FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
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JUNE 30, 2019

James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida International University Foundation, Inc. (the Foundation), a direct support organization and component unit of Florida International University, which comprise the statements of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Website: www.jmco.com | Email: info@jmco.com | Member of AGN International with offices in principal cities worldwide

Opinion

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

Other Matters

Emphasis of Matter

As discussed in Note 1(q) to the financial statements, for the fiscal year ending June 30, 2019, the Foundation changed its accounting framework used to prepare financial statements from the Financial Accounting Standards Board (FASB) to the Governmental Accounting Standards Board (GASB), as a result of changes to Florida Statutes, section 1004.28. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Gainesville, Florida
October 18, 2019

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of the Florida International University Foundation, Inc. (the "Foundation") for the fiscal year ended June 30, 2019, 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. The MD&A contains financial activity of the Foundation for the fiscal years ended June 30, 2019 and June 30, 2018.

The Foundation is presented as a discrete component unit of Florida International University (the "University" or "FIU") and is certified as a direct support organization ("DSO"). The Foundation's mission is to encourage, solicit, receive, and administer gifts and bequests of property and funds for scientific, educational and charitable purposes, all for the advancement of the University and its mission.

In order to facilitate the comparison of financial data in the MD&A, certain June 30, 2018 amounts have been restated to reflect the proper amounts under Governmental Accounting Standards Board (GASB) Refer to page 16 for additional information on the conversion to GASB.

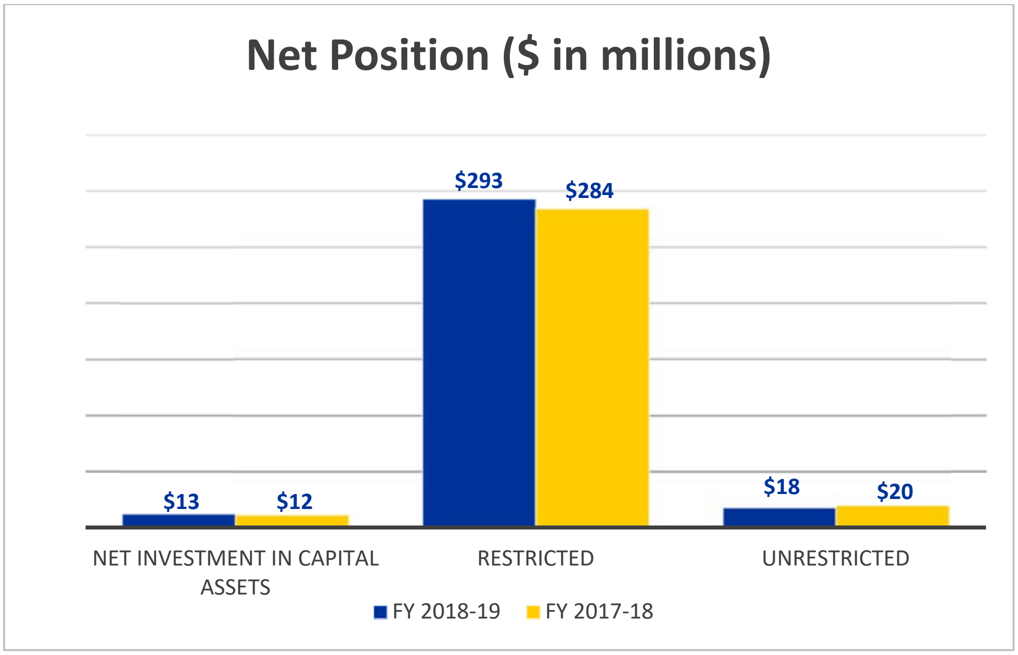
FINANCIAL HIGHLIGHTS

The Foundation's assets totaled $338,895,922 at June 30, 2019. This balance reflects an increase of $8,759,255, or 3.0%, as compared to the prior year, due to changes in investments and pledges receivable. The increase in investments of $14,877,873 is due to the recognition of investment earnings of 4.9% in the current year. This increase was offset by a decrease of $4,918,447 in pledges receivable due to a strong collection effort on pledges.

The Foundation's liabilities totaled $15,048,372 at June 30, 2019. This balance reflects an increase of $932,895, or 7.0%, as compared to the prior year, due to changes in funds held for others and notes payable. The increase in funds held for others of $1,835,700 is primarily attributable to the receipt of grant funds awarded to the University and managed by the Foundation as an endowment. This grant supports research in the area of minority health and health disparities. This increase was offset by a decrease in notes payable of $865,000 due to principal payments.

As a result, the Foundation's net position increased by $7,826,360, resulting in a year-end balance of $323,847,550. Net position represents the residual interest in the Foundation's assets after deducting liabilities.

The Foundation's comparative total net position by category for the fiscal years ended June 30, 2019 and June 30, 2018, is shown in the following graph:



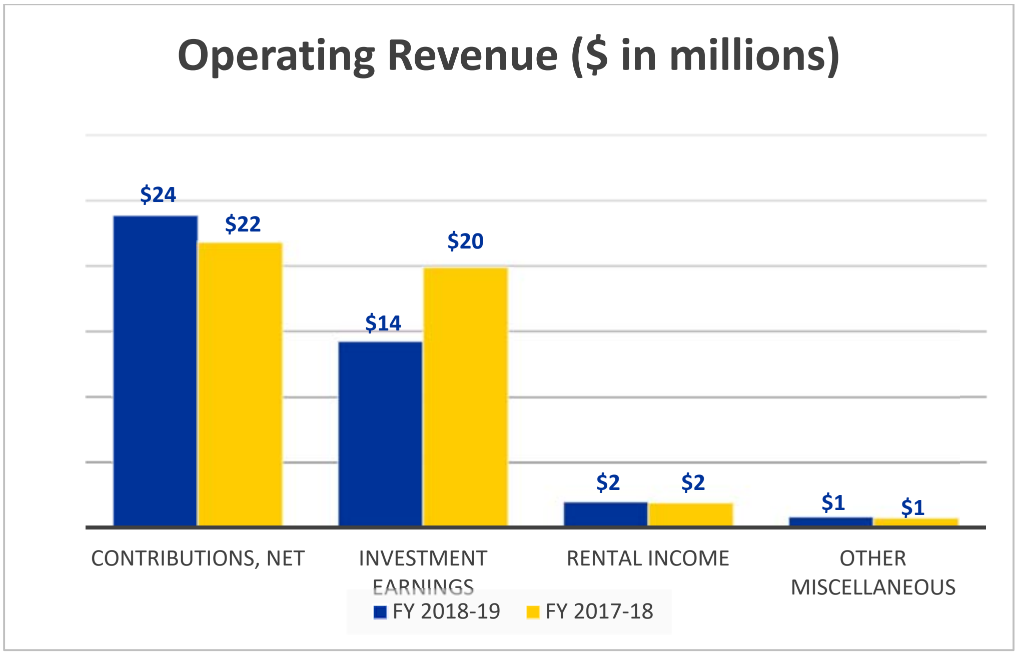
The Foundation's operating revenues totaled $40,967,246 for the 2018-19 fiscal year, representing a decrease of $3,468,846, or 8.0%, as compared to the prior year. Major components of operating revenues are contributions and investment earnings.

The overall decrease in operating revenues is mainly due to an increase in contributions revenue of $2,042,751 offset by a decrease in investment earnings of $5,669,348 as compared to the prior year.

The Foundation's operating expenses totaled $38,502,974 for the 2018-19 fiscal year, representing an increase of $725,263, or 2.0%, as compared to the prior year. Operating expenses are comprised of support to the University, fundraising, general and administrative, and depreciation expenses. The largest component of operating expenses is for the benefit of the University in the form of programs, scholarships and building support totaling $27,688,533.

