

***Florida
Institute of
Technology, Inc.***

*Consolidated Financial
Statements and
Supplemental Reports*

April 30, 2019

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Florida Institute of Technology, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Florida Institute of Technology, Inc. and Subsidiaries (the "University", a nonprofit organization), which comprise the consolidated statement of financial position as of April 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and *Chapter 10.650, Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The Consolidating Statement of Financial Position is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of a Matter - Adoption of a New Accounting Pronouncement

As discussed in Note 1 to the consolidated financial statements, the University adopted Financial Accounting Standard Board, Accounting Standards Update 2016-14, *Not for Profit Entities*, during the year. 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 September 5, 2019, on our consideration of the University'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's 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 University's internal control over financial reporting and compliance.

Melbourne, Florida
September 5, 2019

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

April 30, 2019

ASSETS

Cash and cash equivalents	\$ 21,432,148
Accounts receivable, net	4,554,491
Pledges receivable, net	2,424,590
Prepaid expenses, inventories and other assets, net	7,661,259
Student loans receivable, net	4,060,162
Investments	93,626,719
Long-lived assets, net	125,753,944

TOTAL ASSETS \$ 259,513,313

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 25,178,709
Deposits and deferred revenue	13,845,678
Annuities payable	1,915,912
Refundable government loans	4,431,112
Capital lease obligations	14,669,109
Long-term debt	28,183,398
Total Liabilities	<u>88,223,918</u>

NET ASSETS

Without donor restrictions	87,836,254
With donor restrictions	83,453,141
Total Net Assets	<u>171,289,395</u>

TOTAL LIABILITIES AND NET ASSETS \$ 259,513,313

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
<i>Revenues and reclassifications:</i>			
Tuition and fees	\$ 192,648,536	\$ -	\$ 192,648,536
Student aid-tuition and fees	(58,754,719)	-	(58,754,719)
Net tuition and fees	133,893,817	-	133,893,817
Gifts	1,872,809	-	1,872,809
Interest and dividends	56,786	-	56,786
Other operating	5,618,034	-	5,618,034
Sponsored programs			
Federal/State grants & contracts	10,791,340	-	10,791,340
Private grants & contracts	1,579,305	-	1,579,305
Indirect cost recovery	2,769,154	-	2,769,154
Subtotal sponsored programs	15,139,799	-	15,139,799
Institutes and project research	944,257	-	944,257
Auxiliary enterprises	30,744,102	-	30,744,102
Endowment payout	3,354,154	-	3,354,154
Net assets released from restrictions	630,965	(630,965)	-
Total operating revenues and reclassifications	192,254,723	(630,965)	191,623,758
<i>Expenses:</i>			
Instruction and departmental and public service	70,659,676	-	70,659,676
Academic support	13,292,352	-	13,292,352
Institutional support	33,155,231	-	33,155,231
Student services	19,523,829	-	19,523,829
Sponsored Programs			
Federal/State grants & contracts	13,073,052	-	13,073,052
Private grants & contracts	1,545,545	-	1,545,545
Subtotal sponsored programs	14,618,597	-	14,618,597
Institutes and project research	1,173,217	-	1,173,217
Auxiliary enterprises	33,892,371	-	33,892,371
Total operating expenses	186,315,273	-	186,315,273
Operating income/(loss)	5,939,450	(630,965)	5,308,485
NON-OPERATING ACTIVITIES			
Gifts	-	4,359,151	4,359,151
Interest and dividends - endowment and other	380,962	2,813,200	3,194,162
Net realized and unrealized gain on investments	996,325	2,712,206	3,708,531
Insurance recovery	57,915	-	57,915
Gain on disposition of assets	30,883	-	30,883
Endowment payout	(287,814)	(3,066,340)	(3,354,154)
Transfer	(255,319)	255,319	-
Non-operating income	922,952	7,073,536	7,996,488
CHANGE IN NET ASSETS	6,862,402	6,442,571	13,304,973
NET ASSETS - Beginning of year	80,973,852	77,010,570	157,984,422
NET ASSETS - End of year	\$ 87,836,254	\$ 83,453,141	\$ 171,289,395

