	175	71	104	[12]	909	215	655
Foundation Enterprise Holdings	25	27	(2)		159	131	268
Administrative Reserve	359	285	74	[13]	1,609	280	1,391
General Reserve	255	66	189	[14]	1,949	31	114
Administrative Fee	-	-	-		2,605	-	1,181
TOTAL OPERATIONAL EXPENSES	814	450	364		7,231	657	3,610
TOTAL EXPENSES	\$ 6,264	\$ 1,641	\$ 4,624		\$ 21,488	\$ 2,893	\$ 16,967
EXCESS REVENUES OVER EXPENSES	\$ (2,043)	\$ 12,978	\$ 15,021		\$ 19,954	\$ (5,487)	\$ 16,986

*These financial statements recaps reflect revenues and expenses on a modified accrual basis.
Please refer to Appendix A for detailed variance notes.*

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Florida International University Foundation, Inc.
Performance Summary
Ending September 30, 2012

<i><u>Fund/Manager/Inception Date</u></i>	Market Value	Current Allocation	Tactical Target Allocation	Strategic Target Allocation	Current Month 8/31/2012 9/30/2012	Trailing 3 Months 6/30/2012 9/30/2012	Calendar YTD 2012 12/31/2011 9/30/2012	Fiscal YTD 6/30/2012 9/30/2012	Trailing 1 Year 9/30/2011 9/30/2012	Trailing 3 Year 9/30/2009 9/30/2012	Trailing 5 Year 9/30/2007 9/30/2012	Since Investment Inception
Total Fund (6/30/00)	\$181,878,733	100.0%	100.0%	100.0%	1.2%	4.4%	10.6%	4.4%	16.6%	7.3%	0.8%	3.2%
Total Fund Composite					1.4%	4.1%	9.7%	4.1%	16.2%	7.7%	1.0%	2.6%
Total Equity Accounts (6/30/00)	\$87,050,731	47.9%	45.6%	55.0%	1.9%	5.6%	13.6%	5.6%	23.0%	6.7%	-2.1%	2.0%
Total Equity Composite					2.5%	5.7%	14.3%	5.7%	26.5%	9.1%	-1.1%	0.7%
Total Fixed Income Accounts (6/30/00)	\$42,826,741	23.5%	22.7%	22.0%	1.2%	3.7%	8.7%	3.7%	10.6%	9.1%	8.8%	7.1%
Total Fixed Income Composite					0.8%	2.8%	5.6%	2.8%	6.5%	7.3%	6.8%	6.1%
Total Alternative Investments (3/1/02)	\$51,165,314	28.1%	31.2%	23.0%	0.1%	3.0%	7.5%	3.0%	10.5%	7.9%	0.7%	4.8%
Total Alternative Composite					0.0%	2.7%	5.5%	2.7%	7.7%	5.0%	-0.8%	3.0%
Total Cash & Equivalents Investments (6/30/10)	\$835,947	0.5%	0.5%	0.0%	0.4%	0.7%	2.6%	0.7%	3.2%	N/A	N/A	2.7%
90 Day Treasury Bills					0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.5%	0.1%

Florida International University Foundation, Inc.
Preliminary Performance Summary
Ending September 30, 2012

<i>Fund/Manager/Inception Date</i>	Market Value	Current Alloc.	Tactical Target Alloc.	Strategic Target Alloc.	Current Month 8/31/2012 9/30/2012	Trailing 3 Months 6/30/2012 9/30/2012	Calendar YTD 2012 12/31/2011 9/30/2012	Fiscal YTD 6/30/2012 9/30/2012	Trailing 1 Year 9/30/2011 9/30/2012	Trailing 3 Year 9/30/2009 9/30/2012	Trailing 5 Year 9/30/2007 9/30/2012	Since Investment Inception
INTECH Broad LCG (11/22/11) Russell 1000 Growth Index	\$12,833,917	7.1%	7.5%	N/A	1.6% 2.0%	5.6% 6.1%	19.1% 16.8%	5.6% 6.1%	N/A 29.2%	N/A 14.7%	N/A 3.2%	18.5% 16.4%
Wells Fundamental Select LCG (11/9/11) Russell 1000 Growth Index	\$13,285,193	7.3%	7.5%	N/A	2.2% 2.0%	6.8% 6.1%	19.7% 16.8%	6.8% 6.1%	N/A 29.2%	N/A 14.7%	N/A 3.2%	17.2% 16.4%
Wedge Capital Large Cap Value QVM (12/29/06) Russell 1000 Value Index	\$12,125,106	6.7%	10.0%	N/A	2.1% 3.2%	5.4% 6.5%	13.3% 15.7%	5.4% 6.5%	25.5% 30.9%	12.5% 11.8%	-0.7% -0.9%	0.9% 0.2%
Advisory Research Small Cap Value (6/1/01) Russell 2000 Value Index	\$10,069,097	5.5%	5.0%	N/A	2.2% 3.6%	6.6% 5.7%	9.8% 14.4%	6.6% 5.7%	24.3% 32.6%	9.8% 11.7%	0.6% 1.3%	8.9% 7.4%
IronBridge Small Cap Core Equity (12/2/03) Russell 2000 Small Cap Index	\$8,717,924	4.8%	5.0%	N/A	1.7% 3.3%	4.0% 5.3%	12.0% 14.2%	4.0% 5.3%	25.6% 31.9%	11.4% 13.0%	1.5% 2.2%	6.7% 6.1%
Student Investment Management Fund (3/31/09)	\$223,194	0.1%	0.1%	N/A	1.0%	4.1%	8.1%	4.1%	12.1%	3.1%	N/A	3.2%
iShares Russell 1000 Growth Fund (07/31/11) Russell 1000 Growth Index	\$13,756,246	7.6%	N/A	N/A	1.4% 2.0%	5.8% 6.1%	16.4% 16.8%	5.8% 6.1%	29.0% 29.2%	N/A 14.7%	N/A 3.2%	11.2% 11.3%
Morgan Stanley Buy Write (12/06/11) CBOE Buy Write Index S&P 500 Index	\$12,075,828	6.6%	6.5%	N/A	1.7% 0.8% 2.6%	4.8% 3.0% 6.4%	11.3% 7.9% 16.4%	4.8% 3.0% 6.4%	N/A 24.8% 30.2%	N/A 9.3% 13.2%	N/A 2.1% 1.1%	14.5% 11.3% 17.6%
Subtotal: Domestic Equity	\$83,086,505	45.7%	41.6%	35.0%								
Wentworth Hauser & Violich (3/31/10) MSCI EAFE Index	\$2,001,531	1.1%	2.0%	N/A	1.3% 3.0%	6.6% 6.9%	7.7% 10.1%	6.6% 6.9%	20.0% 13.8%	N/A 2.1%	N/A -5.2%	0.5% 1.3%
Thornburg International Equity (1/31/11) MSCI EAFE Index	\$1,962,695	1.1%	2.0%	N/A	3.0% 3.0%	6.0% 6.9%	9.7% 10.1%	6.0% 6.9%	14.4% 13.8%	N/A 2.1%	N/A -5.2%	-3.7% -3.3%
Subtotal: International Equity	\$3,964,226	2.2%	4.0%	20.0%								
TOTAL EQUITY INVESTMENTS	\$87,050,731	47.9%	45.6%	55.0%								
<i>Core Fixed Income Managed Accounts</i>												
Newfleet Asset Management (5/31/2001) Barclays Custom Index	\$13,074,819	7.2%	7.5%	N/A	0.7% 0.7%	3.9% 3.8%	10.7% 8.6%	3.9% 3.8%	14.1% 10.7%	10.1% 9.1%	9.6% 9.2%	7.3% 7.1%
Hillswick Asset Management (6/1/01) Barclays Aggregate Index	\$5,586,662	3.1%	2.5%	N/A	-0.1% 0.1%	1.2% 1.6%	3.8% 4.0%	1.2% 1.6%	5.0% 5.2%	7.4% 6.2%	8.8% 6.5%	7.2% 5.9%
Shenkman Convertible Bond Fund (12/23/11) BoFA ML All US Convertibles Index	\$8,932,733	4.9%	5.0%	N/A	1.5% 1.8%	3.4% 4.9%	8.0% 11.8%	3.4% 4.9%	N/A 16.6%	N/A 9.5%	N/A 2.8%	7.7% 12.1%
Brandywine Global Opp Bond (1/1/08) Citigroup World Gov't Bond Index	\$9,735,750	5.4%	5.0%	N/A	2.2% 1.3%	4.9% 3.0%	10.1% 3.4%	4.9% 3.0%	11.0% 3.3%	10.2% 4.3%	N/A 6.5%	8.5% 5.9%
First Eagle (7/11/12) BoFA Merrill Lynch US High Yield Master II TR	\$5,176,677	2.8%	2.5%	N/A	1.4% 1.4%	3.9% 4.6%	N/A 12.0%	3.9% 4.6%	N/A 18.9%	N/A 12.6%	N/A 9.1%	3.9% 4.6%
SunTrust Balanced Annuity Account (10/22/03) 70% Barclays Aggregate / 30% S&P 500	\$320,100	0.2%	0.2%	N/A	-1.5% 0.1%	1.0% 1.6%	4.9% 4.0%	1.0% 1.6%	12.4% 5.2%	8.2% 6.2%	4.4% 6.5%	5.6% 5.5%
TOTAL FIXED INCOME INVESTMENTS	\$42,826,741	23.5%	22.7%	22.0%								