The overall increase in operating expenses is mainly due to an increase in fundraising expenses related to the launch of the public phase of the Next Horizon Campaign. In addition, there was a decrease in program support to the University due to a larger than normal expense related to a building renovation in the prior year.

The following charts provide a graphical presentation of the Foundation's revenues by category for the 2018-19 and 2017-18 fiscal years:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 35, the Foundation's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the Foundation and its blended component units, which include:

- The Wolfsonian, Inc.
- Foundation Enterprise Holdings I, LLC ("FEH I")
- Foundation Enterprise Holdings II, LLC ("FEH II")
- Foundation Enterprise Holdings V, LLC ("FEH V")

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets and liabilities of the Foundation, using the accrual basis of accounting, and presents the financial position of the Foundation at a specified time. Assets less liabilities, equals net position, which is one indicator of the Foundation's current financial condition.

The increase in net position of $7,826,360 is primarily attributable to an increase in noncurrent assets related to investments.

The following summarizes the Foundation's total net position for fiscal years ended:

	June 30, 2019	June 30, 2018	Variance
Assets			
Current assets	$ 24,949,030	$ 28,263,370	$ (3,314,340)
Noncurrent assets	313,946,892	301,873,297	12,073,595
Total assets	338,895,922	330,136,667	8,759,255
Liabilities			
Current liabilities	4,707,204	4,708,335	(1,131)
Noncurrent liabilities	10,341,168	9,407,142	934,026
Total liabilities	15,048,372	14,115,477	932,895
Net position			
Net investment in capital assets	12,565,994	11,605,672	960,322
Restricted:			
Nonexpendable endowments	179,637,406	174,696,827	4,940,579
Expendable	113,540,580	109,696,445	3,844,135
Unrestricted	18,103,570	20,022,246	(1,918,676)
Total net position	$ 323,847,550	$ 316,021,190	$ 7,826,360

TOTAL ASSETS

The following summarizes the Foundation's total assets for fiscal years ended:

	June 30, 2019	June 30, 2018	Variance
Cash and cash equivalents	$ 16,368,061	$ 17,580,203	$ (1,212,142)
Pledges receivable, net	16,991,025	21,909,472	(4,918,447)
Other current assets	433,560	418,459	15,101
Due from Florida International University	19,855	64,160	(44,305)
Investments	289,029,517	274,151,644	14,877,873
Depreciable capital assets, net	15,975,578	15,995,929	(20,351)
Nondepreciable capital assets	78,326	16,800	61,526
Total assets	$ 338,895,922	$ 330,136,667	$ 8,759,255

Total assets as of June 30, 2019 increased $8,759,255, or 3.0%. The increase is mainly due to an increase in investments of $14,877,873 offset with a decrease of $4,918,447 in pledges receivable. The increase in investments is due to the recognition of investment earnings of 4.9% in the current year. The decrease in pledges receivable is due to collection of early installment pledge payments in the current year.

Endowment pledges are not recognized under the GASB accounting framework. Only additions to permanent endowments are recognized upon the receipt of cash. Although endowment pledges are not included as part of the statement of net position, the Foundation understands the importance of endowment fundraising as these gifts are a strategic priority. The Foundation will continue to prioritize fundraising for endowment pledges and collecting on those pledges. Refer to page 16 for additional information on endowment pledges.

As of June 30, 2019, endowment pledges receivable totaled $51,309,132, which includes $41,967,040 the State of Florida has approved for match under the Trust Fund for Major Gifts. Effective July 1, 2011, state matching funds were temporarily suspended by the Florida Legislature for donations received for this program on or after June 30, 2011. The program may be restarted after $200 million of the backlog for programs have been matched. The State of Florida did not provide funds for this program during the fiscal year; therefore these endowment pledges are not recognized in the statement of net position. The ultimate collection of these funds is dependent upon future appropriations for this program by the State of Florida Legislature.

TOTAL LIABILITIES

The following summarizes the Foundation's total liabilities for fiscal years ended:

	June 30, 2019	June 30, 2018	Variance
Accounts payable and accrued expenses	$ 417,198	$ 182,694	$ 234,504
Due to Florida International University	3,126,585	3,420,949	(294,364)
Funds held for others	7,625,600	5,789,900	1,835,700
Notes payable	2,945,000	3,810,000	(865,000)
Unearned revenue	292,836	214,807	78,029
Annuity obligations	641,153	697,127	(55,974)
Total liabilities	$ 15,048,372	$ 14,115,477	$ 932,895

Total liabilities as of June 30, 2019 increased $932,895, or 7.0%. The increase is mainly due to an increase in funds held for others of $1,835,700 offset with a decrease of $865,000 in notes payable. The increase in funds held for others is due to the receipt of grant funds awarded to the University and managed by the Foundation as an endowment. This grant supports research in the area of minority health and health disparities. Pursuant to the terms of the grant, the funds are to be held by the Foundation as an endowment for a period of at least 20 years. The decrease in notes payable is due to a principal payment made in the current year.

NET POSITION

The following summarizes the Foundation's net position for fiscal years ended:

	June 30, 2019	June 30, 2018	Variance
Net investment in capital assets	$ 12,565,994	$ 11,605,672	$ 960,322
Restricted:			
Nonexpendable endowments	179,637,406	174,696,827	4,940,579
Expendable	113,540,580	109,696,445	3,844,135
Unrestricted	18,103,570	20,022,246	(1,918,676)
Total net position	$ 323,847,550	$ 316,021,190	$ 7,826,360

The net investment in capital assets as of June 30, 2019 was $12,565,994, which reflects an increase of $960,322 from the prior year. The increase is primarily attributable to a major building repair in the current year offset with the decrease in the notes payable due to a principal payment.

The restricted nonexpendable endowments net position as of June 30, 2019 was $179,637,406, which reflects an increase of $4,940,579 from the prior year. The increase is attributable to the receipt of endowed contributions in the current year offset by a donor directed release of restriction.

The restricted expendable net position as of June 30, 2019 was $113,540,580, which reflects an increase of $3,844,135 from the prior year. The increase is primarily attributable to an increase in the value of investments due to a 4.9% rate of return and the receipt of non-endowed contributions in the current year.

The unrestricted net position as of June 30, 2019 was $18,103,570, which reflects a decrease of $1,918,676 from the prior year.

Total net position reflects an increase of $7,826,360 as of June 30, 2019 in comparison to the prior year.

Additional information about the statement of net position is presented in the notes to financial statements.

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

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

The change in net position of $7,826,360 is primarily attributable to an increase in contributions revenue offset with a decrease in investment earnings in the current year.

The following summarizes the Foundation's changes in net position for fiscal years ended:

	June 30, 2019	June 30, 2018	Variance
Contributions, net	$ 23,870,781	$ 21,828,030	$ 2,042,751
Investment earnings	14,239,211	19,908,559	(5,669,348)
Rental income	2,001,143	1,927,652	73,491
Other operating revenues	856,111	771,851	84,260
Total operating revenues, net	40,967,246	44,436,092	(3,468,846)
Programs, scholarships and building support to Florida International University	27,688,533	28,530,233	(841,700)
Fundraising	7,437,386	6,302,716	1,134,670
General and administrative	1,410,991	1,132,275	278,716
General support to Florida International University	1,243,041	1,133,465	109,576
Depreciation	723,023	679,022	44,001
Total operating expenses	38,502,974	37,777,711	725,263
Operating income	2,464,272	6,658,381	(4,194,109)
Nonoperating expenses	(29,853)	(32,431)	2,578
Gain before endowment contributions	2,434,419	6,625,950	(4,191,531)
Endowment contributions	5,391,941	6,693,273	(1,301,332)
Change in net position	7,826,360	13,319,223	(5,492,863)
Net position - beginning of year	316,021,190	302,701,967	13,319,223
Net position - end of year	$ 323,847,550	$ 316,021,190	$ 7,826,360

OPERATING REVENUES

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues represent ongoing activities of the Foundation, as well as ongoing activities that are in support of the University's programs. Operating activities relate to the Foundation's mission, which is to encourage, solicit, receive, and administer gifts and bequests of property and funds for scientific, educational and charitable purposes, all for the advancement of the University and its objectives. As defined by GASB No. 35, all of Foundation's revenues are classified as operating revenues.

