FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
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James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
FIU Athletics Finance Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2019, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the FIU Athletics Finance Corporation (the "Athletics Finance Corporation") for the fiscal years ended June 30, 2019, 2018 and 2017, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto are the responsibility of management.

OVERVIEW OF FINANCIAL STATEMENTS

The Athletics Finance Corporation's financial report includes three basic sets of financial statements: the statements of net position; the statements of revenues, expenses, and changes in net position; and the statements of cash flows. The overview presented below highlights the significant financial activities that occurred during the past three years and describes changes in financial activity from the prior year.

THE STATEMENTS OF NET POSITION

The statements of net position reflect the assets, liabilities and deferred outflows of resources of the Athletics Finance Corporation, using the accrual basis of accounting, and present the financial position of the Athletics Finance Corporation at a specified time. The difference between total assets together with deferred outflows of resources and total liabilities, amount to net position which is one indicator of the Athletics Finance Corporation's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the Athletics Finance Corporation's financial condition.

The following summarizes the Athletics Finance Corporation's total net position for fiscal years ended:

Statements of Net Position

	June 30,		
	2019	**2018**	**2017**
Assets			
Current assets	$ 3,105,071	$ 2,606,845	$ 2,873,015
Noncurrent assets	20,164,917	21,284,535	22,237,286
Total assets	23,269,988	23,891,380	25,110,301
Deferred outflow of resources	2,214,053	1,476,330	2,503,057
Liabilities			
Current liabilities	1,859,135	1,763,105	1,802,376
Noncurrent liabilities	30,011,427	30,800,531	33,234,086
Total liabilities	31,870,562	32,563,636	35,036,462
Total net position	$ (6,386,521)	$ (7,195,926)	$ (7,423,104)

The statements of net position reflect a decrease in the net deficit position of the Athletics Finance Corporation. Current assets mainly depict current prepaid rent, investments and receivables. The current asset increase is principally a result of increased investments and receivables. Noncurrent assets consist mainly of restricted investments, noncurrent prepaid rent and noncurrent receivables. The decrease in noncurrent assets is mainly a result of a decrease in prepaid rent offset with an increase in restricted investments and noncurrent receivables. Deferred outflows of resources reflect the accumulated increase in the fair value of its derivatives.

Total assets were $23,269,988 as of June 30, 2019. This balance reflects a decrease of approximately $621,000 or 2.6% and $1,219,000 or 4.9%, compared to June 30, 2018 and 2017, respectively. Total liabilities were $31,870,562 as of June 30, 2019. This balance reflects a decrease of approximately $693,000 or 2.1% and $2,473,000 or 7.1%, compared to June 30, 2018 and 2017, respectively. As a result, the net position increased by approximately $809,000 or 11.2% and $227,000 or 3.1% at June 30, 2018 and 2017, respectively.

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

THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statements of revenues, expenses, and changes in net position present the Athletics Finance Corporation's revenue and expense activity, categorized as operating and non-operating revenues and expenses. The organization uses the accrual method of accounting.

The following summarizes the Athletics Finance Corporation's changes in net position for the fiscal years ended:

Statements of Revenues, Expenses, and Changes in Net Position

	June 30, 2019	June 30, 2018	June 30, 2017
Operating revenues	$ 4,132,671	$ 4,040,123	$ 4,030,559
Operating expenses	2,247,819	2,327,867	2,421,095
Operating Income	1,884,852	1,712,256	1,609,464
Net non-operating expenses	(1,075,447)	(1,185,078)	(1,448,942)
Transfers to Florida International University	-	300,000	1,838,955
Change in Net Position	809,405	227,178	(1,678,433)
Net Position - beginning of year	(7,195,926)	(7,423,104)	(5,744,671)
Net Position - end of year	$ (6,386,521)	$ (7,195,926)	$ (7,423,104)

The statements of revenues, expenses, and changes in net position reflect higher operating revenues, lower operating expenses and lower non-operating expenses.

Operating Revenues

The Athletics Finance Corporation categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions associated with managing and operating the stadium.