Florida International University Foundation, Inc.
Preliminary Performance Summary
Ending September 30, 2012

<i>Fund/Manager/Inception Date</i>	Market Value	Current Alloc.	Tactical Target Alloc.	Strategic Target Alloc.	Current Month 8/31/2012 9/30/2012	Trailing 3 Months 6/30/2012 9/30/2012	Calendar YTD 2012 12/31/2011 9/30/2012	Fiscal YTD 6/30/2012 9/30/2012	Trailing 1 Year 9/30/2011 9/30/2012	Trailing 3 Year 9/30/2009 9/30/2012	Trailing 5 Year 9/30/2007 9/30/2012	Since Investment Inception
<i>Alternative Investments</i>												
Ironwood Partners (3/1/04)	\$7,642,265	4.2%	4.5%	N/A	0.4%	1.9%	4.9%	1.9%	5.6%	6.0%	-0.4%	3.6%
HFR FOF: Conservative					0.3%	1.7%	2.4%	1.7%	2.4%	1.6%	-1.5%	1.8%
Ironwood Partners (NDM Gift) (8/1/05)	\$2,201,900	1.2%	1.3%	N/A	0.3%	1.9%	4.9%	1.9%	5.6%	6.2%	-0.4%	2.9%
HFR FOF: Conservative					0.3%	1.7%	2.4%	1.7%	2.4%	1.6%	-1.5%	1.4%
Titan Advisors (3/1/07)	\$8,907,445	4.9%	5.0%	N/A	0.4%	3.1%	6.5%	3.1%	8.0%	5.1%	3.2%	4.6%
HFR FOF: Diversified					0.6%	2.1%	3.3%	2.1%	2.7%	1.7%	-1.4%	-0.3%
Archstone Offshore (5/1/10)	\$8,110,686	4.5%	4.5%	N/A	1.5%	3.8%	6.2%	3.8%	8.6%	N/A	N/A	1.9%
HFR FOF: Diversified					0.6%	2.1%	3.3%	2.1%	2.7%	1.7%	-1.4%	0.4%
Cohen and Steers Realty (12/16/08)	\$9,072,311	5.0%	5.0%	N/A	-1.6%	0.0%	13.3%	0.0%	29.6%	19.1%	N/A	21.0%
NAREIT US REIT Index					-1.2%	1.0%	16.1%	1.0%	33.8%	20.7%	2.3%	21.2%
Deutsche Bank Liquid Comm. Fund (1/1/08)	\$3,773,556	2.1%	2.0%	N/A	-0.4%	11.3%	6.8%	11.3%	11.3%	8.1%	N/A	-3.2%
S&P GSCI					-1.4%	11.5%	3.5%	11.5%	12.7%	6.5%	-5.4%	-8.0%
PIMCO Real Return Liquid Comm. Fund (2/28/12)	\$1,544,311	0.8%	1.0%	N/A	2.5%	12.1%	N/A	12.1%	N/A	N/A	N/A	3.0%
Dow Jones UBS Commodities Index (TR)					1.7%	9.7%	5.6%	9.7%	6.0%	5.3%	-3.0%	3.1%
PIMCO All Assets All Authority (7/18/12)²	\$122,103	N/A	N/A	N/A	2.3%	6.9%	N/A	6.9%	N/A	N/A	N/A	6.9%
50% MSCI World/50% Barclays Global Aggregate					2.0%	5.0%	9.0%	5.0%	13.3%	6.6%	2.4%	5.0%
DTC Private Equity II (\$5 Million)¹ (12/15/05)	\$3,880,811	2.1%	3.0%	N/A				8.1%				7.6%
DTC Private Equity III (\$2.5 Million)¹ (07/10/08)	\$1,129,942	0.6%	1.5%	N/A				30.7%				11.5%
Greenspring Global Partners IV (\$2.5 Million)¹ (8/8/08)	\$2,087,382	1.1%	1.5%	N/A				9.9%				11.0%
Greenspring Global Partners V (\$2.5 Million)¹ (1/19/12)	\$506,859	0.3%	1.5%	N/A				7.5%				7.5%
Medley Opportunity Fund II (\$2 Million)¹ (9/14/12)	\$1,611,743	0.9%	N/A	N/A				N/A				N/A
Apollo EPF Fund II (\$2 Million)	\$0	N/A	N/A	N/A				N/A				N/A
Foundation Enterprise Holdings I (3/31/11)¹	\$574,000	0.3%	0.4%	N/A				0.0%				4.4%
TOTAL ALTERNATIVE INVESTMENTS	\$51,165,314	28.1%	31.2%	23.0%								
<i>Cash & Cash Equivalents</i>												
State of Florida Treasury Fund (7/01/10)	\$835,947	0.5%	0.5%	N/A	0.4%	0.7%	2.6%	0.7%	3.2%	N/A	N/A	2.7%
90 Day Treasury Bills					0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.5%	0.1%
TOTAL CASH & EQUIVALENTS INVESTMENTS	\$835,947	0.5%	0.5%	0.0%								
TOTAL FUND	\$181,878,733	100.0%	100.0%	100.0%								

*These are short-term liquid funds

¹ For these investments, the returns displayed represent the internal rate of return.

² Deferred compensation

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Variance Notes:

[1] The positive variance of \$1.1 million for endowed revenues is a result of a \$1 million pledge in support of the College of Business Administration expected late last fiscal year but received early this July.

[2] The positive revenue variance of \$309,000 for scholarships and programs is the result of early collection of non-endowed gifts mainly supporting the College of Medicine and First Generation Scholarship program.

[3] The positive variance of \$102,000 for building fund revenues is driven by the early collection of gifts in support of the Nursing and Health Sciences building and football stadium expansion project. Included in the positive variance is the collection of additional ticket revenue in the amount of \$55,005 associated with last year's South Beach Food and Wine Festival, which supports the construction of the dining facility in the School of Hospitality Management and Tourism.

[4] Unrestricted annual revenues lag budget primarily due to Board of Directors membership dues which were budgeted based on 45 paying members with a 10% allowance for uncollectible pledges. Presently, there are only 39 dues paying members on the Board.

[5] The actual change in contributions receivable for the three-month period ended September 30, 2012 totals \$2.4 million, representing an excess of new signed gift agreements over pledged payments.

Below is a preliminary aging schedule of all Foundation contributions receivable as of September 30, 2012 net of a 0.7% allowance for doubtful accounts equal to \$463,955:

	Current Year	1 - 2 Years	3 - 4 Years	5+ Years	TOTAL
Non-Endowed*	\$ 5,807,009	\$ 4,563,652	\$ 1,342,903	\$ 1,082,386	\$ 12,795,950
Endowed*	\$ 7,082,252	\$ 9,921,022	\$ 10,955,165	\$ 25,061,000	\$ 53,019,439
TOTAL*	\$ 12,889,261	\$ 14,484,673	\$ 12,298,069	\$ 26,143,386	\$ 65,815,389

** Receivables on the statement of financial position total \$64.6 million and are discounted by \$1.8 million to their present value using a discount rate of 0.72%. Other receivables total \$659,397 related to dues receivables, intercompany receivable.*

[6] The positive variance of \$53,000 in MARC Building revenues is a result of unrealized gains related to the derivative liability on the swap portion of the building loan of \$35,324.

[7] Budgeted rental income in the amount of \$16,750 from FIU Parking & Transportation for the first quarter has not been collected, which is the cause of the negative variance for FEH. The negative variance has been offset by the budgeted 10% allowance for vacancies totaling \$5,061 for the first quarter.

[8] Investment returns for fiscal year 2012-13 were projected at 7.0% or \$12.8 million, based on a beginning balance of \$175 million. The monthly budgeted returns were forecasted based on our asset allocation and the historical performance of indexes for each asset class. Investment gains on the portfolio total 4.4%, or \$7.6 million, for the first quarter. The biggest contributors to these gains were equities (our largest asset class), which were up 5.6%. Adding to the positive returns were gains made in fixed income and alternative investments of 3.7% and 3.0%, respectively.

[9] The positive expense variance of \$1.8 million for scholarships and programs is a result of timing primarily in the College of Business Administration where professorships and chairs have not been filled as scheduled; College of Medicine where transfers for scholarships and salaries have not occurred as budgeted; Wolfsonian Museum scheduled exhibits are set to transpire at later dates; and timing of budgeted payments to the University. It is expected that several of these budgeted expenses will materialize in the second quarter.

[10] Based on the University's construction schedules, the following building funds were anticipated to be transferred to the university by September 30, 2012: \$500,000 for the Mixed Use Auxiliary Building; \$1 million for the Hospitality Management Dining Facility; and \$801,000 for Stocker Astrophysics Center. Due to delays in reimbursement requests to University, these funds have not yet been requested from the Foundation but are anticipated in the second quarter.

[11] The positive expense variance of \$143,000 for unrestricted annual expenses is driven by timing related to the Annual Giving Campaign. Budgeted expenses from Ruffalo Cody, the vendor hired to manage the phone campaign, are anticipated in October.