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

	June 30, 2019	June 30, 2018	Variance
Contributions, net	$ 23,870,781	$ 21,828,030	$ 2,042,751
Investment earnings	14,239,211	19,908,559	(5,669,348)
Rental income	2,001,143	1,927,652	73,491
Other operating revenues	856,111	771,851	84,260
Total operating revenues, net	$ 40,967,246	$ 44,436,092	$ (3,468,846)

Total operating revenues of $40,967,246 for fiscal year ended June 30, 2019, decreased $3,468,846, or 8.0%, over prior year. Operating revenues are made up of contributions revenue, investment earnings, rental income, and other operating activity.

Contributions revenue of $23,870,781 for the current fiscal year increased $2,042,751 over prior year.

Investment earnings of $14,239,211 for the current fiscal year decreased $5,669,348 over prior year. The rate of return was 4.9% and 8.0% for the years ended June 30, 2019 and 2018, respectively.

Rental income of $2,001,143 for the current fiscal year increased $73,491 over prior year. The increase is primarily attributable to higher rental income from the Management and Advanced Research Center ("MARC") building in the current year. In the prior year, the MARC building had a few vacancies which were filled in the current year.

Other operating revenues of $856,111 for the current fiscal year increased $84,260 over prior year. Other operating revenues are mainly made up revenues related to events and membership dues. The event revenues were fairly similar to prior year; however, there was an increase in revenues from membership dues in the current year.

OPERATING EXPENSES

GASB Statement No. 35 categorizes expenses as either operating or nonoperating. Operating expenses represent ongoing activities of the Foundation, as well as ongoing activities that are in support of the University, such as programs, scholarships and building support. The majority of the Foundation's expenses are operating expenses as defined by GASB. GASB gives financial reporting entities the choice of reporting operating expenses in either their functional or natural classifications. The Foundation has chosen to report the expenses by their functional classifications on the statement of revenues, expenses, and changes in net position.

The following summarizes the operating expenses by function for the fiscal years ended:

	June 30,		
	2019	2018	Variance
Programs, scholarships and building support to Florida International University	$ 27,688,533	$ 28,530,233	$ (841,700)
Fundraising	7,437,386	6,302,716	1,134,670
General and administrative	1,410,991	1,132,275	278,716
General support to Florida International University	1,243,041	1,133,465	109,576
Depreciation	723,023	679,022	44,001
Total operating expenses	$ 38,502,974	$ 37,777,711	$ 725,263

Total operating expenses of $38,502,974 for fiscal year ended June 30, 2019, increased $725,263, or 2.0%, over prior year. Operating expenses are comprised mainly of support to the University, fundraising, and general and administrative expenses.

The largest component of operating expenses is support to the University. This includes transfers to the University or expenses directly paid to third parties for the University's programs, student scholarships and building support. Support to the University of $27,688,533 for the current fiscal year decreased $841,700, or 3.0%, over prior year. The decrease is primarily attributable to a larger than normal expense related to a building renovation in the prior year.

The next largest component of operating expenses is fundraising totaling $7,437,386 for the current fiscal year. Due to the launch of the Next Horizon Campaign, fundraising expenses increased $1,134,670, or 18.0%, over prior year.

General and administrative expenses include general expenses related to the operations of the Foundation, including business office expenses, insurance, utilities, and maintenance. General support to the University includes expenses incurred by the Foundation, such as lobbying, president's compensation, and support for the Washington Center. General and administrative expenses increased slightly from prior year due to higher business office operations in the current year. General support to the University remained similar to prior year.

NONOPERATING EXPENSES

GASB Statement No. 35 categorizes expenses as either operating or nonoperating. Nonoperating expenses include expenses not included in operating expenses and include the change in value of annuity obligations.

The following summarizes the nonoperating expenses for the fiscal years ended:

	June 30, 2019	June 30, 2018	Variance
Change in value of annuity obligations	$ (29,853)	$ (32,431)	$ 2,578
Total nonoperating expenses	$ (29,853)	$ (32,431)	$ 2,578

The nonoperating expenses were similar in the current year as in the prior year.

ENDOWMENT CONTRIBUTIONS

Endowment contributions of $5,391,941 decreased 19.0% over the prior year. Endowment contributions are recognized as revenue as they are received in cash. The earnings on an endowment, rather than the endowment itself, are intended for spending. The endowment is invested in perpetuity.

	June 30, 2019	June 30, 2018	Variance
Endowment contributions	$ 5,391,941	$ 6,693,273	$ (1,301,332)
Total endowment contributions	$ 5,391,941	$ 6,693,273	$ (1,301,332)

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the Foundation's financial results by reporting the major sources and uses of cash and cash equivalents. The statement will assist in evaluating the Foundation's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used or provided by the operating activities of the Foundation. Cash flows from capital and related financing activities include changes associated with the long-term debt activities of the Foundation. Cash flows from investing activities show the net sources and uses of cash related to purchasing or selling investments and earnings income on those investments. Cash flows from noncapital financing activities includes those activities not covered in other sections.

The following summarizes the major sources and uses of cash for the fiscal years ended:

	June 30,		
	2019	2018	Variance
Cash flows provided by (used in)			
Operating activities	$ (4,202,640)	$ (5,424,726)	$ 1,222,086
Capital and related financing activities	(1,762,781)	(1,946,424)	183,643
Investing activities	(638,662)	(4,942,735)	4,304,073
Noncapital financing activities	5,391,941	6,693,273	(1,301,332)
Change in cash and cash equivalents	(1,212,142)	(5,620,612)	4,408,470
Cash and cash equivalents			
Beginning of year	17,580,203	23,200,815	(5,620,612)
End of year	$ 16,368,061	$ 17,580,203	$ (1,212,142)

Cash and cash equivalents decreased $1,212,142 during the 2018-19 fiscal year. The decrease of $1,222,086 in cash flows used in operating activities is attributable to an increase in receipts from contributions and a combined increase in payments made to Florida International University and suppliers as compared to the prior year. The decrease of $183,643 in cash flows used in capital and related financing activities is attributable to slightly higher purchases of leasehold improvements in the prior year. The decrease of $4,304,073 in cash flows used in investing activities is attributable to higher purchases and sales of investments and land held for investments in the prior year. The cash flows provided by noncapital financing activities decreased $1,301,332, primarily due to a decrease in endowment contributions received. Endowment contributions are recognized as revenue as they are received in cash.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At June 30, 2019, the Foundation had $23,733,795 in capital assets, less accumulated depreciation of $7,679,891 for net capital assets of $16,053,904. Depreciation charges for the current fiscal year totaled $723,023.

The following summarizes the Foundation's capital assets, net of accumulated depreciation for the fiscal years ended:

	June 30, 2019	June 30, 2018	Variance
Building and improvements, net	$ 15,345,925	$ 15,515,615	$ (169,690)
Furniture and equipment, net	629,653	480,314	149,339
Total depreciable capital assets, net	15,975,578	15,995,929	(20,351)
Construction in progress	78,326	16,800	61,526
Total nondepreciable capital assets	78,326	16,800	61,526
Total capital assets, net	$ 16,053,904	$ 16,012,729	$ 41,175

The largest component of capital assets is building and improvements, totaling $15,345,925, or 96.0%, of the total balance. Furniture and equipment and construction in progress account for the remaining balance in capital assets.

At June 30, 2019, the Foundation had $3,586,153 in debt outstanding.