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2019**

	Programs				Support	Total
	Educational Activities	Research	Auxiliary Enterprises	Student Services	Institutional Support	
Salaries	\$ 47,137,774	\$ 6,793,073	\$ 7,544,116	\$ 7,524,006	\$ 13,288,204	\$ 82,287,173
Benefits	12,278,328	1,197,807	1,836,329	2,121,471	5,191,807	22,625,742
Materials and supplies	3,617,096	1,649,343	5,764,579	1,650,214	1,365,115	14,046,347
Services and travel	13,116,427	3,875,125	656,145	4,924,827	9,330,087	31,902,611
Operations and maintenance	7,802,403	2,276,466	18,091,202	3,303,311	3,980,018	35,453,400
Total Expenses	\$ 83,952,028	\$ 15,791,814	\$ 33,892,371	\$ 19,523,829	\$ 33,155,231	\$ 186,315,273

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 13,304,973
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	7,446,749
Amortization of bond issuance costs	5,498
Amortization of intangible assets	4,217
Net realized and unrealized (gain) on investments	(3,708,531)
Change in bad debt allowance for accounts receivable	(184,728)
Change in bad debt allowance for student loans receivable	(5,725)
Change in bad debt allowance for pledge receivable	(140,650)
(Gain) on disposition of assets	(30,883)
Change in actuarial liability for annuities payable, net	89,228
Change in assets and liabilities:	
Accounts receivable	1,965,190
Pledges receivable	(6,205)
Prepaid expenses, inventories and other assets	(405,675)
Student loans receivable	784,296
Accounts payable and accrued expenses	(3,835,078)
Deposits and deferred revenue	1,712,200
Refundable government loans	(108,139)
Net cash provided by operating activities	<u>16,886,737</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(7,354,159)
Proceeds from investments	684,034
Proceeds from disposition of assets	55,731
Purchase of long-lived assets	<u>(9,151,271)</u>
Net cash used in investing activities	<u>(15,765,665)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payment of annuity obligations	(118,706)
Repayment of long term debt	(1,648,321)
Repayment of capital lease obligations	<u>(780,524)</u>
Net cash used in financing activities	<u>(2,547,551)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (1,426,479)

CASH AND CASH EQUIVALENTS

Beginning of year 22,858,627

CASH AND CASH EQUIVALENTS

End of year \$ 21,432,148

SUPPLEMENTAL CASH FLOW INFORMATION - Interest Paid \$ 1,277,316

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Florida Institute of Technology, Inc. (the “University”) is an accredited, coeducational, independently controlled and supported university, which was established in 1958. It is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. The University is a not-for-profit corporation under both federal and state laws. The University is committed to the pursuit of excellence in teaching and research in the sciences, engineering, technology, business, psychology, aviation and related disciplines.

The University’s major programs are grouped as Educational Activities, Research, Auxiliary Enterprises and Student Services. Educational activities include Instruction, departmental and public service as well as academic support. Research is comprised of grants from federal, state, local, and private entities as well as research institutes. Auxiliary services include housing, dining services as well as FIT Aviation. Student services include social and cultural development, counseling and career guidance, financial aid and admissions processes.

The University’s institutional support serves the programs and contains executive management, fiscal operations, general administration, public relations and development, and administrative Information Technology.

Basis of Presentation - The consolidated financial statements of the University include the accounts of the various administrative and academic divisions that are controlled by the University, including FIT Aviation, LLC and FIT Museum of Art, Inc. (known as Foosaner Art Museum), wholly owned subsidiaries of the University. The consolidated financial statements have been prepared on the accrual basis of accounting. All intercompany balances and transactions have been eliminated.

Net assets, revenues, gains and support are classified based on the existence or absence of donor-imposed restrictions. A description of the two classes of net assets follows:

Net Assets without Donor Restrictions: Net Assets without Donor Restrictions’ represent the difference between assets and liabilities that are not restricted by donor-imposed stipulations. Net assets which were previously restricted for which the University has met donor restrictions are released from restriction and reported as Net Assets Without Donor Restrictions in the consolidated financial statements.

Net Assets with Donor Restrictions: Net Assets with Donor Restrictions are defined as net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time or include perpetual restrictions. Contributions that are restricted by the donor are reported as increases in Net Assets without Donor Restrictions if the restrictions expire within the fiscal year in which the contributions are received.