[12] The positive variance of \$104,000 for MARC building expenses is a result of delayed billing by Facilities Management for expenses related to utilities, repairs and maintenance, and custodial services. Payment for these expenses is expected to be processed by the end of October.

[13] Positive expense variance of \$74,000 for administrative reserve expenses consist of the following, \$39,000 is a result of the termination of a state lobbying contract in August. A replacement contract has not yet been awarded, and there are also some pending invoices for lobbying services rendered in Q1 2012/13. In addition, salary expenses related to the President's compensation have been reduced by the realized and unrealized investment gains made on the investment of his deferred compensation account.

[14] The positive variance in the General Reserve is driven by \$176,000 in budgeted Capital Campaign support funding expenses that have not yet been realized, specifically related to top donor events, travel, the Annual Giving program, and Campaign counsel services.

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

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 completed audits, audit work in progress, investigations and consulting services since the Finance and Audit Committee last met on September 5, 2012.

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 29, 2012

Date: November 29, 2012

To: Board of Trustees and Finance and Audit Committee

From: Allen Vann, Audit Director

Subject: OFFICE OF INTERNAL AUDIT STATUS REPORT

I am pleased to provide you with the quarterly update on the status of our office's work activities. Our last update to you was on September 5, 2012.

Completed Audits

We completed the following five audits:

1. **Food Network South Beach Wine & Food Festival** – This was the first audit of the event since its inception in 1997. The annual four-day event co-hosted by Southern Wine and Spirits of America and FIU has, over the years, raised substantial sums of money for the Chaplin School of Hospitality and Tourism Management. Festival gross revenues for 2011 were over \$8 million and during the year almost \$2.8 million benefited the University.

Opportunities for improvements in financial, administrative, and compliance controls were evident. Governance over the festival needs to be improved as there has been no written agreement between the parties. Revenues controls were inadequate as there was no oversight over ticket and gate controls, which are entirely outsourced. Working with management, Marcum LLP (the CPA firm we use for our Foundations' audits) has been retained to audit the responsible vendor. There was also a lack of adherence to University policies and procedures as it related payroll and travel. The audit resulted in twenty-one recommendations, which management agreed to implement.

2. **University Libraries (Academic Affairs)** – This was the first time the University's Library system has been audited. The Library collections comprise over 1.7 million volumes, access to over 27,000 serials titles and an increasing variety of multimedia resources including DVDs, videotapes, audio books and digital collections representing a variety of subjects. The Libraries' annual operating budget was approximately \$13.8 million funded mainly by the Educational & General (E&G) fund.

The Libraries' controls and procedures are adequate to ensure that library resources is properly safeguarded; revenue collections are properly accounted for; and funds were spent pursuant to University policies and procedures, applicable laws, rules and regulation. Areas where we found there are opportunities for improvement include: collection management, circulation management, financial reporting, utilization of the library management system, and workstation security. The audit resulted in thirteen recommendations, which management agreed to implement.

- 3. Herbert Wertheim College of Medicine (HWCOC) Information Systems Security Controls** - The objectives of this audit were to determine whether established internal security controls and procedures over protected data are: (a) adequate and effective; (b) being adhered to; and (c) in accordance with University policies, procedures, applicable laws, rules and regulations.

As would be expected with a newly established college, and its respective IT Department, most of the processes we tested during the audit period were neither formal nor well documented. Overall, information technology controls need improvement to reduce the risk of data breaches and increase the confidentiality, integrity, and availability of its sensitive data. A total of 25 of 42 control activities tested needed improvement to ensure that they achieve their objectives. The audit resulted in thirty-four recommendations. Management indicated that they already implemented the majority of our recommendations and they are actively working on implementing the remainder.

- 4. HWCOC Contracts and Grants** - We evaluated the College's internal controls and operating procedures over the administration of its sponsored research projects. Over \$5 million in grants were received by the College during FY 2011, representing a 27% increase from the previous fiscal year. Our audit disclosed that the College had good controls and procedures and followed sound grants management practices for the administration of their sponsored research projects.
- 5. Follow-up Audit of the University Credit Card Solutions Program (Controller's Office)** - We conducted a follow-up audit of *Procard/Credit Card Solutions Program; Better Controls & Administrative Practices Needed*, Report No. 09/10-04 dated April 21, 2010. The program initially developed in 1999 to enable faculty and staff to efficiently make small dollar purchases, has intrinsic risks, which we previously reported on. During FY 2012 expenditures processed using credit cards increased by 46% to \$27 million.

Overall, our follow-up disclosed that the Controller's Office has made a significant improvement in monitoring and establishing controls over the program. From January 2010 to June 2012 management's concerted effort to decrease the number of credit cards succeeded in a 42% reduction to the 865 credit cards. Additionally, credit card transactions

are continually monitored; cardholders and approvers are regularly trained; and program compliance reviews and desk audits are performed. Nevertheless, due to the decentralized nature of the program and inherent difficulties administering the program, some recurrent but relatively minor deficiencies were observed. The audit resulted in no new recommendations.

Audit Work In Progress

We are working on the following audits:

1. NCAA Eligibility Compliance (Athletics)
2. FIU Online Program-University College
3. Wolfsonian Museum
4. Healthcare Network's Information Systems Security Controls (HWCOM)
5. School of Journalism & Mass Communications
6. Controls over Salary Costs Charged to Grants

Investigations

During this reporting period we received four referrals. One referral was from the State of Florida Governor's Chief Inspector General and another from the State University System of Florida Board of Governors' Inspector General. We were also asked by one of our colleges to look into an area of concern and there was a referral from Human Resources. Based on preliminary evaluations, two of the referrals did not merit further attention. However, we are actively investigating the other two referrals.

Consulting Services

1. HWCOM User Access Committee/Electronic Health Records: At HWCOM request we have participated in an advisory capacity with their project team established to transition from paper-based patient health records to an Electronic Health Records system. During seven meetings, we have advised the Committee on documenting the Clinical Data Process Flow as it relates to the vendor/GE's Centricity application and provided information on Identity Access Management Core Controls including Access Control Policy objectives, Access Control Procedures, the use of audit trails, least privileged user access, and Segregation of Duties.
2. Oracle Access Control Governor Application: We were invited by the Controller's Office to participate in their project to introduce advanced monitoring controls into the current PantherSoft Financials accounting system. This will result in an automated system to evaluate the adequacy of segregation of duties controls and identify instances of assignments of incompatible duties.

Office of Internal Audit Status Report
November 29, 2012
Page 4 of 5

Other Matters

1. We are pleased to announce the successful recruitment of an Audit Manager for Health Sciences. Joining us is Ms. Tranae S. Rae who has five years of experience in the private sector as a health care internal auditor, one year as an EDP auditor for a bank and three years as an auditor for FDOT in Tallahassee.
2. Members of the internal audit staff attended the annual conferences of the:
 - a. Association for College and University Auditors, and
 - b. Association of Healthcare Internal Auditors

Follow-up Status Report

Management reported fully implementing 30 of the 33 recommendations due this quarter and they are working to complete the remaining 3 recommendations.

Areas Audited	Total Due for Implementation	Implemented	Partially Implemented
College of Medicine	3	3	
Division of IT	3	3	
Office of Parking and Transportation	2	2	
Office of Business Services	4	4	
College of Engineering and Computing	6	5	1
Division of Research	2	1	1
Office of the Controller	3	3	
School of Hospitality and Tourism Management	2	2	
Facilities Management Department	8	7	1
Total	33	30	3
Percentage	100%	91%	9%

Details for Partially Implemented Columns:

College of Engineering and Computing –1 Partially Implemented:

Audit of Contracts and Grants – College of Engineering and Computing (October 2011)

Recommendation No. 6.1 – Reconcile project ledgers at least monthly.

Management's Action Plan to Complete:

The new Assistant Director has taken steps to address this issue.

Original Target Date: July 2012

New Target Date: January 2013

Division of Research –1 Partially Implemented:

Audit of Contracts and Grants – College of Engineering and Computing (October 2011)

Recommendation No. 2.7 – Work with Academic Affairs to include all sponsored activities expected to be performed by Principal Investigators and researchers on their appointments/assignments. Adjustments should be made if necessary.

Management’s Action Plan to Complete:

A commitment data base was created but we were unable to deliver training to all users on the reporting capabilities to manage research appointments.

Original Target Date: July 2012

New Target Date: February 2013

Facilities Management Department –1 Partially Implemented:

Audit of the Construction Costs - Parking Garage Five (April 2012)

Recommendation No. 1.1 – Prior to closeout and releasing retainage, the Facilities Management Department should take necessary steps to recover or otherwise resolve the potential overcharges and unsupported costs with Turner Construction Company.

Management’s Action Plan to Complete:

Final close out is pending. The critical hurdle at this point is resolution of coordination with WASD. We do not anticipate any problems in final resolution of the issues identified in the audit report.

Original Target Date: On-going

New Target Date: December 2012

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

SUBJECT: Financial Performance Review – First Quarter FY 2012-13

Proposed Committee Action:
None. Discussion Item.

Background Information:
The Financial Summary Overview provides the budget variance analysis for the first quarter of Fiscal Year 2012-13.