The following summarizes the Foundation's debt outstanding for the fiscal years ended:

	June 30, 2019	June 30, 2018	Variance
Notes payable	$ 2,945,000	$ 3,810,000	$ (865,000)
Annuity obligations	641,153	697,127	(55,974)
Total outstanding debt	$ 3,586,153	$ 4,507,127	$ (920,974)

During the 2018-19 fiscal year, the Foundation reduced debt by $920,974, related to principal payments and annuity obligation payments.

The following summarizes the Foundation's net investment in capital assets for the fiscal years ended:

	June 30,		
	2019	**2018**	**Variance**
Capital assets, net	$ 16,053,904	$ 16,012,729	$ 41,175
Notes payable	(2,945,000)	(3,810,000)	865,000
Annuity obligations	(542,910)	(597,057)	54,147
Net investment in capital assets	$ 12,565,994	$ 11,605,672	$ 960,322

Additional information about the Foundation's capital assets and long-term debt activity is presented in the notes to financial statements.

CONVERSION TO GASB

On March 11, 2018, Senate Bill 4 was signed into law and became effective immediately as Chapter 2018-004, Laws of Florida. Several changes were made to section 1004.28, Florida Statutes, which addresses DSOs of universities within the State University System of Florida. Among the changes, the law now requires the prospective approval of all new DSO board members by a university board of trustees. This change meets the definition of governmental control of the DSO and thusly, requires all university DSOs to report in accordance with the accounting framework prescribed by the Governmental Accounting Standards Board (GASB) for the fiscal year ending June 30, 2019.

This requirement sets forth a change for entities that previously followed the accounting framework prescribed by the Financial Accounting Standards Board (FASB) to convert to the accounting framework prescribed by the GASB. The major differences impacting the Foundation's financial statements include the non-recognition of endowment pledges receivable and the requirement to expense deferred bond issuance costs as they are incurred. The financial statements now also include a required management discussion and analysis section and the statement of cash flows presented under the direct method.

As of June 30, 2018, the endowment pledges receivable balance, net of allowance and discount, was $42,099,972. This balance has been reduced from the beginning net position balance as of June 30, 2019.

As of June 30, 2018, debt issuance costs was $47,772. This balance has been reduced from the beginning net position balance as of June 30, 2019.

The following summarizes the adjustments to beginning net position for the fiscal year ended June 30, 2019:

Change in Net Position

Net assets, end of year (per FASB financials FYE June 30, 2018)	$ 358,168,934
Adjustment for endowment net assets (pledges receivable, net of allowance and discount)	(42,099,972)
Adjustment for deferred fiscal charges	(47,772)
Net position, beginning of year (under GASB)	$ 316,021,190

OUTLOOK FOR THE FUTURE

The Foundation is presented as a discrete component unit of FIU and is certified as a DSO. The sole purpose of the Foundation is to encourage, solicit, receive and administer gifts and bequests of property and funds for scientific, educational and charitable purposes, all for the advancement of FIU and its mission. The primary way this is accomplished is through consistent philanthropic revenue and responsible investing of the endowment, capital and operating funds on behalf of FIU. As much as each individual donor will allow, efforts are focused on the FIU approved strategic priorities of student success and research preeminence, while focusing on the impact to students, faculty and the community.

The Next Horizon breaks new ground as FIU's first $750 million comprehensive campaign. The multiyear effort entered its public phase on January 26, 2019 and aims to showcase the trailblazing achievements of FIU while raising funds for future-forward initiatives. The Next Horizon campaign reached new heights in the 2018-19 fiscal year. The Foundation's growth in cash and other philanthropic revenue and its successes in the 2018-19 fiscal year can be attributed to the discipline surrounding a comprehensive fundraising campaign and the concentration of development, campaign, and university-wide resources around the campaign pillars (student success and research preeminence) that align with FIU's strategic priorities and crucial performance indicator goals.

In November 2018, the Foundation hosted the Campaign Leadership Summit and subsequently named the campaign committee, which includes 16 longstanding, exceptional FIU supporters. In January 2019, the Next Horizon campaign kickoff celebration attracted more than 1,200 alumni, students, faculty, donors, and other members of the FIU community. Events included the dedication of the University's Wall of Gratitude, which honors donors who have given $1 million or more in support of FIU, and various interactive exhibits highlighting FIU's research initiatives, community programs, and more. In May 2019, the Foundation shared the Next Horizon campaign and FIU's preeminent programs at the Foundation's first road show campaign receptions, which included an Annual Cocktail Reception in Miami with over 600 alumni and in New York City with over 300 alumni.

As a result of the public phase of the Next Horizon campaign, the Foundation increased marketing, communications, publications, and events designed to engage a greater range of stakeholders. The Foundation implemented a targeted marketing and communications strategy that prioritized stories of success, progress, and excellence made possible through philanthropic investments in an effort to emphasize the impact of philanthropy at FIU.

In addition, major forthcoming projects will soon shape the FIU campus. The Florida Board of Governors (BOG) approved a public-private partnership to establish an alumni center, conference center, and hotel on campus as well as the plans for a new 84,800-square-foot Phase II building of the Steven J. Green School of International and Public Affairs.

Within the State University System and nationally, FIU's rankings have been on the rise. The University celebrated two recent firsts: its emergence as a top 105 public university in U.S. News & World Report's 2019 Best Colleges rankings and its designation by the Florida Board of Governors as an emerging preeminent state research university. Together, these milestones attest to our ability to promote social mobility and student success, attract high-achieving students and scholars, and grow our research enterprise. Philanthropic investments in our student success initiatives and research programs will accelerate our rise to national excellence.

The success of the University and Foundation is dependent on many components. One of these major components is a comprehensive fundraising campaign, which includes a focus on raising and collecting on both non-endowed and endowed contributions.

REQUESTS FOR INFORMATION

These financial statements are designed to provide a general overview of the Foundation's finances. Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thererto, or requests for additional financial information should be addressed to the Controller, FIU Foundation, Inc., 11200 Southwest 8th Street, MARC Building, 5th Floor, Miami, Florida 33199.

FINANCIAL STATEMENTS

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Current assets		
Cash and cash equivalents	$	16,368,061
Pledges receivable, net		8,127,554
Other current assets		433,560
Due from Florida International University		19,855
Total current assets		24,949,030
Noncurrent assets		
Investments		289,029,517
Pledges receivable, net		8,863,471
Depreciable capital assets, net		15,975,578
Nondepreciable capital assets		78,326
Total noncurrent assets		313,946,892
Total assets		338,895,922

LIABILITIES

Current liabilities		
Accounts payable and accrued expenses		417,198
Due to Florida International University		3,126,585
Funds held for others		25,600
Long-term liabilities - current portion:		
Notes payable		910,000
Unearned revenue		137,836
Annuity obligations		89,985
Total current liabilities		4,707,204
Noncurrent liabilities		
Notes payable		2,035,000
Unearned revenue		155,000
Annuity obligations		551,168
Funds held for others		7,600,000
Total noncurrent liabilities		10,341,168
Total liabilities		15,048,372

NET POSITION

Net investment in capital assets		12,565,994
Restricted:		
Nonexpendable endowments		179,637,406
Expendable		113,540,580
Unrestricted		18,103,570
Total net position	$	323,847,550

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

Operating revenues		
Contributions, net	$	23,870,781
Investment earnings		14,239,211
Rental income		2,001,143
Dues		433,428
Other miscellaneous		337,505
Royalties		85,178
Total operating revenues, net		40,967,246
Operating expenses		
Programs, scholarships and building support to Florida International University		27,688,533
Fundraising		7,437,386
General and administrative		1,410,991
General support to Florida International University		1,243,041
Depreciation		723,023
Total operating expenses		38,502,974
Operating income		2,464,272
Nonoperating expenses		
Change in value of annuity obligations		(29,853)
Total nonoperating expenses		(29,853)
Gain before endowment contributions		2,434,419
Endowment contributions		5,391,941
Change in net position		7,826,360
Net position - beginning of year		316,021,190
Net position - end of year	$	323,847,550