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

Operating Revenues

	June 30,		
	2019	**2018**	**2017**
Athletic support	$ 1,060,214	$ 1,018,088	$ 1,000,000
Ticket sales	709,618	671,793	723,901
NCAA and conference payments	700,000	700,000	700,000
Contributions	570,010	205,000	95,000
Other operating revenues	384,513	400,384	398,913
Suite revenues	364,587	407,540	303,640
Stadium naming rights	255,000	195,000	261,100
Rental income	88,729	244,187	331,696
Event revenues	-	198,131	216,309
Total Operating Revenues	$ 4,132,671	$ 4,040,123	$ 4,030,559

Operating revenues were $4,132,671 for the fiscal year ended June 30, 2019, representing an increase of approximately $43,000 or 2.3% and $9,600 or 0.2%, compared to June 30, 2018 and 2017, respectively. This was mainly due to an increase of approximately $463,000 in ticket sales, stadium naming rights and contributions, offset with a decrease of approximately $397,000 in suite revenues, rental income and event revenues in the current year.

Operating Expenses

The Athletics Finance Corporation categorizes expenses as operating or non-operating. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications.

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

Operating Expenses

	June 30, 2019	June 30, 2018	June 30, 2017
Amortization of prepaid rent	$ 1,304,083	$ 1,304,083	$ 1,304,083
Gameday/Event day contractors and repairs	662,274	643,879	786,901
Other operating expenses	168,288	197,744	170,501
Utilities	113,174	182,161	159,610
Total operating expenses	$ 2,247,819	$ 2,327,867	$ 2,421,095

Operating expenses were $2,247,819 for the fiscal year ended June 30, 2019, representing a decrease of approximately $80,000 or 3.4% and $93,000 or 3.9%, compared to June 30, 2018 and 2017, respectively. The decrease in operating expenses is mainly attributed to lower utilities expense and costs related to materials and supplies in the current year.

Non-operating revenues and expenses

Non-operating expenses consist of interest income, interest expense and bond modification charges. The following summarizes the Athletics Finance Corporation's non-operating revenues and expenses for the fiscal years ended June 30:

Non-operating Revenues (Expenses)

	June 30, 2019	June 30, 2018	June 30, 2017
Interest income	$ 78,205	$ 38,966	$ 8,506
Interest expense and fiscal charges	(1,153,652)	(1,224,044)	(1,292,498)
Bond modification charges	-	-	(164,950)
Net non-operating revenues (expenses)	$ (1,075,447)	$ (1,185,078)	$ (1,448,942)

Non-operating expenses were $1,075,447 for the fiscal year ended June 30, 2019, representing a decrease of approximately $110,000 or 9.3% and $264,000 or 18.2, compared to June 30, 2018 and 2017, respectively. The decrease is mainly due to a decrease in interest expense offset with an increase in interest income.

TRANSFERS TO FLORIDA INTERNATIONAL UNIVERSITY

There were no transfers to Florida International University (FIU) for the fiscal year ended June 30, 2019. During the fiscal year ended June 30, 2018 and 2017, transfers to FIU represented $300,000 and $1,838,955, respectively.

DEBT ADMINISTRATION

As of June 30, 2019, the Athletics Finance Corporation had $27,265,000 in outstanding bonds payable, representing a decrease of $1,325,000 or 4.6% when compared to prior year.

On December 21, 2016, the Athletics Finance Corporation entered into four amendments to the trust indenture between Miami-Dade Authority and the Trustee which authorized the reissuance of the Series 2009A Bonds through the issuance of four separate series of bonds.

Additional information about the Athletics Finance Corporation's bond payable is presented in notes 5 and 6 to the financial statements on pages 15-19.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University has pledged a significant portion of game guarantee revenue and Conference USA distribution revenues to the Athletics Finance Corporation.

The Athletics Department, including the Football Program, joined Conference USA effective July 1, 2013. Since joining Conference USA, the conference's television rights contract ended. In addition, due to conference realignment and the loss of certain television markets from the Conference, the new agreement is less favorable than the previous year's agreement. This will result in lower conference revenues for the Athletics Department and in turn, the Athletics Finance Corporation.

REQUESTS FOR INFORMATION

These financial statements are designed to provide a general overview of the Athletics Finance Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, FIU Athletics Finance Corporation, 11200 S.W. 8th Street, MARC Building, 5th Floor, Miami, Florida 33199.