Supporting Documentation: Financial Summary Overview, First Quarter FY 2012-13

Facilitator/Presenter: Kenneth A. Jessell

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Florida International University
Financial Summary Overview ¹
FY 2012-13

	Year To Date September 2012			
	Budget	Current Year Actual	Variance	
			\$	%
(\$ in millions)				
Revenue / Receipts				
University				
Educational and General (net) ²	123.1	122.7	(0.4)	0%
University	111.2	110.9	(0.3)	0%
College of Medicine	11.9	11.8	(0.2)	-1%
FIU Self-Insurance Program	0.5	0.2	(0.2)	-48%
Auxiliary Enterprises	61.5	56.1	(5.4)	-9%
Intercollegiate Athletics	9.1	9.5	0.4	4%
Activities and Service	6.7	6.3	(0.4)	-6%
Technology Fee	3.7	3.3	(0.3)	-9%
Board Approved Fees	0.4	0.1	(0.3)	-76%
Contracts and Grants	22.5	24.0	1.4	6%
Student Financial Aid	65.1	66.6	1.5	2%
Concessions	0.1	0.1	(0.0)	-29%
Direct Support Organizations				
FIU Athletic Finance Corp	1.0	1.3	0.3	33%
FIU Foundation Inc	3.1	7.0	3.9	126%
FIU Health Care Network	0.3	0.2	(0.1)	-34%
FIU Research Foundation	-	0.1	0.1	0%
Interfund Adjustments ³	(7.8)	(0.9)	6.9	-88%
Total Operating Revenues	289.3	296.6	7.2	3%
University Treasury (net)	3.1	10.0	6.9	220%
FIU Foundation Inc	1.1	7.6	6.5	587%
Total Investment Revenues	4.2	17.6	13.4	316%
Total Revenues / Receipts	293.6	314.2	20.6	7%
Expenses				
University				
Educational and General (net)	73.4	70.9	2.5	3%
University	66.0	64.4	1.5	2%
College of Medicine	7.4	6.5	1.0	13%
FIU Self-Insurance Program	0.5	0.0	0.5	98%
Auxiliary Enterprises	40.2	33.3	6.9	17%
Intercollegiate Athletics	6.1	6.5	(0.4)	-7%
Activities and Service	9.0	1.6	7.4	82%
Technology Fee	1.3	0.8	0.4	35%
Board Approved Fees	0.0	0.1	(0.1)	-1011%
Contracts and Grants	22.2	22.8	(0.6)	-3%
Student Financial Aid	69.9	65.7	4.2	6%
Concessions	0.2	0.1	0.1	43%
Direct Support Organizations				
FIU Athletic Finance Corp	0.6	0.6	(0.0)	-9%
FIU Foundation Inc	6.3	1.6	4.6	74%
FIU Health Care Network	0.7	0.6	0.1	15%
FIU Research Foundation	0.0	0.0	0.0	36%
Interfund Adjustments ³	(7.8)	(0.9)	(6.9)	88%
Total Expenses	222.6	204.0	18.6	8%
Principal Payment of Debt ⁴	0.0	0.0	(0.0)	0%
Change in Net Assets (incl. Investments)	70.9	110.2	39.2	55%
Change in Net Assets (excl. Investments)	66.7	92.6	25.9	39%

Notes:

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

THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

Subject: Treasury Report

Proposed Committee Action:
None. Discussion Item.

Background Information:
The Treasury Report provides a comparison of fiscal YTD performance vs. benchmarks by investment style, operating funds portfolio and treasury summary for the quarter ending September 30, 2012.

Supporting Documentation: Treasury Report

Facilitator/Presenter: Phong Vu

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OVERVIEW

The University's total liquidity position of \$355.1 million was about 2.16 times its debt position of \$164.1 million at the quarter end and 1.73 times total debt of \$205.0 million, which includes DSO outstanding balances.

The most recent month's Treasury Summary is available at finance.fiu.edu/treasury.

LIQUIDITY

Real Days Payable¹

Of the liquidity position of \$355.1 million, \$288.8 million, or 81 percent, of these balances were accessible within 5 business days. Average daily cash outflow rate was \$3.9 million based on fiscal year-to-date activity. The university had 73 real days payable ("RDP") versus 75 RDP in FYTD 2012. The variance in RDP was mainly due to higher outflows in FY 2013.

Stress Tests

The university analyzes the possible effect of negative market performance on its liquidity position. At quarter end, difficult investment conditions that generate a projected 9 percent portfolio loss scenario would equate to \$32.8 million in unrealized losses. Liquidity, as measured by 5 day accessibility, would drop to \$266.7 million, still 75 percent of the total current available cash and investment balances. RDP would drop to 68 days based on FYTD outflows.

Extreme market conditions, represented by an 18 percent loss scenario or \$65.5 million in unrealized losses to the portfolio, would result in a projected drop in liquidity to \$165.8 million, or 47 percent of the total current available balances. This balance translates into 42 RDP based on FYTD outflows.

CASH FLOWS

Outflows

The FY2013 1Q velocity of cash flows increased slightly from \$3.8 million/day to \$3.9 million/day over FY2012 1Q. Total FYTD cash outflows totaled \$255.5 million versus \$253.0 million for the same time period in FY2012.

Inflows²

The velocity FY2013 1Q cash inflows decreased slightly to \$4.7 million/day from \$4.8 million/day in FY2012 1Q. Total cash inflows FYTD totaled \$306.1 million versus \$317.0 million for the same time period in FY2012. Inflows included \$48.5 million in funds transfers from the state.

INVESTMENTS

Performance

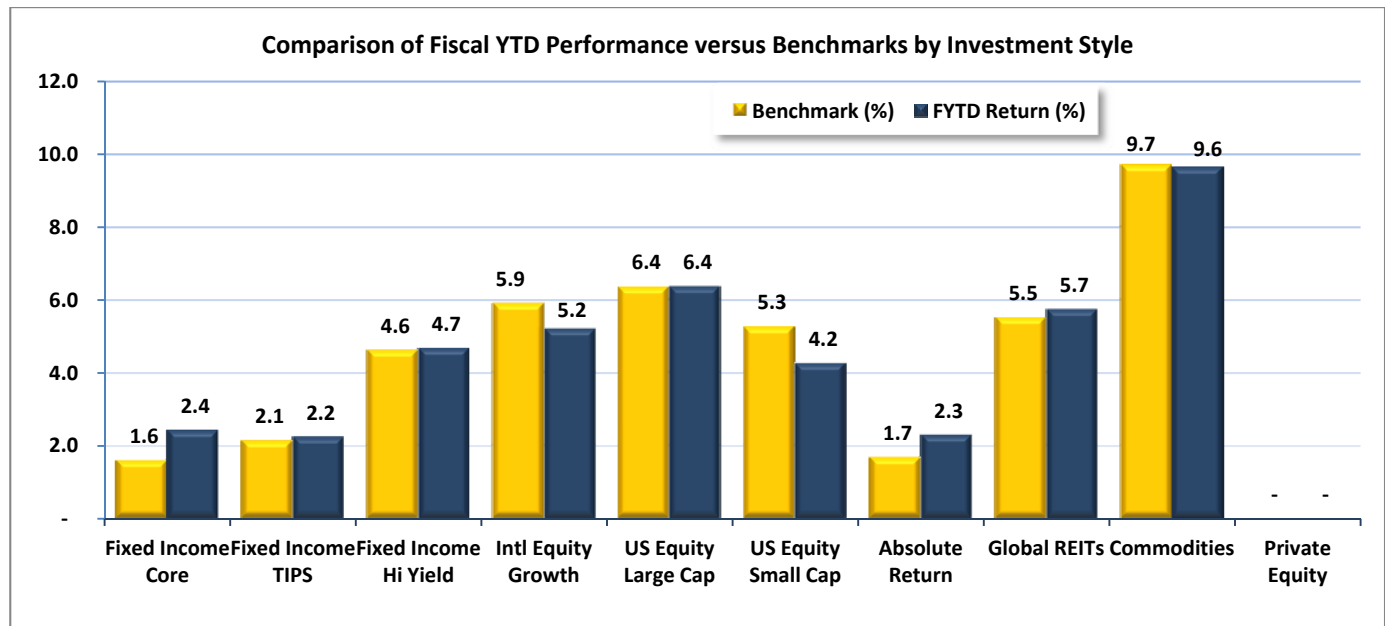
FIU's operating portfolio continues to **outperform the State Treasury investment pool ("SPIA")**, returning 4.8 percent since inception versus the SPIA's 3.2 percent for the same time period.

So far in FY2013, the portfolio is up 3.5 percent. The Strategic and Reserve Capital Pools gained 4.5 percent while the Working Capital Pool gained 0.3 percent. Returns from the SPIA totaled 0.6 percent during the same period. The following chart details the returns by asset class.

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 details transfers from the state in the W/C (Working Capital Pool) Transfers.

As shown below, three investment managers underperformed their benchmarks for the period: US Small Cap Manager (4.2 percent versus 5.3 percent), International Equity Manager (5.2 percent versus 5.9 percent) and Commodities Manager (9.6 percent versus 9.7 percent benchmark).