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities		
Receipts from contributions	$	28,833,537
Receipts from rental income		2,079,171
Receipts on behalf of others		1,900,000
Other receipts		774,882
Net payments on annuity obligations		(84,000)
Payments made to suppliers		(5,553,876)
Payments made to Florida International University		(32,152,354)
Net cash used in operating activities		(4,202,640)
Cash flows from capital and related financing activities		
Principal paid on capital debt		(865,000)
Purchase of leasehold improvement		(505,518)
Purchase of furniture and equipment		(258,680)
Interest paid on capital debt		(133,583)
Net cash used in capital and related financing activities		(1,762,781)
Cash flows from investing activities		
Proceeds from sale and maturity of Investments		105,998,684
Purchase of investments		(107,276,375)
Receipts from interest, net of fees		639,029
Net cash used in investing activities		(638,662)
Cash flows from noncapital financing activities		
Private gifts for permanent endowments		5,391,941
Net cash flows provided by noncapital financing activities		5,391,941
Net decrease in cash and cash equivalents		(1,212,142)
Cash and cash equivalents - beginning of year		17,580,203
Cash and cash equivalents - end of year	$	16,368,061
Reconciliation of operating income to net cash used in operating activities:		
Operating income	$	2,464,272
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation expense		723,023
Investment earnings		(14,239,211)
Interest expense		133,583
Change in value of annuity obligations		(29,853)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables from related parties		44,305
Pledges receivable		4,918,447
Other assets		(15,101)
Increase (decrease) in:		
Accounts payable and other liabilities		234,504
Annuity obligations		(55,974)
Funds held for others		1,835,700
Payables to related parties		(294,364)
Unearned revenue		78,029
Total adjustments		(6,666,912)
Net cash used in operating activities	$	(4,202,640)

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

(1) Nature of Organization and Significant Accounting Policies:

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

The Foundation is considered a discrete component unit of the University due to the University's budgetary oversight responsibility and due to the Foundation's significant operational and financial relationships with the University. The Foundation has determined that there are four component units that meet the criteria for blending into the Foundation's financial statements. The financial statements of the Foundation include the accounts of its blended component units: the Wolfsonian, Inc., Foundation Enterprise Holdings I, LLC ("FEH I"), Foundation Enterprise Holdings II, LLC ("FEH II"), and Foundation Enterprise Holdings V, LLC ("FEH V").

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 Mitchell Wolfson, Jr. Collection of nearly 27,000 objects of art and rare books dating from the late nineteenth to the mid-twentieth century has been loaned to the Wolfsonian, Inc. 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.

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

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

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

FEH V is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On October 27, 2017, FEH V became the owner of 62.5 acres of vacant land located at 11800 NW 41st Street, Miami, Florida ("Doral Property"). The Doral Property was purchased for $1,008,153 and is valued at $1,411,550.

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

(b) **Basis of accounting**—The financial statements and related disclosures are prepared on the accrual basis in conformity with accounting principles generally accepted in the United States (GAAP) for governmental business-type activities.

To help ensure observance of limitations and restrictions placed on the use of resources, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, the net position of the Foundation is reported as follows:

(i) **Net investment in capital assets**—Represents capital assets, net of accumulated depreciation, reduced by the outstanding balance on any bonds, annuity obligations, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of the capital assets.

(ii) **Restricted**—Restricted net position represents net position that is restricted by constraints placed on the use of resources externally imposed by either creditors, grantors, contributors, or laws. Restricted funds include:

Nonexpendable endowments—Represents the nonexpendable portion (corpus) of endowment funds that are subject to donor, grantor or other outside party restrictions for the benefit of various programs at the University. These programs primarily include endowed chairs and professorships, research funding, and student scholarships. The corpus of the permanent endowments are retained and reported in nonexpendable endowments net position, while the net earnings or losses on endowment funds are included in expendable net position available for expenditure.

Expendable—Represents funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs at the University and includes the expendable portion of endowment funds. These programs primarily include endowed chairs and professorships, research funding, and student scholarships.

(iii) **Unrestricted**—Represents funds that are available without restriction for carrying out the Foundation's objectives.

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

(c) **Use of estimates**—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 financial statements and revenue and expenses during the period reported. These estimates include assessing the collectability of pledges receivable and the fair value of investments. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(d) **Cash equivalents**—The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(e) **Promises to give**—Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in restricted expendable net position. When a restriction is met, the restricted net position is transferred to the unrestricted net position. Promises to give to endowments are recognized when funds are received.

The Foundation records unconditional promises to give at fair value when received and subsequently at net realizable value which is based on prior years' collection experience and management's analysis of specific promises made. The receivables are further discounted to reflect their present value, using a risk adjusted discount rate applicable to the month in which the promises are received. The Foundation determines an allowance for uncollectible receivables based upon management’s judgment about such factors as prior collection history, type of contribution, and nature of fundraising activity. Decreases in net realizable value are recognized as provision for uncollectable pledges in the period the decrease occurs. Increases in net realizable value are not recognized unless they represent recoveries of previous provision for uncollectable pledges incurred; increases are recognized as additional contribution revenue when the promise to give is collected.

(f) **Contributions**—Contributed goods and services are recorded as contributions at their estimated fair value at date of receipt.

(g) **Investments and investment earnings**—Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value (see Note 1 (h) on *fair value measurements*) in the statement of net 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 statement of revenue, expenses, and changes in net position as an increase or decrease in unrestricted net position unless the gains or losses are restricted by donor or law. Restricted gains and losses and investment earnings where the restrictions are met in the same reporting period as the income is earned are recorded as unrestricted support.

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

(h) **Fair value measurements**—Fair value is defined 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. The financial statements are required to disclose information about their fair value determinations via an established framework for measuring. The established framework includes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best available information.

See Note 4 for a summary of the inputs used as of June 30, 2019, in determining the fair value of the Foundation's investments.

(i) **Capital assets**—Capital assets are defined as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of five years and are recorded at historical cost. If contributed, the asset, with the exception of the collection of decorative and propaganda arts, is recorded at its 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. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years. Capital assets, net of accumulated depreciation, are reported as capital assets in the statement of net position. Capital assets, net of accumulated depreciation and capital-related borrowings, are reported as net investment in capital assets in the statement of net position.

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 financial statements. Purchases of collection items are recorded as decreases in unrestricted net position in the year in which the items are acquired or as restricted expendable net position 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 position classes.

(j) **Unearned revenue—**Unearned revenue is comprised of unearned contributions and rental income. On May 13, 2016, the Foundation entered into a challenge gift agreement to receive matching contributions up to $1 million for the benefit of a Chair of Transition Studies in the Vaclav Havel Center for Human Rights and Diplomacy. As of June 30, 2019, the donor has made advanced matching funding payments to the Foundation in the amount of $150,000. This balance is reflected as noncurrent unearned revenue in the statement of net position. Once the required matching donations are received, the Foundation will recognize contribution revenue.

(1) **<u>Nature of Organization and Significant Accounting Policies:</u>** (Continued)

For the fiscal year ended June 30, 2019, the Foundation has current unearned revenues in the amount of $137,836, mainly made up of a prepaid lease payment in the amount of $110,481. The payment covers the rent for the following fiscal year and will then be recognized as rental income. The remaining balance in unearned revenues is related to contributions received, which will be recognized as contributions revenue in the following fiscal year.

(k) **Annuity obligations**—The Foundation received a contribution of property in which the donor retains a life interest. The asset is a commercial real estate property and annual cash distributions are made to the donor under the terms of the agreement. The Foundation recorded the property based on the fair value of the asset received. Initial recognition and subsequent adjustments to the asset carrying values are reported as a change in value of annuity obligations in the accompanying financial statements. The annuity obligation is presented as a liability in the statement of net position. Capital assets, net of accumulated depreciation and annuity obligations, are reported as net investment in capital assets in the statement of net position.