Cash and Cash Equivalents - Cash and cash equivalents include all highly liquid debt instruments purchased with an original maturity of less than three months. The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these financial instruments.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk - The University maintains its cash and cash equivalents in financial institutions that are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000 per depositor. At April 30, 2019, approximately \$21 million of the University’s balances were subject to custodial credit risk.

Accounts Receivable, net - Accounts receivable are generated by student accounts with deferred payment arrangements, delinquent student accounts, or other transactions in which the University has provided services in advance of payment. Accounts receivable also includes balances related to sponsored programs, which are receivables generated through private and government grants and contracts. Management estimates an allowance for uncollectible accounts based upon their review of delinquent accounts and an assessment of the University’s historical evidence of collections. It is the University’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Pledges Receivable, net - Pledges are unconditional written promises to contribute to the University in the future. Pledges are recognized at estimated present value in the period the pledges are received. Management estimates an allowance for uncollectible pledges based upon their review of delinquent pledges and an assessment of the University’s historical evidence of collections. Pledges are adjusted to the net present value using a discount rate that is comparable to the average interest rate for long term interest bearing debt issued by the U.S. Treasury.

Prepaid Expenses, Inventories and Other Assets, net - Prepaid expenses are amounts that are paid in advance by the University to a vendor for goods and services. Inventories of supplies are stated at the lower of cost (weighted average) or net realizable value.

Student Loans Receivable, net - Student loans receivable result from lending activities to students utilizing University and federal resources designated for that purpose. Management estimates an allowance for uncollectible student loans based upon their review of delinquent student loans and an assessment of the University’s historical evidence of collections. It is the University’s policy to charge off uncollectible student loans receivable when management determines the receivable will not be collected. Federal funds provided for this purpose are included in the Refundable Government Loans liability.

Investments - The University’s investments in securities are reported at fair value. Contributed investments in securities are initially recorded at their fair value on the date of the gift. The University maintains its investments in securities with four brokerage firms that are members of the Securities Investor Protection Corporation (“SIPC”). At times, the brokerage firm accounts may also include cash balances. Cash and securities held at a member brokerage firm are insured by the SIPC up to \$500,000 per customer, including a maximum of \$250,000 for cash. The amount of cash in the investment account subject to custodial credit risk at April 30, 2019 was approximately \$1.9 million.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets, net - Long-lived assets are recorded at cost if purchased or at estimated fair value if received by gift. The University's policy is to capitalize assets acquired through purchase greater than \$1,000 and acquired by gifts greater than \$5,000 having a useful life greater than one year. Depreciation of long-lived assets is recorded on the straight-line method over their estimated useful lives ranging from 5 to 50 years.

Description	Estimated useful life
Buildings	7 to 50 years
Building and land improvements	7 to 20 years
Leasehold improvements	Shorter of the length of lease or useful life of the asset
Vehicles and boats	5 to 10 years
Furniture and equipment	5 to 15 years
Computer hardware	3 to 10 years
Computer software	3 to 5 years (amortized)
Library books	12 years
Airplanes	5 to 12 years

Deposits and Deferred Revenue - Tuition revenue and certain related costs are recognized in the fiscal year in which the program is predominantly conducted. Deposits primarily represent amounts held by the University for various student related services.

Refundable Government Loans - Refundable government loans represent federal funds provided to the University to be used for student loans. The balance represents the amount refundable to the federal government if the University terminated its participation in the loan program.

Collections - The University's collections consist of donated art and other objects that are held for educational and curatorial purposes. In conformity with accounting principles generally accepted in the United States of America, the University has elected to exclude the value of the collections from the consolidated statement of financial position, and the value of donations of collections from revenue in the consolidated statement of activities. Collections currently held in the Foosaner Art Museum and Ruth Funk Center for Textile Arts were appraised at \$4.6 million during the fiscal year ended April 30, 2014. The University has other collections throughout the campus that were not included with that appraisal.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conditional Promises to Give - Because of uncertainties with regard to reliability and valuation, bequest intentions and other conditional promises are only recognized as assets if and when the specified conditions are met. Non-bequest conditional pledges whose conditions have not been met totaled approximately \$1.2 million as of April 30, 2019. Promises that are associated with bequests and wills whose conditions have not been met totaled approximately \$19 million as of April 30, 2019.