BASIC FINANCIAL STATEMENTS

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash	$ 10,640	$ 17,936
Investments	910,442	662,747
Suites and ticket sales receivable	225,000	299,888
Stadium naming rights receivable	-	20,000
Due from Florida International University	609,286	93,105
Due from FIU Foundation, Inc.	40,000	205,000
Prepaid rent and other	1,309,703	1,308,169
Total current assets	3,105,071	2,606,845
Noncurrent assets		
Restricted investments	2,748,059	2,716,694
Stadium naming rights receivable	525,000	350,000
Prepaid rent	16,844,408	18,148,491
Leasehold improvement, net	47,450	69,350
Total noncurrent assets	20,164,917	21,284,535
Total assets	23,269,988	23,891,380
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	2,007,567	1,254,826
Deferred amount on debt refundings	206,486	221,504
Total deferred outflows of resources	2,214,053	1,476,330
LIABILITIES		
Current liabilities		
Accounts payable	34,971	18,839
Accrued interest payable	99,962	107,741
Due to Florida International University	846	6,239
Bonds payable	1,445,000	1,325,000
Unearned revenue	278,356	305,286
Total current liabilities	1,859,135	1,763,105
Noncurrent liabilities		
Due to Florida International University	852,241	852,241
Derivative liability	3,339,186	2,683,290
Bonds payable	25,820,000	27,265,000
Total noncurrent assets	30,011,427	30,800,531
Total liabilities	31,870,562	32,563,636
NET POSITION		
Net position		
Net investment in capital assets	47,450	69,350
Unrestricted	(6,433,971)	(7,265,276)
Total Net Position	$ (6,386,521)	$ (7,195,926)

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating revenues		
Athletic support	$ 1,060,214	$ 1,018,088
Ticket sales	709,618	671,793
NCAA and conference payments	700,000	700,000
Contributions	570,010	205,000
Suite revenues	364,587	407,540
Sponsorship revenues	300,000	300,000
Stadium naming rights	255,000	195,000
Rental income	88,729	244,187
Merchandise royalties	55,843	42,318
General concessions and vending commissions	28,670	58,066
Event revenues	-	198,131
Total operating revenues	4,132,671	4,040,123
Operating expenses		
Amortization of prepaid rent	1,304,083	1,304,083
Gameday contractors	492,804	498,355
Utilities	113,174	182,161
Materials and supplies	104,450	137,153
Event day contractors	129,090	106,904
Repairs and maintenance	40,380	38,620
Audit and tax professional fees	25,800	21,700
Depreciation	21,900	21,900
Banking fees	16,077	16,930
Other operating expenses	61	61
Total operating expenses	2,247,819	2,327,867
Operating income	1,884,852	1,712,256
Nonoperating revenues (expenses)		
Interest income	78,205	38,966
Interest expense and fiscal charges	(1,153,652)	(1,224,044)
Total nonoperating revenues (expenses)	(1,075,447)	(1,185,078)
Transfers to Florida International University	-	300,000
Increase in net position	809,405	227,178
Net position, beginning of year	(7,195,926)	(7,423,104)
Net position, end of year	$ (6,386,521)	$ (7,195,926)

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Operating receipts	$ 3,674,448	$ 3,880,274
Payments to vendors	(911,097)	(1,232,425)
Net cash provided by operating activities	2,763,351	2,647,849
Cash flows from capital and related financing activities		
Payments and transfers to Florida International University	-	(300,000)
Principal payments on bonds	(1,325,000)	(1,150,000)
Interest paid	(1,243,257)	(1,308,748)
Net cash used in capital and related financing activities	(2,568,257)	(2,758,748)
Cash flows from investing activities		
Proceeds from sale and maturity of investments	5,587,405	5,879,094
Purchase of investments	(5,866,465)	(5,822,329)
Interest income received	76,670	36,373
Net cash (used in) provided by investing activities	(202,390)	93,138
Net decrease in cash and cash equivalents	(7,296)	(17,761)
Cash and cash equivalents, beginning of year	17,936	35,697
Cash and cash equivalents, end of year	$ 10,640	$ 17,936
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,884,852	$ 1,712,256
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	21,900	21,900
Change in assets and liabilities:		
(Increase) decrease in:		
Suites and ticket sales receivable	74,888	87,756
Naming Rights Receivable	(155,000)	(195,000)
Prepaid rent and other	1,304,083	1,304,083
Due from Florida International University	(516,181)	38,249
Due from FIU Foundation	165,000	(110,000)
Increase (decrease) in:		
Accounts payable	16,132	(160,875)
Unearned revenue	(26,930)	6,186
Due to Florida International University	(5,393)	(56,706)
Total adjustments	878,499	935,593
Net cash provided by operating activities	$ 2,763,351	$ 2,647,849
Non-cash investing and financing activities		
Change in fair value derivative liability	$ (752,741)	$ 1,011,710
Change in deferred amount on debt refunding	$ 15,018	$ 15,017
Amortization of derivative liability	$ 96,845	$ 96,845