Annuity obligations are recorded when incurred at the present value of the anticipated distributions to be made to the donors' designated beneficiaries. Distributions are paid over the lives of the beneficiaries. Present values are determined using appropriate discount rates and actuarially determined life expectancies. Annuity obligations are revalued annually at June 30 to reflect actuarial experience; the discount rate is not changed. Any resulting difference between the asset and liability is recognized annually as revenue. The net revaluations together with any remaining recorded obligation after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of annuity obligations.

(l) **Funds held for others**—In March 2016, the National Institutes of Health (NIH) awarded a grant in the amount of $9,500,000 to the University, with annual installments in the amount of $1,900,000 payable over five years in support of research in the area of minority health and health disparities. Pursuant to the terms of the grant, the NIH requires that the funds be held as an endowment for a period of at least 20 years. Thereafter, the funds may be used to support this research initiative. The University transferred $1,900,000, $1,710,000 and $2,090,000 during fiscal years ended June 30, 2016, 2017 and 2018, respectively, to the Foundation to be held as a term endowment. The University transferred an additional $1,900,000 to the Foundation during fiscal year ended June 30, 2019. The endowment will be managed consistent with the Foundation's policies and procedures. In addition, the balance also includes funds deposited with the Foundation for management on behalf of a family foundation in the amount of $25,600 as of June 30, 2019.

(m) **University support**—University support on the statement of changes in net position includes amounts transferred to related parties or amounts disbursed directly to third parties to benefit the University or its DSO's. These expenses include programs, scholarships, building support and other program related expenses.

(n) **Income taxes**—The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The blended component units are Limited Liability Companies which are wholly owned by the Foundation and therefore are disregarded for tax purposes. However, the Foundation is subject to income tax on unrelated business income. The Foundation's primary source of unrelated business income is from certain investments in private equity partnerships. Income taxes incurred during the year, if any, are estimated to be immaterial to the financial statements.

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 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 Foundation were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations from years prior to 2016.

(o) **Concentrations of credit risk—**Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents in banks, investments, and promises to give.

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

The Foundation maintains certain investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. At June 30, 2019, approximately $302,407,000 was held in these accounts, respectively. The Foundation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(p) **Change in accounting principles**—On March 11, 2018, Senate Bill 4 was signed into law and became effective immediately as Chapter 2018-004, Laws of Florida. Several changes were made to section 1004.28, Florida Statutes, which addresses DSOs of universities within the State University System of Florida. Among the changes, the law now requires the prospective approval of all new DSO board members by university board of trustees. This meets the definition of governmental control of the DSO. Thus, requiring all university DSOs to report in accordance with the accounting framework prescribed by the Governmental Accounting Standards Board (GASB) for the fiscal year ending June 30, 2019.

(1) **Nature of Organization and Significant Accounting Policies:** (Continued)

The following summarizes the net assets category at June 30, 2018 under FASB compared to the net position category under GASB:

As of June 30, 2018

FASB			GASB		
Net assets			Net position		
Unrestricted	$	31,675,690	Net investment in capital assets	$	11,605,672
Temporarily restricted		109,058,945	Restricted:		
Permanently restricted		217,434,299	Nonexpendable endowments		174,696,827
			Expendable		109,696,445
			Unrestricted		20,022,246
	$	358,168,934		$	316,021,190

The restated balance under GASB represents the beginning net position for the year ended June 30, 2019.

(2) **Gift Agreements:**

On July 1, 1997, the Foundation entered into a gift agreement (the "Agreement") with Mitchell Wolfson, Jr., the Wolfsonian, Inc. and the University, whereby Mitchell Wolfson, Jr. agreed to donate all rights, title and interest in and to all objects constituting The Mitchell Wolfson, Jr. Collection of Decorative and Propaganda Arts (the "Collection") to the Foundation, subject to an agreement made and entered into by the Wolfsonian, Inc. and Mr. Wolfson, Jr., dated July 29, 1991. The agreement is effective through July 2021, at which time it can be renewed for an additional period of ten years.

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).

(2) **Gift Agreements:** (Continued)

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

In addition, the University provides support for utilities, repairs and maintenance expenses for buildings used by the Wolfsonian-FIU.

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

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

(3) Pledges Receivable:

Unconditional promises to give, recorded at their estimated fair value and discounted to present value, are summarized as follows:

		2019
Pledges receivable	$	19,290,594
Less:		
Allowance for doubtful accounts		(1,384,814)
Discount on future payments		(914,755)
Total pledges receivable, net	$	16,991,025
Current pledges receivable, net		8,127,554
Noncurrent pledges receivable, net		8,863,471
Total pledges receivable, net	$	16,991,025

Contributions to be received after one year are discounted using U.S. Treasury yields. The discount on future payments totaled $914,755 at June 30, 2019. Amortization of the discount on future payments is recorded as an adjustment to contribution revenue. The discount rate on June 30, 2019 was 1.76%.

Effective July 1, 2011, the State of Florida match under the Trust Fund for Major Gifts are temporarily suspended by the Legislature for donations received for this program on or after June 30, 2011. The program may be restarted after $200 million of the backlog for programs have been matched. The State of Florida did not provide funds for this program during the fiscal year; therefore these endowment pledges are not recognized. The ultimate collection of these funds is dependent upon future appropriations for this program by the State of Florida legislature.

(4) Cash, Cash Equivalents, and Investments:

The Foundation maintains an investment structure for managing portfolio assets. This structure includes targets and allowable ranges for investments in various asset classes and investment management styles utilizing a role in portfolio construct that, in aggregate, is expected to produce a sufficient level of overall diversification and total investment returns over the long-term. The goal of investment returns, net of investment management fees, is to achieve a total return that is consistent with the requirements of the spending policy and the administrative fee distribution policy. See Note 14 for additional information on these requirements.

(4) **Cash, Cash Equivalents, and Investments:** (Continued)

The Foundation's investments, including alternative investments, at June 30, 2019 are reported as follows:

Domestic equities	$	43,458,187
Global equities		87,138,667
Real assets		10,612,471
Fixed income		38,652,619
Hedge funds		60,747,119
Private investments		47,008,904
Land held for investments		1,411,550
Total investments	$	289,029,517

Total investment earnings for the year ended June 30, 2019 totaled $14,239,211, of which $10,789,520 was applied to individual endowments. Investment earnings are reported net of related expenses for custodial fees, investment management and incentive fees, mutual fund expenses, and investment consulting fees. Custodial fees, investment management and incentive fees paid during the fiscal year ended June 30, 2019 totaled $3,465,209. Investment consultant fees totaled $797,769 for the fiscal year ended June 30, 2019.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The future maturities of the securities held in domestic fixed income at June 30, 2019 are as follows:

		Investment Maturities (In Years)		
Type of Investment	**Fair Market Value**	**Less Than 1**	**1-5**	**6-10**
Domestic Fixed Income	$ 38,651,419	$ 21,329	$ 11,278,916	$ 27,351,174
Total	$ 38,651,419	$ 21,329	$ 11,278,916	$ 27,351,174

(4) **Cash, Cash Equivalents, and Investments:** (Continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2019, the securities held in domestic fixed income had credit quality ratings by Standard & Poor's as follows:

Debt Investment Credit Quality Ratings

Type of Investment	**Fair Market Value**	**AA+**
Domestic Fixed Income	$ 38,651,419	$ 38,651,419
Total	$ 38,651,419	$ 38,651,419

GASB Statement No. 72, *Fair Value Measurement and Application*, 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.