Composition

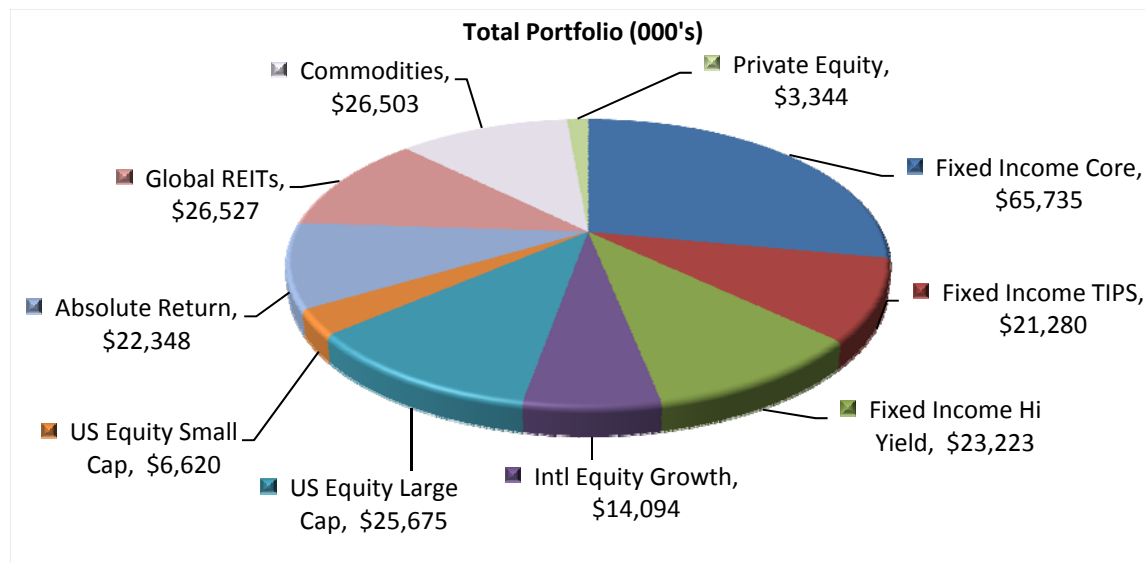
Asset allocations at the end of FY2013 1Q remained within policy guidelines. The University funded \$3.5 million in private equity capital calls during the quarter for the PAPEF VII and SunStates Funds.

The quarter-end market value of the University's operating investment portfolio totaled \$348.6 million. This balance reflects an increase of \$55.7 million or 19.0 percent from the ending balance of the previous quarter. The quarterly increase was mostly due to seasonal increases within the Working Capital Pool as part of normal University operations.

University's quarter-end market value of the total operating investment portfolio was \$8.6 million (2.5 percent) higher than the ending balance of FY2012 1Q.

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

A detailed report of the portfolio performance and allocation is available at finance.fin.edu/treasury.



Meetings

The Investment Committee last met on August 16, 2012 and will meet on November 15, 2012 to review investment performance. The investment committee consists of:

Membership

Sukrit Agrawal, Member, Finance and Audit Committee, FIU Board of Trustees
Chun-Hao Chang, Ph.D. Department Chair, Finance and Real Estate, College of Business Administration
Kenneth Jessell, Ph.D., CFO & SVP, 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 fiscal 1Q 2013 with \$205.0 million in outstanding debt. The University outstanding debt of \$ 164.1 million consists of revenue bonds totaling \$114.0 million for housing and \$50.1 million for parking auxiliaries. The housing bonds are rated A+ (Fitch), A (S&P) and Aa3 (Moody's). The parking bonds are rated A+ (Fitch), AA- (S&P) and Aa3 (Moody's). Direct Support Organization outstanding debt of \$40.9 million includes stadium bonds with \$33.4 million outstanding and a Foundation loan with \$7.5 million outstanding.

Period Ending September 30, 2012

OVERVIEW

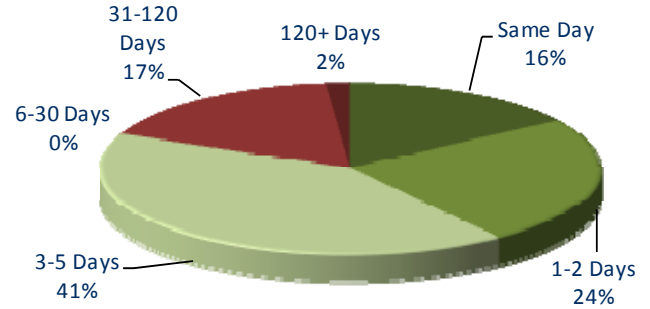
	09/30/12
Cash	\$ 6,517
Working Capital Pool	113,218
Strategic/Reserve Pool	235,355
Liquidity Position	\$ 355,090
University Debt	164,080
DSO Debt	40,916
Debt Position	\$ 204,996
Liquidity/University Debt	2.16
Liquidity/Total Debt	1.73

LIQUIDITY

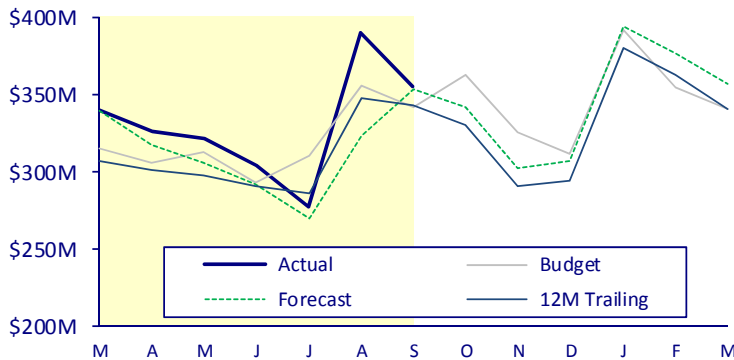
Availability of Funds	
Same Day	\$ 56,547
1-2 Days	85,271
3-5 Days	146,943
6-30 Days	-
31-120 Days	60,740
120+ Days	5,588
Total	\$ 355,090

Real Days Payable (<5 Days)

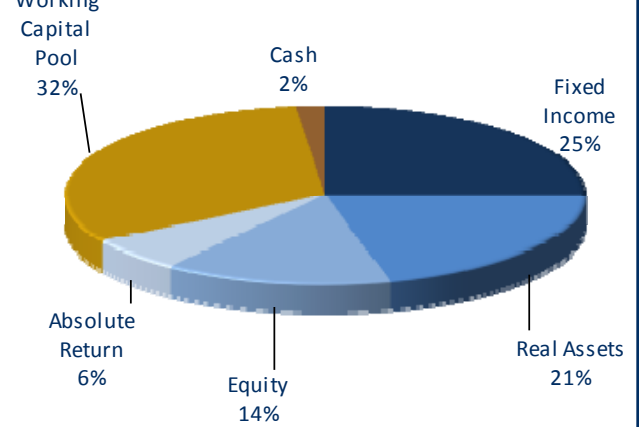
MTD Outflows	57
YTD Outflow	73

LIQUIDITY ALLOCATION

CASH FLOWS

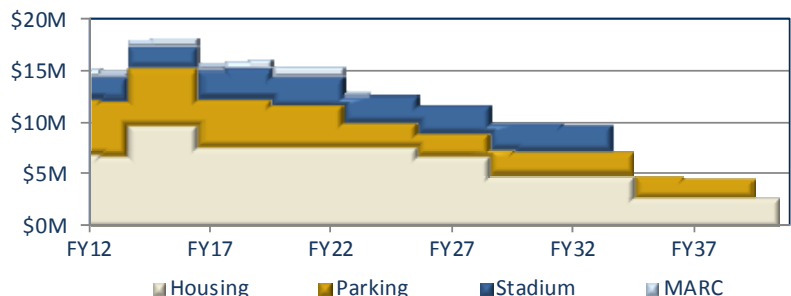
Cash Account	MTD	QTD	YTD
Opening Balance	\$ 16,247	\$ 10,801	\$ 10,801
From/(To) W/C	43,500	(6,350)	(6,350)
Cash Inflows	47,719	257,597	257,597
Cash Outflows	(100,948)	(255,531)	(255,531)
Ending Balance	\$ 6,517	\$ 6,517	\$ 6,517
Working Capital Pool			
Opening Balance	140,417	58,336	58,336
From State	16,300	48,532	48,532
From/(To) Cash A/c	(43,500)	6,350	6,350
Closing Balance	113,218	113,218	113,218

CASH+INVESTMENT FORECAST

INVESTMENTS

Investment Class	Balance	FYTD Ret	1Y Trailing
Strategic/Reserve Pool			
Fixed Income	\$ 88,958	3.0%	10.4%
Real Assets	74,310	6.0%	15.3%
Equity	49,733	4.0%	22.1%
Absolute Return	22,354	2.3%	6.8%
Working Capital Pool	113,218	0.3%	1.8%
Cash	6,517	0.0%	0.0%
Total	\$ 355,090	3.5%	9.7%

INVESTMENT ASSET ALLOCATION

DEBT

University	O/s Balance	Avg. Rate
Housing (Aa3/A+/A+)*	\$ 113,975	4.1%
Parking (Aa3/AA-/A+)*	50,105	4.6%
Direct Support Organizations		
AFC (Stadium)	33,386	4.4%
Foundation (MARC)	7,530	3.9%
Total Outstanding Debt	\$ 204,996	4.3%
<i>*(Moody's/S&P/Fitch)</i>		
Fixed Rate Debt	189,140	92.3%
Variable Rate Debt	15,856	7.7%

PROJECTED ANNUAL DEBT SERVICE FOR OUTSTANDING DEBT BALANCES


**THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES**

Finance and Audit Committee

November 29, 2012

Subject: Priorities for the 2013 Legislative Session

Proposed Committee Action:

None. Discussion Item.