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

(1) Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies and practices of the FIU Athletics Finance Corporation (the "Athletics Finance Corporation" or the "Organization"), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Athletics Finance Corporation is a Florida not-for-profit corporation and a direct support organization and component unit of Florida International University ("FIU" or the "University") and was organized in the State of Florida on November 20, 2006.

The Athletics Finance Corporation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. The Athletics Finance Corporation provides direct support to FIU in matters pertaining to the financing of the FIU Football Stadium and subsequently managing and operating the facility and has been designated by the FIU Board of Trustees as a University Direct Support Organization pursuant to §1004.28, Florida Statutes.

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

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments,* the Athletics Finance Corporation met the criteria to use enterprise fund accounting and financial reporting. Accordingly, the financial statements are reported using the economic resources measurement focus and accrual basis of accounting, which recognizes revenue when earned and expenses are recorded when a liability is incurred, regardless of timing of the related cash flow.

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

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

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

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

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

(e) **Cash**—Amounts reported as cash and cash equivalents consist of cash on hand, cash held by a trust institution and invested in money market funds, and investments with original maturities of three months or less.

(f) **Investments**—Amounts reported as investments consist of investments in money market funds. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, money market funds are recorded at amortized cost, which is generally equivalent to fair value, and are not categorized in the fair value hierarchy. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

(g) **Derivative financial instruments and fair value measurements**—The Athletics Finance Corporation entered into an interest rate swap agreement to reduce its exposure to market risks from changing interest rates. For interest rate swaps, the differential to be paid or received is accrued and recognized in interest expense and may change as market interest rates change. The fair value of the derivative liability is presented in the statements of net position. The Organization uses the synthetic instrument method to evaluate the effectiveness as of the end of the reporting period. The Organization determined the interest rate swap met the criteria as an effective hedging transaction. Therefore, the change in the fair value in the effective interest rate swap is presented in the statements of net position as a hedging derivative in deferred outflows of resources. The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 6 for additional information on the interest rate swap.

(h) **Income taxes**—The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such is subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the years ended June 30, 2019 and 2018.

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, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Athletics Finance Corporation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination. Management believes the Organization is no longer subject to income tax examinations for years prior to 2016.

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

(i) **Prepaid rent**—Pursuant to two (2) ground sublease agreements, the Organization prepaid a portion of their rent obligation to the University. The prepaid lease payments will be amortized on a straight line basis over the life of the sublease.

(j) **Operating revenue and expenses**—The Athletics Finance Corporation's statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with managing and operating the FIU Football Stadium, which is the Athletics Finance Corporation's principal activity. Other sources of revenue, including investment earnings, are reported as non-operating revenue. Operating expenses include all expenses incurred to manage and operate the FIU Football Stadium, other than external financing costs.

(k) **Flow assumption for restricted assets**—If both restricted and unrestricted assets are available for use for a certain purpose, it is the Athletics Finance Corporation's policy to use restricted assets first, and then use unrestricted assets as needed.

(l) **Leasehold improvements**—These assets are capitalized and recorded at historical cost at the date of acquisition. Depreciation is computed on the straight-line basis over the estimated useful life (5 years).

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

(n) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2018 amounts have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net position.

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

Financial instruments that potentially subject the Athletics Finance Corporation to concentrations of credit risk consist principally of cash in banks and investments.

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

(b) **Investments**—In addition, the Athletics Finance Corporation maintains investment accounts with financial institutions that are not insured by the FDIC. Fund shares are not guaranteed by the U.S. government. Current and future portfolio holdings are subject to risk.