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

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

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

(i) quoted prices for similar assets or liabilities in active markets;
(ii) quoted prices for identical assets and liabilities in markets that are not active;
(iii) observable inputs, other than quoted prices, for similar or identical assets and liabilities; or
(iv) inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 – Valuation is based on unobservable inputs for an asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant. Therefore, unobservable inputs reflect the Investment Manager's own assumptions about the assumptions that market participants would use in valuing the asset or liability, including assumptions about risk.

(4) **Cash, Cash Equivalents, and Investments:** (Continued)

Unobservable inputs are developed based on the best information available in the circumstances, which might include the Investment Manager's own data. The Investment Manager's own data used to develop unobservable inputs are adjusted if information is reasonably available without undue cost and effort that indicates market participants would use different assumptions. Investment types which have been valued using this approach generally include investments in investee funds that have lock-ups that are greater than 12 months.

Equity investments that are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sale price, or in the absence of a recorded sale, at a value between the most recent bid and asked prices. Mutual funds held by the Foundation which are deemed to be actively traded, are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Fixed income securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings. Alternative investments for which quoted market prices are not available include hedge funds and private investments. The estimated fair value of alternative investments is based on the net asset value of the fund or other valuation methods. The Foundation reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of the alternative investments. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed and differences could be material. Land held for investment is carried at fair value and is updated periodically based on recent market conditions and outside appraisals obtained on its value.

(4) **Cash, Cash Equivalents, and Investments:** (Continued)

The following tables set forth by levels, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2019:

Fair Value Measurements Using

Investments by fair value level	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic equities	$ 6,915,068	$ 6,915,068	$ -	$ -
Global equities	28,082,670	28,082,670	-	-
Fixed income	38,651,419	38,651,419	-	-
Real assets	6,728,512	6,728,512	-	-
Land held for investments	1,411,550	-	-	1,411,550
Total investments by fair value level	$ 81,789,219	$ 80,377,669	$ -	$ 1,411,550
Investments measured at the net asset value (NAV)[1]				
Domestic equities	36,543,119			
Global equities	59,055,997			
Fixed income	1,200			
Real assets	3,883,959			
Hedge funds	60,747,119			
Private investments	47,008,904			
Total investments measured at NAV[1]	207,240,298			
Total investments measured at fair value	$ 289,029,517			

[1] In accordance with GASB No. 72, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of net position.

(4) **Cash, Cash Equivalents, and Investments:** (Continued)

The following table discloses the nature and risk of investments for which fair value has been estimated using the net asset value per share (NAV) of the investments as a practical expedient as of June 30, 2019:

Investments measured at NAV[1]	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equities:				
Domestic equities (a)	$ 36,543,119	$ -	Monthly - Quarterly	5 - 45 Days
Global equities (b)	46,199,108	-	Monthly - Quarterly	6 - 60 Days
Emerging markets (c)	12,856,889	-	Monthly	7 - 30 Days
Fixed income:				
Global bonds (d)	1,200	-	Monthly	10 Days
Real assets:				
Natural resource equities (e)	3,883,959	-	Monthly	30 Days
Hedge funds:				
Long/short equity (f)	39,308,883	-	Monthly - Every 3 Years[2]	30 - 180 Days
Event driven/open mandate (g)	11,931,105	-	Quarterly - Annually[2]	30 - 90 Days
Global macro (h)	9,507,131	-	Daily - Monthly	2 - 14 Days
Private investments:				
Private equity (i)	25,717,012	23,482,991	Illiquid	N/A
Venture capital (j)	21,291,892	1,465,000	Illiquid	N/A
Total investments measured at NAV[1]	$ 207,240,298	$ 24,947,991		

[1] In accordance with GASB No. 72, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of net position.

[2] Ten percent of the redemption value is customarily held back by the hedge funds manager, for a period up to one year, pending a final audit of the fund for the year of exit.

(a) **Domestic equities**—This category includes investments in publicly listed equities of companies domiciled in the U.S.

(b) **Global equities**—This category includes investments in publicly listed equities of companies domiciled globally.

(c) **Emerging markets**—This category includes investments in publicly listed equities of companies listed in markets which have been categorized as emerging.

(d) **Global bonds**—This category includes investments in globally listed public debt instruments.

(e) **Natural resource equities**—This category includes investments in publicly listed equities of companies that derive a substantial portion of their operations from natural resource-related business operations.

(4) **Cash, Cash Equivalents, and Investments:** (Continued)

(f) **Long/short equity**—This category includes investments in hedge funds that invest domestically and globally in both long and short common stocks across all market capitalizations. These investments offer a low correlation to traditional long-only equity benchmarks in order to achieve absolute return. Management of the hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures.

(g) **Event driven/open mandate**—This category includes investments in hedge funds that invest in event-driven strategies including merger arbitrage, distressed debt, and convertible arbitrage to achieve returns.

(h) **Global macro**—This category includes investments in hedge funds that invest in global macro strategies including long and short equities, currencies, commodities, etc. based on evaluation of macroeconomic trends.

(i) **Private equity**—This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies or conduct buyouts of public companies the result in a delisting of public equity. The nature of the investment in this category prohibits redemptions through the duration of the partnership, which ranges between 10 to 15 years. Distributions are received through the liquidation of underlying assets of the funds.

(j) **Venture capital**—This category includes investments in several limited partnership funds that invest in early-stage, high-potential startup companies or small businesses that do not have access to public funding. The nature of the investment in this category prohibits redemptions through the duration of the partnership, which ranges between 10 to 15 years. Distributions are received when underlying companies are exited via acquisition or initial public offering (“IPO”).

(5) **Capital Assets:**

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Buildings and improvements	$ 21,968,743	$ 443,992	$ -	$ 22,412,735
Less: accumulated depreciation	(6,453,128)	(613,682)	-	(7,066,810)
Net buildings and improvements	15,515,615	(169,690)	-	15,345,925
Furniture and equipment	984,054	258,680	-	1,242,734
Less: accumulated depreciation	(503,740)	(109,341)	-	(613,081)
Net furniture and equipment	480,314	149,339	-	629,653
Construction in progress	16,800	78,326	(16,800)	78,326
Total capital assets, net	$ 16,012,729	$ 57,975	$ (16,800)	$ 16,053,904

Depreciation expense was $723,023 for the year ended June 30, 2019.

(6) Other Current Assets:

Other current assets include the cash surrender value of life insurance policies in the amount of $253,365 at June 30, 2019. The net benefit value of the underlying life insurance in force at June 30, 2019, was approximately $6,784,543. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner.

(7) Notes Payable:

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

The Bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see Note 13). 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, was synthetically fixed at 4.63 percent by way of an interest rate swap agreement with a commercial bank and expired on February 1, 2015. The bond proceeds were used to acquire, construct and equip the Management and Advanced Research Center (MARC), a multi-function support complex located on the University campus in Miami-Dade County and to pay issuance costs. As of June 30, 2019, the outstanding principal balance due under this notes payable amounted to $2,945,000. For the year ended June 30, 2019, total interest incurred and paid was $133,583.

Under the 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%. With the passage of The Tax Cuts and Jobs Act of 2017, effective January 1, 2018, the maximum federal corporate income tax rate decreased from 35% to 21%, resulting in an increase in the applicable interest rate by a factor of 1.22, retroactive to January 1, 2018. The interest rate at June 30, 2019 is 4.03%. The bond maturity date of May 1, 2022 remains unchanged. The Foundation paid $52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments and therefore, all remains unchanged.