Background information:

Florida International University's top legislative priorities for the 2013 session include:

1. State Funding
2. Performance Funding
3. College of Medicine
4. Hurricane Mitigation
5. Public Education Capital Outlay

Supporting Documentation: FIU's Priorities for the 2013 Legislative Session

Facilitator/Presenter: Stephen A. Sauls

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Priorities for the 2013 Legislative Session

The FIU Governmental Relations team continues to work on formulating the University's legislative priorities for the upcoming session, which include:

State Funding

Restore \$24.3M cut to FIU's general revenue and avoid further cuts to the FY13-14 Budget.

Performance Funding

Seek \$12.4M in new funding to be tied directly to the annual work plan for improvement of graduation rates, production of STEM degrees and Ph.D. production.

College of Medicine

Secure \$762,589 in incremental funds for the Herbert Wertheim College of Medicine.

Hurricane Mitigation

Secure annual state funding for hurricane mitigation projects such as the Wall of Wind and the Public Loss Model.

PECO

Explore alternative funding sources for operations, maintenance, & fixed capital outlay.

Other Legislative areas of interest include:

- Distance Learning
- STEM Education
- Salary & Benefits of Public Employees
- Medicaid
- Graduate Medical Education

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

SUBJECT: Athletics Update

Proposed Committee Action:
None. For information only.

Background Information:
The Athletics Update provides a fundraising report since the Finance and Audit Committee last met on September 5, 2012

Supporting Documentation: Athletics Update

Facilitator/Presenter: Pete Garcia

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Finance and Audit Committee
November 29, 2012

ATHLETICS UPDATE

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

Pete Garcia, Executive Director of Sports and Entertainment

Fundraising Report

FIU Foundation, Inc.

Fundraising revenues are favorable \$2,548 or 1.2% on a year-to-date basis as of September 30, 2012.

FIU Foundation, Inc.
Preliminary Recap of Statement of Activities
Through the Period Ended September 30, 2012 (in thousands)

	Actual	Budget	Variance
Revenues	\$207.0	\$204.5	\$2.5

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

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 2011-12 Fiscal Year Annual Report dated August 17, 2012.

Supporting Documentation: University Compliance Report

Facilitator/Presenter: Leyda Benitez

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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: Report as of October 30, 2012

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 2011-2012 Fiscal Year Annual Report dated August 17, 2012.

Executive Summary

During the first quarter of the 2012-2013 fiscal year, the University Compliance Office's work efforts have been driven by two new mandates, one at each the state and federal level. The first is the implementation of a new Florida law that requires reporting of child abuse, neglect or abandonment and subjects the university to stiff penalties for failure to report such known or suspected instances to the Florida Department of Children and Families. The second is to address the new U.S. Department of Health and Human Services Public Health Service regulations on financial conflicts of interest. Efforts continue to provide education and training on high risk compliance areas. Additional ongoing initiatives are described in the full report below.

A. Current Compliance Initiatives and Activities

1. New Florida Law: Mandatory Reporting of Known or Suspected Child Abuse, Neglect or Abandonment for Universities: House Bill 1355, Florida Statutes, known as the Vulnerable Persons Act, became effective on October 1, 2012. The Florida Legislature has taken a proactive approach to ensure the safety and security of minors visiting our campuses. Any public or private college or university whose administrators or law enforcement agency "knowingly and willfully," upon receiving information from faculty, staff, or other institution

employees, fail to report known or suspected child abuse, abandonment, or neglect committed on the property of the university, college, or school, or during an event or function sponsored by the university, college, or school, or who knowingly and willfully prevent another person from doing so, shall be subject to a fine of \$1 million for each such failure. Section 39.205, Florida Statutes.

Major steps taken to date in order to implement Section 39.205, Florida Statutes include:

- a. Attendance, via telephone, at a workshop held at the Florida Department of Children and Families (DCF) in Tallahassee on August 6, 2012 sponsored by the Florida Board of Governors (BOG) and DCF with representatives from the State University System, Florida College System and the Florida Department of Law Enforcement in order to develop a greater understanding of the statutory framework, the hotline reporting mechanism and the need for coordination and flow of communication between pertinent agencies.
- b. Presentation by the BOG General Counsel Vikki Shirley at the BOG's September 13, 2012 meeting of a draft regulation implementing this new law. A small work group of State University System university counsels and compliance officers, including Kristina Raattama and Leyda Benitez have been assisting the BOG in the regulation development and law implementation efforts.
- c. Creation of a Florida International University work group with representatives from diverse areas in order to understand the impact of this new law and prepare for its implementation. This work group and subgroups have met on September 7, 2012, September 24, 2012, October 1, 2012 and October 8, 2012.
- d. Meeting with local DCF representatives to establish a working relationship and to ask for assistance in the interpretation of new legal requirements and deployment of training to FIU faculty, staff, students and volunteers.
- e. Creation of a draft University policy to implement these new requirements. Prior to October 1, 2012, this draft policy had been circulated for review and comment to senior leadership.
- f. Identification of a subject matter expert on child abuse prevention and reporting requirements within Florida International University, College of Education Professor Maureen Kenny.

- g. Presentation by Dr. Maureen Kenny on October 1, 2012 to members of the Operations Committee and the Deans' Advisory Council as well as other designated University administrators and law enforcement personnel. Dr. Kenny presented a comprehensive 45-minute training session on child abuse identification, prevention and reporting obligations.
 - h. Attendance on October 25, 2012, by six Florida International University representatives to a workshop sponsored by the BOG held at the University of Central Florida. At this workshop, DCF Deputy Director of Children's Legal Services Stephen Pennypacker, Esq., provided comprehensive training. This training was recorded and will be posted on the BOG website and made available for the SUS's use to provide training to university faculty, staff and volunteers who should be trained on child abuse prevention and reporting requirements.
2. Freeh Report (Penn State): In addition, Florida International University, through its Office of the General Counsel and University Compliance Office, has carefully assessed the recommendations of the Freeh Sporkin & Sullivan, LLP Report of the Special Investigative Counsel Regarding the Actions of The Pennsylvania State University Related to the Child Sexual Abuse Committed by Gerald A. Sandusky, dated July 12, 2012. A University project is underway to ensure that all areas reviewed under the Freeh Report are also reviewed here at Florida International University for any possible gaps in compliance or best practices.
3. Higher Education Act of 1965, as Amended: Student Consumer Information: The University Compliance Office has created a dedicated webpage to link to the information the University is required to make readily available under the Higher Education Act of 1965 (HEA), as amended by the Higher Education Opportunity Act of 2008 (HEOA). This information must be made available to current and prospective students and their families, current and prospective employees, and the general public. As a tool to assist in the update of this webpage, the University Compliance Office created a matrix that contains the key HEOA disclosure and compliance provisions, links to the required information, and a list of the accountable university departments or units that oversee the content set forth on the webpage.

B. University Privacy and Data Security Matters

1. Online Campus Solutions Parent/Guest Access System: The University Compliance Office is working closely with UTS-PantherSoft representatives in the Division of Information Technology to review, assess, and revise the content of the newly proposed initiative from Academic Affairs for the Campus Solutions Parent/Guest Access system in accordance with federal and state privacy laws and regulations. The student information system, MyFIU, has been designed to give students the ability to authorize additional online access to parents and/or guests to view portions of their education records or to make payments. Additionally, new terms and conditions regarding third-party access have been created.
2. Internet Privacy Notification and Refund Policies for Center for Children & Families and School of Hospitality & Tourism Management: The University Compliance Office worked with the Office of the Controller to review and revise, as needed, the Center for Children & Families and School of Hospitality & Tourism Management Internet Privacy Notification and Refund Policies, pursuant to the merchant requirements set out by the Payment Card Industry Data Security Standards (PCI DSS). The policies will be posted on the respective websites.

C. Education and Training Efforts

1. Online FERPA PowerPoint Training Program: The University Compliance Office is nearing completion of an online FERPA training program that will include a test component in order to assess completion of materials and level of understanding. The University Compliance Office will work with the Division of Human Resources, Talent Management and Development in order to register this as a course that University faculty and staff can complete. An assessment will be made regarding those University units that should ensure their employees have completed this training.
2. Current Fiscal Year Compliance Education and Training: Since the beginning of Fiscal Year 2012-2013, compliance-related education and training opportunities made available to the University Community have included 27 sessions in total (one online; 26 in person) with a total of 603 attendees.