(2) **<u>Concentration of Credit Risk:</u>** (Continued)

At June 30, 2019 and 2018, $3,658,501 and $3,379,441, respectively, were held in these accounts. The Athletics Finance Corporation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(3) **<u>Investments:</u>**

Investments are made in accordance with the trust indenture. The Organization invests in the Fidelity Institutional Money Market Government Portfolio – Class III Fund (Fidelity Money Market Fund). This is a money market fund seeking to provide current income consistent with stability of principal by investing in a portfolio of short-term, U.S. treasury and government securities. These investments include repurchase agreements collateralized fully by U.S Treasury and government securities. The Fund limits its investment to those that would enable it to qualify as a permissible investment for federally chartered credit unions. Investments are made in accordance with the Trust Indenture dated as of December 1, 2009 (the "Trust Indenture") between the Miami-Dade County Industrial Development Authority and Regions Bank, as trustee. This transaction is further described in Note 5. The investments were reported at amortized cost of $3,658,501 and $3,379,441 as of June 30, 2019 and 2018, respectively, which is generally the equivalent of fair value.

(a) **Credit risk**—Credit risk is the risk that an issuer of securities in which the Fund invests may default on the payment of interest or principal on the securities when due, which would cause the Fund to lose money. At June 30, 2019 and 2018, the money market mutual fund investments were rated AAAm by Standard & Poor's.

(b) **Concentration credit risk**—All of the investments at June 30, 2019 and 2018 are held with Regions Morgan Keegan and are invested in money market funds. According to the bond indenture, the Organization can invest the bond proceeds in these investment vehicles; there are no stated limitations on the amount that can be invested in any one issuer. The short term nature of the investments is due to liquidity needs, since those funds are being used for operating expenses and debt service payments.

(c) **Interest rate risk—**A portfolio's weighted average days to maturity (WAM) reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the fund to interest rate changes. A portfolio's weighted average life (WAL) calculation is based on a security's stated final maturity date or, when relevant, the date of the next demand feature when the fund may receive payment of principal and interest. WAL reflects how a portfolio would react to deteriorating credit or tightening liquidity conditions.

The Fidelity Money Market Fund prices of fixed-income securities generally fall when interest rates rise. Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. The money market mutual fund WAM at June 30, 2019 and 2018 was 26 days, while the weighted average life (WAL) was 98 and 83 days at June 30, 2019 and 2018, respectively.

(4) Leasehold Improvements:

Leasehold improvement activity for the years ended June 30, 2019 and 2018, is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Leasehold Improvements	$ 109,500	$ -	$ -	$ 109,500
Less: Accumulated Depreciation	(40,150)	(21,900)	-	(62,050)
	$ 69,350	$ (21,900)	$ -	$ 47,450

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

(5) Long-term Debt:

Debt activity for the years ended June 30, 2019 and 2018, is as follows:

	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019	Due Within One Year
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	$ 28,590,000	$ -	$ 1,325,000	$ 27,265,000	$ 1,445,000

	Balance July 1, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	$ 29,740,000	$ -	$ 1,150,000	$ 28,590,000	$ 1,325,000

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

On December 1, 2009, the Athletics Finance Corporation issued $30,000,000 of Miami-Dade County Industrial Development Authority Revenue Bonds Series 2009A and $5,310,000 of Miami-Dade County Industrial Development Authority Taxable Revenue Bonds Series 2009B.

These bonds were issued and secured under and pursuant to a trust indenture. Repayments of the bonds will be payable from pledged revenues, which are all operating and non-operating revenues. Principal payments for the bonds began March 1, 2010. Interest payments are made on a quarterly basis.

On December 21, 2016, the Athletics Finance Corporation entered into four amendments to the trust indenture between Miami-Dade Authority and the Trustee which authorized the reissuance of the Series 2009A Bonds through the issuance of four separate series of bonds. The first amendment authorized the reissuance of $9,000,000 Series 2009A-1 Bond. The interest rate on the Series 2009A-1 Bonds shall be at a rate equal to 2.8% per annum. The second, third and fourth amendments authorized the reissuance of separate series of the Series 2009A Bonds in a principal amount of $8,400,000 (Series 2009A-2), $8,400,000 (Series 2009A-3) and $4,200,000 (Series 2009A-4), respectively. The interest rates on these Series 2009A bonds shall be at a rate equal to the sum of 63.7% of three-month LIBOR plus 1.40%.