(7) **Notes Payable:** (Continued)

The debt activity for the year ended June 30, 2019 is as follows:

	Beginning Balance 7/1/2018	Additions	Reductions	Ending Balance 6/30/2019	Due Within One Year
Notes payable	$ 3,810,000	$ -	$ (865,000)	$ 2,945,000	$ 910,000
	$ 3,810,000	$ -	$ (865,000)	$ 2,945,000	$ 910,000

Minimum principal and estimated interest payments required under all debt agreements, subsequent to June 30, 2019, are as follows:

For the Year Ending June 30,	Principal	Interest	Total Principal and Interest
2020	$ 910,000	$ 104,931	$ 1,014,931
2021	960,000	67,503	1,027,503
2022	1,075,000	28,059	1,103,059
Total	$ 2,945,000	$ 200,493	$ 3,145,493

(8) **Annuity Obligations:**

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

The Property and or net proceeds derived therefrom shall be used exclusively for the benefit of the Wolfsonian-FIU, and any net income or proceeds generated from the Property, after the satisfaction of the annual payments herein and reimbursement to the University, Foundation or FEH I of all expenses with respect to the Property, shall be used solely for the support and benefit of the Wolfsonian-FIU. Donor 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 other income generating projects such as the construction of a parking garage structure, with the express intent of achieving the highest and best use of the Property for the sole benefit of the Wolfsonian-FIU.

In return for the transfer of the Property and assignment of the leases to the FEH I, the Foundation or FEH I agreed to satisfy the donor'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 donor an annual sum of $84,000 commencing on April 1, 2011 and continuing until the demise of the donor. The payment shall be paid by the Foundation in all events without regard to income or proceeds generated by the Property.

(8) **Annuity Obligations:** (Continued)

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.

Annuity obligations for the year ended June 30, 2019 are as follows:

	Beginning Balance 7/1/2018	Additions	Reductions	Ending Balance 6/30/2019	Due Within One Year
Annuity obligations	$ 697,127	$ 28,026	$ (84,000)	$ 641,153	$ 89,985
	$ 697,127	$ 28,026	$ (84,000)	$ 641,153	$ 89,985

The fair value of the assets held, included in fixed assets in the accompanying statements of financial position and corresponding liability to the donor, included in annuity obligations are as follows:

	Fixed Asset	Annuity obligation to Donor	Net
Life Annuity	$ 2,100,000	$ 542,910	$ 1,557,090

The Foundation has received, as of June 30, 2019, $155,000 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, as required by Florida Statute Section 627.481, as annuity obligations in the statement of net position totaling $98,243 at June 30, 2019.

(9) **Net Investment in Capital Assets:**

The net investment in capital assets category reflects total capital assets, net of accumulated depreciation, less any capital-related borrowings. The following summarizes the balance as of June 30, 2019:

MARC Building	
Building and improvements, net	$ 10,868,024
Furniture and equipment, net	629,653
Notes payable	(2,945,000)
FEH I	
Building, net	1,666,875
Annuity obligation	(542,910)
FEH II	
Building, net	2,889,352
Net investment in capital assets	$ 12,565,994

(10) Restricted Net Position:

At June 30, 2019, the restricted nonexpendable endowments net position of $179,637,406 consist of endowment funds. Investment earnings 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 meeting. The spending rate for the year ending June 30, 2019 was 6.0%, 4.0% to support donor-designated scholarships and programs and 2.0% for the administrative fee. The spendable earnings are recorded as increases to the restricted expendable net position.

At June 30, 2019, the restricted expendable net position of $113,540,580 includes $36,744,852 of undistributed earnings related to endowment funds, which represents gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. Restricted expendable amounts also include earnings on permanently restricted endowments that have not yet been appropriated for expenditure.

(11) Contributions to University Building Program:

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

During the year ended June 30, 2019, the Foundation received $6,197,222 from donors to support numerous construction projects, as follows:

	2019
SIPA Phase II Building	$ 6,000,000
SOBEWFF Capital Fund	100,000
Alumni Center Building	84,258
Baseball Stadium Expansion	10,000
Founders Park	1,160
CBA Building Complex	1,023
SIPA Bricks and Mortar Building	580
Stocker Astrophysics Center Building	201
Total contributions received in support of University building programs	$ 6,197,222

(12) **Commitments and Contingencies:**

Loan Guarantees

In January of 2012, the Foundation Board approved a guarantee of the loan by SunTrust Bank to The Graduate Association of Phi Gamma Delta at Florida International University, Inc. ("PGD") relating to PGD's housing facility at FIU. In December of 2018, PGC paid off the loan in full and the guarantee is no longer outstanding.

In December of 2017, the Foundation Board authorized and approved to guarantee low-interest loans, up to $1,000,000, to qualifying Florida International University employees, who are members of the University Credit Union, for purposes of hurricane relief as a result of Hurricane Irma. A total of $989,800 was issued to qualifying employees with maturity dates through January 2023. The outstanding loan amount as of June 30, 2019 was $592,578. As of June 30, 2019, there have been eleven loan defaults totaling $39,699.

Doral Property

In October of 2017, FEH V purchased the Doral Property, which requires environmental remediation. FEH V has received the approval from the Division of Environmental Resources Management (DERM) on a Corrective Action Plan (CAP) for the remediation. As part of the CAP, an environmental consultant has been engaged to provide construction oversight and monitoring and will report to DERM on a monthly basis. Management is still evaluating the cost for the environmental remediation.

Letter of Credit

As part of a gift acceptance on June 29, 2005, the Foundation accepted all rights and responsibilities for two worker's compensation claims. On August 20, 2007, the Foundation was required to enter into a letter of credit agreement with a commercial bank that permitted the Foundation to borrow up to $100,000 in favor of the Florida Self Insurers Guaranty Association (FSIGA) to guaranty the worker's compensation obligations. As of June 30, 2019, the Foundation has not used any of the available balance in the letter of credit.

(13) **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, as lessee, has leased the grounds on which the MARC complex, was built, as described in Note 7. 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 7. Total amounts paid to the Foundation under this agreement were $1,669,315 for the year ended June 30, 2019.

(13) **Related Party Transactions:** (Continued)

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 MARC complex to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 7, 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 MARC complex, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the MARC 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 $7,757,698 at June 30, 2019. Minimum future rentals as of June 30, 2019 are approximately as follows:

For the Year Ending June 30	Amount
2020	1,418,000
2021	1,418,000
2022	1,418,000
Total	$ 4,254,000

(14) **Endowments:**

The Foundation's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment ("quasi-endowment"). As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

(14) **Endowments:** (Continued)

As of June 30, 2019, restricted net position consisted of the following:

	Restricted Expendable*	Restricted: Nonexpendable Endowments	Total
Restricted net position, beginning of year	$ 34,539,807	$ 174,696,827	$ 209,236,634
Endowment investment earnings:			
Interest, dividends and realized gains	4,962,540	-	4,962,540
Unrealized gains	5,826,980	-	5,826,980
Total endowment investment earnings	10,789,520	-	10,789,520
Contributions and other revenues	1,921,596	5,393,012	7,314,608
Appropriation of endowment assets for expenditure	(7,798,244)	-	(7,798,244)
Appropriation for administrative fee 2%	(2,552,509)	-	(2,552,509)
Donor directed release of restriction	(51,680)	(60,700)	(112,380)
Release of JMOF endowment	(103,638)	(391,733)	(495,371)
Restricted net position, end of year	$ 36,744,852	$ 179,637,406	$ 216,382,258

* The restricted expendable net position shown above only includes the investment earnings on the restricted nonexpendable endowments and term endowments that have not yet been appropriated for expenditure by the Foundation.

Return Objectives and Risk Parameters

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

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.

(14) **Endowments:** (Continued)

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 computed as a percentage of the endowment's average market value (gift corpus plus undistributed investment earnings since inceptions) over twelve consecutive quarters ending on December 31 and distributed at the close of the Foundation's fiscal year.

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, 2019, the amount included in the endowment's temporarily restricted balance and approved for future spending on program support was $7,798,244.

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 Committee and Audit Subcommittee,
Florida International University Foundation, Inc.:

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 Florida International University Foundation, Inc. (the Foundation), 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 Foundation's basic financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

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Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 18, 2019