FY 2012-2013		
Training	# of Presentations	# Attending
Conflict of Interest	1	53
Export Controls*	1	4
HIPAA	5	71
Identity Theft	5	32
Information Technology Security - Privacy	3	35
New Faculty Orientation	1	104
New Employee Experience	9	255
Child Abuse Prevention/Reporting	2	49
TOTAL	27	603

*On Line Training

3. Online UCO Compliance Modules: The University Compliance Office conducted an overall review of the education and training materials for Faculty Orientation, resulting in the review and update of the Faculty Orientation Introduction to Ethics and Compliance Considerations PowerPoint presentation. The Faculty Compliance Modules, which were developed as part of the orientation were also reviewed, revised and updated. The modules consist of the following topics:

- a. Compliance Program and Tools
- b. Ethics
- c. Student Education Records
- d. Privacy
- e. Public Records
- f. Information Technology Security
- g. Research
- h. Export Controls
- i. Disruptive Students

D. University Policies and Procedures

1. Conflict of Interest in Research Policy: This policy was revised to meet the new regulatory mandates set forth in the U.S. Department of Health Public Health Service regulations addressing financial conflicts

of interest and effective as of August 24, 2012. The University Compliance Office worked alongside the Division of Research in:

- a. the review and revision of this significant University policy,
 - b. the addition of pertinent questions to the University's electronic portal for outside activities and conflicts of interest,
 - c. the development of an online training specific to Florida International University's policy that is now included as part of the Collaborative Institutional Training Initiative (CITI) course that FIU personnel who engage in sponsored research must take,
 - d. the update of the educational module which is found in the electronic portal for disclosures of outside activities and conflicts of interest and,
 - e. the development of a communication campaign. The efforts in this area are ongoing specifically as they relate to additional communication and training.
2. University Volunteer Policy: The Assistant Compliance Officer assisted in the review of the University Volunteer Policy by meeting and working with the Division of Human Resources, Employee and Labor Relations Department and the Office of General Counsel. The policy was researched, reviewed and revised pursuant to applicable Florida statutes. A software product that university departments will be able to use was assessed as part of this initiative. This software product will enable the departments to identify their need for volunteer services, register the volunteers and track their services on behalf of the university.
 3. Automated External Defibrillator (AED) Program and Policy: The University Compliance Office has researched the regulation, use, training, and potential legal liabilities for automated external defibrillators (AEDs) that are placed throughout the University's facilities. The University Compliance Office is working in conjunction with the Department of Emergency Management and the Disaster Management and Emergency Operations in order to create a consistent University-wide policy.
 4. New/Revised Policies: Since the last report to this Committee, the following areas have added new policies or had existing policies or procedures revised or transitioned and posted to the University Policies and Procedures Library:

- i. Academic Affairs
 - a. Centers and Institutes at Florida International University
- ii. Division of Enrollment Management
 - a. Standards of Satisfactory Academic Progress
- iii. Division of External Relations and Division of Information Technology
 - a. Web Standards Policy
- iv. Division of Research
 - a. Subawardee Commitment Form Required for Sponsored Project Proposals
- v. University Graduate School
 - a. Work is underway to transition over thirty Graduate School policies to the University Policies and Procedures Library

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 29, 2012. As always, I welcome your questions, comments and concerns. Thank you for your kind attention.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

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: Facilities and Construction Status Report

Facilitator/Presenter: John Cal

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

FACILITIES & CONSTRUCTION UPDATE AS OF NOVEMBER 13, 2012

Projects Completed

- **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. Student Government Association (SGA) commissioned a panther sculpture to be set in the arena plaza. The sculpture is projected to arrive in December. The arena plaza hardscape design has been integrated with the Parkview Housing hardscape plan. Pricing on the final hardscape design is projected to be finalized by early December.
- **Football Stadium Expansion & Master Plan (BT-842)** – \$4.99M project cost. A/E – Baker Barrios Architects/RDG JV. CM – MCM Construction; first FIU construction project for both firms. Project completed the lower bowl with a seating capacity of 18,114. Project currently in close out.

Projects Under Construction

- **Science Classroom Complex (SCC)/Academic Health Center 4 (AHC-4) (BT-876)** - \$57.8M Public Education Capital Outlay (PECO) project budget. A/E – Perkins + Will; CM – DPR; first FIU construction project for both firms. Construction progress is now at 70%. The building has permanent power and is running its own Heating Ventilation Air Conditioning (HVAC) which facilitates mechanical system commissioning and interior build out. Space assignments are currently being determined by the Department of Research and the College of Arts and Sciences. Interior furniture has been ordered and is scheduled for installation during January. Covered pedestrian ground level connections to AHC3 and the Chemistry-Physics (CP) buildings have been completed. Target delivery date: February 2013.
- **Parkview Housing 2013 (BT-889)** – \$52.9M (bond and auxiliary) project budget. A/E: HADP/HKS Joint Venture; CM – Moss. Phase 3 contract amendment based on 100% construction documents has been executed. Owner Direct Purchase (ODP) savings of \$447k already exceed the 1% goal of \$412k; now working toward the 1.5% stretch goal of \$650k. Both east and west wings have been “topped off”. The roof is scheduled for completion by the end of November. Pre-cast panels are

being mounted. Approximately 75% of pre-fabricated bathroom “pods” have been installed. Construction of the 3rd floor east-west bridge has begun and will run through mid-December. Foundations for the 300 car garage have begun; the pre-cast garage structure will start erection the first week of December. Target delivery date: July 2013.

- **Satellite Chiller Plant (BT-834)** - \$14.1M (PECO) project budget/\$7.6M funded to date. E/A – SGM Engineering; CM – Poole & Kent. FIU is using the available \$7.6M to construct the full building and outfit it with two chillers and two cooling towers; additional equipment and infrastructure work will follow as funding is available. Building exterior and interior walls are fully erected; the roof structure will be completed by mid-November. Equipment installation will begin at the end of Fall semester. A temporary entrance at SW 107th Ave has been completed and will provide more efficient construction access to neighboring project sites such as Science Classroom Complex (SCC) and Stempel. Exterior utilities are complete except for domestic water. Target delivery date: March 2013.
- **Academic Health Center 5 (BT-877/895)** - \$44.9 M (multiple sources) project budget. A/E – Perkins + Will; CM – Skanska. The Robert Stempel College of Public Health and Social Work (\$23.3M) and the International Hurricane Center (IHRC) project (\$15.00 M) have been combined into one project. This new facility includes the Stempel College of Public Health, the Extreme Events Institute, and the Department of Earth & Environment. Skanska mobilized and broke ground in late August, with 60% of the site improvements now complete. Foundation excavations began late October. Pedestrian traffic has been re-routed. Curtain wall mockup has been completed and is under review. Target delivery date: January 2014.
- **Hospitality Management 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 Room Expansion) shell is 97% complete: windows overlooking bay are 97% complete, MEP rough-in is 100% complete. Air Conditioning is installed and functional; digital HVAC controls are now being installed. Phase 2 (Dining Room Finishes) is now in process of installation with millwork, wine tower, and bar. Dining room flooring has begun and will be installed by early December. Other finishes such as non-slip kitchen flooring have been completed. Wall tiling at pantries has begun and will be completed by the end of November; kitchen equipment installation will follow to be completed by early January. Target delivery date: February 2013.
- **Mixed-Use College of Business Building-MANGO (BT-886)** - \$29.6M (multiple sources) project budget. A/E – HOK; CM- Arellano. The first early release Guarantee Maximum Price (GMP) for site and foundations has been accepted. CM is mobilizing and will install trailers over the next month. FP&L is addressing the relocation of electric lines within the building footprint; the re-design and relocation could potentially add 60-90 days to the construction schedule. Full impact will be known by mid-November. The final GMP based on 100%

Construction Documents will be delivered by late November. Target delivery date: January 2014.

Projects in Design

- **Stocker AstroScience Center (BT-814)** - \$2.4M (multiple sources) project budget. A/E – Siddiq Khan & Associates (SKA); CM – TBD. Building infrastructure and site work is 50% complete. Phase 1 GMP based on 100% construction documents (CD's) has been submitted. Final design review is pending; review also includes reconciliation with Campus Master Plan. Final delivery date depends on results of design review. Target delivery date: May 2013.

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. The critical program decision was made that this facility would not house the university's consolidated data center. Site location has been finalized. With those key decisions, the final program scope will now be validated along with the funding strategy to address the shortfall in PECO funding. Design will follow. Target delivery date will be developed as part of validating the program.
- **Ambulatory Care Center (BT-870)** - \$10.0M (County bond) project budget. A/E – AECOM; CM – Klewin. The ACC draft building program has been revised and is now being reviewed for approval as a stand-alone facility. The facility will include the Health Care Network (HCN) clinic already operating in PG5. Funding is in place only for design and construction of the ACC element; it does not include Furniture, Fixtures or Equipment (FF&E). Design will consider alternatives to accommodate future growth and expansion. A/E has committed to an extremely aggressive 4-month design process. The delivery date is contingent on program approval, finalization of business plan & site location, identification of funding, re-negotiation of A/E fee, achievement of a 4-month design process, and accelerated construction. User has requested a delivery date of February 2014, judged to be extremely aggressive.
- **Parking Garage 6 (BT-868)** – \$37M (bond) project budget. A/E – PGAL; CM to be selected. This facility will reuse the PG5/Market Station design. Located to the west of PG4/Red Garage, the garage will house approximately 2,000 car spaces with 35,000 square feet of shell space that will be filled as needs, users and funds are identified. As a component of "University City," this project would attempt to set the first building block of an Advanced Transit Oriented Development (ATOD) in partnership with the Miami-Dade Expressway Authority (MDX) and Florida Department of Transit (FDOT) by establishing a rapid transit bus terminal/station. The program is now being finalized. Target delivery date for the garage element: August 2014.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

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: Aime Martinez

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UPDATES

Fall 2012

- **The Fresh Food Company**, FIU's all-you-care-to-eat restaurant located in GC, was expanded to include a new entrance and façade as a part of an extensive multi-phase remodeling to enhance variety, increase seating and contemporize the look and feel. As a result of the phase I renovation sales this fall are up 26%. Phase II of the project, which will include a full interior renovation, new food stations and expanded seating will be completed for fall 2013.
- **Einstein Bros. Bagel** was relocated to the annex to create a full-service, traditional breakfast venue providing a unique bakery/coffee house experience not currently available on campus. As a result of the move and expansion sales this fall are up 42%.
- **The MANGO (Management and New Growth Opportunity) building** will feature a Panda Express, Starbucks and a Taco Bell with over 6,000 sq. ft. of seating space designed to foster collaboration and community engagement. The price points, product offerings and brand recognition of these venues will allow us to create a new destination hub for the North West quadrant of MMC that will attract the entire FIU community. Design is underway for the new building which is expected to open spring of 2014.
- **Sushi Maki** will relocate to Einstein's current location and expand its menu offerings; the opening is planned for spring 2013.
- **A Mediterranean venue** will be placed within the Sushi space to further expand variety; the opening is planned for spring 2013.