The bonds are secured by operating and non-operating revenues as well as University athletic fees, not to exceed 5% of the total athletic fees collected. Total principal due at June 30, 2019 and 2018, was $27,265,000 and $28,590,000, respectively.

The Athletics Finance Corporation has funded a debt service reserve fund in accordance with the bond indenture requirement of maintaining an amount equal to the maximum allowable debt service on the bond in the current and any future fiscal year. This debt service reserve fund totaled $2,748,059 and $2,716,694 as of June 30, 2019 and 2018, respectively, and is presented in restricted investments.

Prior to the December 2016 reissuance, the Athletics Finance Corporation was required to maintain minimum deposits of $1,000,000 with Regions Bank. As part of the amendment on December 21, 2016, the Athletics Finance Corporation agreed to use approximately $1,000,000 currently on deposit with the Trustee to pay in full the outstanding balance of the Series 2009B Bonds.

The interest rate on these bonds is both fixed and variable and is subject to a hedge agreement (see Note 6) that was entered into to reduce the exposure to market risks from changing interest rates. Interest is computed on the basis of the actual number of days elapsed over a year of 365 or 366 days.

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

The aggregate maturities of these bonds as of June 30, 2019 are as follows:

For the Year Ending June 30,	Principal	Interest	Total Principal and Interest
2020	$ 1,445,000	$ 1,198,426	$ 2,643,426
2021	1,505,000	1,131,936	2,636,936
2022	1,580,000	1,066,013	2,646,013
2023	1,645,000	996,845	2,641,845
2024	1,730,000	927,363	2,657,363
2025-2029	9,950,000	3,417,172	13,367,172
2030-2032	9,410,000	945,112	10,355,112
Total	$ 27,265,000	$ 9,682,867	$ 36,947,867

(6) **Derivative Financial Instruments:**

(a) **Objectives**—As a means to lower its borrowing costs and increase its savings, the Organization entered into an interest rate swap agreement in connection with its $30,000,000 2009A Miami-Dade County Industrial Development Authority Revenue Bond issuance (Refunding Bonds). The intention of the swap agreement was to effectively change the Organization's variable interest rate on the bonds to a synthetic fixed rate of 5.50%, which is the fixed rate payable by the Organization under the swap agreement of 3.60% plus 1.90%.

(b) **Terms**—On December 22, 2009, Athletics Finance Corporation entered into an interest rate swap agreement to hedge the floating rate on $21,000,000 of the principal amount of the Series 2009A Bonds. This represents the fixed portion of the tax exempt bonds payable mentioned in Note 5 above. Under the swap agreement, the Athletics Finance Corporation agrees to pay a fixed rate of 3.60% and receive a variable rate equal to 63.7% of three-month LIBOR. The swap agreement has a maturity date of March 1, 2033.

(c) **Fair value**—The Athletics Finance Corporation swap had a derivative liability of $3,339,186 and $2,683,290 at June 30, 2019 and 2018, respectively, as reported in the statements of net position. The negative fair value was determined using a mark-to-market value and represents the closing mid-market values. It was classified in Level 2 of the fair value hierarchy at June 30, 2019 and 2018.

As of June 30, 2019 and 2018, the fair value of the Series 2007A ineffective interest rate swap was $1,331,619 and $1,428,464, respectively. This interest rate swap was not terminated when the bonds were refunded in December 2009 nor in December 2016. The interest rate on the refunded Series 2009A bonds reflects a higher rate due to not terminating this interest rate swap.

(6) **Derivative Financial Instruments:** (Continued)

Accordingly, the fair value of $1,331,619 of the ineffective Series 2007A interest rate swap at June 30, 2019, is being amortized over the remaining life of the refunded Series 2009A bond.

The synthetic instrument method evaluates the effectiveness by quantitative approach. The synthetic instrument method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item. The Organization determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap is presented in the statements of net position as a deferred outflow of resources in the amount of $2,007,567 and $1,254,826 at June 30, 2019 and 2018, respectively.

(d) **Credit risk**—As of June 30, 2019 and 2018, the Athletics Finance Corporation was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Organization would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty (Regions Bank) was rated A2 by Moody's Investors Service, A- by Standard and Poor's and BBB+ by Fitch Ratings.

(e) **Basis risk**—Basis risk arises when different indexes are used in connection with a derivative. Given that both the bond and the interest rate swap are based on 63.7% of the three-month LIBOR rate, there is limited basis risk.

(f) **Termination risk**—The derivative contract uses the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes an "additional termination event." That is, the swap agreement may be terminated if: (i) the loan or other indebtedness in connection with which a transaction entered into by the Athletics Finance Corporation for the purpose or with the effect of altering the net combined payment from a floating to fixed or a fixed to floating rate basis is repaid, whether upon acceleration of principal, at maturity, or otherwise, or for any other reason ceases to be an obligation of the Athletics Finance Corporation, with or without the consent of the counterparty (Regions Bank); or (ii) any credit support document expires, terminates or ceases to be of full force and effect. Also, the swap agreement may be terminated or assigned by Athletics Finance Corporation if the counterparty's (Regions Bank) long-term, senior, unsecured, unenhanced debt rating is withdrawn, suspended, or falls below at least two of the following: a) "Baa3" as determined by Moody's; or b) "BBB+" as determined by Standard and Poor's; or c) "BBB" as determined by Fitch.

(6) **Derivative Financial Instruments:** (Continued)

(g) **Swap payments and associated debt**—Using rates as of June 30, 2019, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

For the Year Ending June 30,	Variable-Rate Bond Principal	Variable-Rate Bond Interest	Interest Rate Swap, Net	Total
2020	995,000	637,736	321,997	1,954,733
2021	1,040,000	604,127	302,543	1,946,670
2022	1,090,000	568,997	284,951	1,943,948
2023	1,135,000	532,179	266,512	1,933,691
2024	1,185,000	493,840	249,343	1,928,183
2025-2029	6,800,000	1,829,776	506,028	9,135,804
2030-2033	6,635,000	572,882	609,034	7,816,916
Total	$ 18,880,000	$ 5,239,537	$ 2,540,408	$ 26,659,945

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

(7) **Unearned Revenues:**

The Athletics Finance Corporation and the University have pledged future revenues in order to meet certain minimum bond requirements under the issue of bond-related debt to finance the stadium project. Operating revenues may include athletics fees collected by the University, fund raising revenues, contributions, conference payments and naming rights revenues. Non-operating revenues include capital gifts and investment revenues related to any of the above. Operating revenues related to the sale of football stadium suites and club seats have been deferred. Revenues are unavailable until the year they are earned. Suite sales will be recognized annually based on their corresponding contracts. The pledged future revenues for future unearned revenues are not recorded on the statement of net position as of June 30, 2019.

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

For the Year Ending June 30,	Principal
2020	$ 225,000
2021	160,000
Total	$ 385,000

(8) Related Party Transactions:

(a) **Related party revenues**—In accordance with the Memorandum of Understanding dated March 5, 2010; the University manages stadium-related activities, collects revenues on behalf of the Athletics Finance Corporation, and remits revenues timely as required under the existing trust indenture. For the years ended June 30, 2019 and 2018, the Athletics Finance Corporation received revenue for NCAA and conference payments, athletic support, suite revenue, ticket sales, sponsorship revenues, rental income, contributions and other operating revenues. The total of these revenues was $4,132,671 and $4,053,083 in 2019 and 2018, respectively. As of June 30, 2019 and 2018, the Athletics Finance Corporation had amounts due from FIU related to these revenues of approximately $609,000 and $93,000, respectively.

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

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

For the Year Ending June 30,	Amount
2020	1,304,083
2021	1,304,083
2022	1,304,083
2023	1,304,083
2024	1,304,083
2025-2029	6,520,416
2030-2033	5,107,660
Total	$ 18,148,491

	2019	2018
Reconciliation of the Statement of Net Position to the Lease Commitment		
Current prepaid rent	$ 1,304,083	$ 1,304,083
Noncurrent prepaid rent	16,844,408	18,148,491
Total prepaid rent	18,148,491	19,452,574
Other assets	5,620	4,086
Total prepaid rent and other	$ 18,154,111	$ 19,456,660

As of June 30, 2019 and 2018, construction draws amounting to $31,937,211 have been paid by the University to various contractors. The prepaid rent has been amortized by $1,304,083 in both years.

REPORTING SECTION

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

To the Board of Directors of,
FIU Athletics Finance Corporation:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 17, 2019.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 17, 2019