QUICK FACTS

Services Under Management

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

Investments

- In FY 2012-13 Business Services plans to invest \$7.2M to build out new facilities, expand services and increase indoor and outdoor seating to help foster affinity and retention at FIU. In addition, Business Services contributes over \$1.8M annually to fund university initiatives, provide scholarships, underwrite student services and support FIU facilities.

Food and Convenience Venues

- Overall sales from our 28 food venues ended the year up 6% over prior year. In its second year, PG5 Market Station continues its success with a 9% increase in sales over prior year.
- Newly renovated venues at BBC, which include the new Bay Café and Bistro Subs, were very successful. Sales results ended at 19% over prior year with a 16% customer count increase.

Beverage and Snack Vending

- Credit card readers will be added to an additional 83 machines through fall 2012. In total, we have over 280 vending machines offering fresh foods, snacks, ice cream, beverages and convenience items.

Barnes & Noble at FIU

- Sales ended the year 3% over prior year with textbook rentals at \$900k, Recharge-U at \$163K, and the café at \$81K over prior year.
- The Barnes and Noble textbook rental program continues its impressive growth. The store currently has over 1,400 titles available for rental for fall 2012 which is a 40% increase over fall 2011 and continues to be ranked as one of the top stores in the country for titles rented. Students who rented saved an estimated \$1.4M.
- Over 1100 digital titles are available which is a 30% increase over fall 2011; all titles are now compatible with the apple IPAD.

FIU One Card/Wells Fargo

- Over 45,500 new *One Cards* have been issued to students, faculty and staff and over 9,800 *One Cards* have been linked to a Wells Fargo account. This represents a 24.2% penetration rate.

shopFIU

- Targeted on and offline marketing campaigns to build awareness of the brand are ongoing. Among these is the launch of the "Places" app within FIU mobile, a service that will allow users to access information from their mobile devices regarding retail and dining hours of operations. ShopFIU and a select portfolio of its brands will also be featured as a co-sponsor for the Worlds Ahead campaign with signage spanning both MMC and BBC campuses.

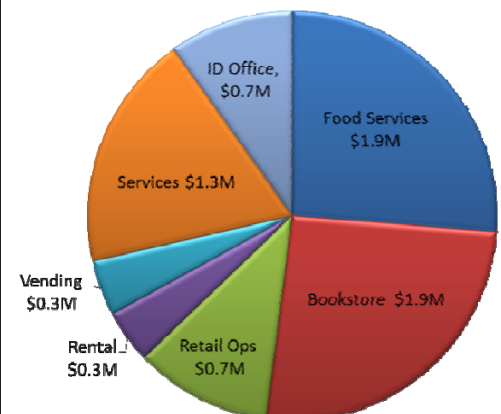
New FIU Mobile App



New Mango Building Opening Spring 2014



FY 2011-12 Revenue from operations increased 28% over prior year



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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee
November 29, 2012

Subject: Emergency Management Report

Proposed Committee Action:
None. For information only.

Background Information:
The Emergency Management Status Report provides updates on training and exercises, preparedness and the emergency notification system.

Supporting Documentation: Emergency Management Status Report

Facilitator/Presenter: Amy B. Aiken

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FIU | FLORIDA INTERNATIONAL UNIVERSITY

Emergency Management

DATE: Update as of October 31, 2012 for the Florida International University Board of Trustees Finance and Audit Committee Meeting on November 29, 2012

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 October 31, 2012, the Department of Emergency Management (DEM) conducted its sixth table top exercise with the University President and his Executive staff. The exercise was held in the Emergency Operations Center and focused on the impacts of a cyber-attack to the University, which was timely since October is National Cyber Security Awareness month. This exercise was more complex and focused than previous exercises as the University continues to further strengthen its emergency management program and fully develop an all-hazards program.

DEM staff continues to conduct training and informational sessions on our web based continuity of operations planning tool known as FIU Ready, emergency preparedness, and FIU's emergency notification system to various units throughout the University.

Preparedness

DEM staff is working to map all emergency call boxes located throughout our campuses so that locations are readily accessible through campus maps.

DEM Director has been invited to be a member of the Faculty Senate Health and Safety Subcommittee as well as the Faculty and Staff Behavioral Intervention Team.

Emergency Notification System

The test of the entire emergency notification system for the fall semester occurred on September 6, 2012 at 10:00 am. A few outdoor speakers were not functioning and have since been corrected. FIU will be exploring a new vendor for the text messaging portion of the emergency notification system since the current vendor's contract is expiring.

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THE FLORIDA INTERNATIONAL UNIVERSITY
BOARD OF TRUSTEES
Finance and Audit Committee

November 29, 2012

Subject: Safety and Environmental Compliance Report

Proposed Committee Action:
None. For information only.

Background Information:
The Safety and Environmental Compliance Report provides the status of compliance issues.

Supporting Documentation: Safety and Environmental Compliance Status Report

Facilitator/Presenter: Roger Riddlemoser

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DATE: Update as of November 1, 2012 for the Florida International University Board of Trustees Finance and Audit Committee Meeting on November 29, 2012

TO: Kenneth A. Jessell, Ph.D.
Senior Vice President and Chief Financial Officer

FROM: Roger Riddlemoser
Department of Environmental Health and Safety

SUBJECT: Safety and Environmental Compliance Status Report

Issue: Hazardous Waste Compliance Inspection

Agency: Florida Department of Environmental Protection (FDEP) and Environmental Protection Agency (EPA)

Status: No change: On December 15, 2011, the FDEP and EPA conducted a laboratories, hazardous waste storage and Facilities Management shop inspection on the Modesto A. Maidique Campus. Environmental Health and Safety (EH&S) received the FDEP inspection report on April 24, 2012 with four minor violations and one area of concern (with a 30 day due date). EH&S responded back to FDEP on May 9, 2012 demonstrating full compliance. Official inspection report from the EPA is still pending.

Issue: Bureau of Radiation Control Inspection

Agency: Florida Department of Health (FDOH)

Status: No Change: FIU Athletic Department received an X-ray fluoroscopic unit from Doctor's Hospital in Coral Gables as donation. The machine was installed in room number 1160 D of the football stadium. It was tested and certified by technicians from The Kreuz Group Corp. The machine has been registered with the Bureau of Radiation Control. Formal inspection by the Bureau of Control is still pending.

Update: Biomedical Engineering Department received an X-ray machine from Dr. Gary Yanowitz's office in Pembroke Pines as a donation. The machine was tested and certified to be in good working condition. Bureau of Radiation

Control registration is complete. This X-ray machine is operational and in use with animals only.

New: Long-lived radioactive waste in the OE Building is being disposed of prior to the opening of the new EH&S ACH-4 radioactive waste material storage area in March/April 2013. Disposing of the waste in advance will minimize FIU EH&S relocation risks when the new facility opens.

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

Agency: State Fire Marshal

Status: New: State Fire Marshal completed final inspections for AHC-2 Room #260, EC Room #3836 & 2nd Floor, GL #263-265, VH Room #133, WPAC Room #151 & PC Room #130. State Fire Marshal conducted inspections for VH Room #133 (75%), GC Food Court Remodel (75%), EC Room #286 (50%), MARC Remodel (50%) and Law School Remodel (50%).

Update: Fall Fire Drills for Housing began Sept. 2012 and are in-progress.

New: On-site inspections in Law School (fire alarm), Stubs Construction Contractor, Football Stand, PGA (fire alarm), Tower South LSC-1, GL1 Remodel, EC 3rd Floor and CP Room #304.

Issue: FIU Laboratory Safety Awareness – “Making Safety a Priority” Training Status

Agency: Florida International University (FIU) Faculty & Staff Management

Status: Update: The “UCLA Criminal Charges Focus Universities’ Attention on Laboratory Safety” article published in The Chronicle of Higher Education brought renewed attention and awareness to the importance of laboratory safety, on-the-job training and lab supervisor’s responsibilities for safety. EH&S conducts regular safety inspections and training. The “Laboratory Safety Awareness – Making Safety a Priority!” training reiterates the importance of safety awareness, safety training and supervisory enforcement of safe work practices. EH&S recommends and is promoting attendance of the on-line course for all FIU laboratory managers and their laboratory personnel.

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