Income Taxes - The University is a tax-exempt institution under Section 501(c)(3) of the Internal Revenue Code. The University is classified as an organization whereby contributions to it qualify for deductions as charitable contributions. Accordingly, no provision for income taxes has been made in the consolidated financial statements. No assessments are outstanding, and the University's management believes that the University has operated in accordance with its tax-exempt status.

However, the University does engage in activities that may give rise to unrelated business income tax. As such, the University files an unrelated business income tax return that includes FIT Aviation, LLC and other activities subject to unrelated business income tax.

Deferred income taxes are provided on a method whereby deferred tax assets are recognized for temporary differences, which are the differences between the reported amount of assets and liabilities and their tax basis and arise predominantly from net operating losses and the allowance for doubtful accounts receivable. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Measurement of deferred income tax is based on enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The University accounts for income taxes in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, Income Taxes, which clarifies the accounting and disclosure requirements for uncertainty in tax positions. It requires a two-step approach to evaluate tax positions and determine if they should be recognized in the consolidated financial statements. The two-step approach involves recognizing any tax positions that are more likely than not to occur and then measuring those positions to determine if they are recognizable in the consolidated financial statements. Management regularly reviews and analyzes all tax positions and has determined that no uncertain tax positions requiring recognition have occurred.

The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The University believes it is no longer subject to income tax examinations for fiscal years prior to 2016.

Advertising - The University expenses advertising costs when incurred. Advertising expense totaled approximately \$2.2 million for the year ended April 30, 2019.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in the Preparation of Consolidated Financial Statements - The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board issued ASU 2014-09 (Revenue from Contracts with Customers (Topic 606)), which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for some costs to obtain or fulfill a contract with the customer; and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. With respect to nonpublic entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The effect of this guidance on the consolidated financial statements of the University has not been determined.

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02 (Leases (Topic 842)), which requires an entity to recognize a liability and corresponding asset for leases that meet certain criteria. With respect to nonpublic entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, and early adoption is permitted. The effect of this guidance on the consolidated financial statements of the University has not been determined.

Adoption of New Accounting Pronouncement - In Fiscal Year 2019, the university adopted ASU No. 2016-14 *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The standard is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not for profit's liquidity, financial performance and cash flows.

The standard requires the University to reclassify its net assets from three categories (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It also requires recognition of underwater endowment funds as a reduction of net assets with donor restrictions. In addition, the guidance requires enhanced disclosures about governing board designations; composition of net assets with donor restrictions; the University's liquidity; and expenses by both their natural and functional classification.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources - The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The University's financial assets comprised the following at April 30, 2019:

Cash and cash equivalents	\$ 21,432,148
Accounts receivable, net	4,554,491
Pledges receivable, net	2,424,590
Student loans receivable, net	4,060,162
Investments convertible to cash in the next 12 months	2,183,414
Other long-term investments	91,443,305
Total financial assets at year-end	<u>\$ 126,098,110</u>

As of April 30, 2019, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 21,432,148
Accounts receivable, net	4,554,491
Pledges receivable for operations due in 1 year or less	200,000
Payout on donor restricted endowments	3,105,667
Payout on quasi- endowments	411,749
Investments not encumbered by donor or board restrictions	3,063,429
Total financial assets available for general expenditures	<u>\$ 32,767,484</u>

The University's governing board has designated a portion of its resources without donor restrictions for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board. At April 30, 2019, the following amounts were designated by the board and available to be spent at any time with board approval:

Board Designated Quasi-Endowment funds	\$ 9,000,382
Quasi-Endowments funds	1,538,142
Total board-designated funds	<u>\$ 10,538,524</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued) - Student loans receivable are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans. Based on historical experience, the only portion of pledges receivable due within one year are considered liquid unless restricted by Donor stipulations.

In addition to financial assets available to meet general expenditures within one year, \$123,857 is expected to be released from donor-restricted and board-designated financial assets over the next 12 months to meet expected construction and capital costs.

The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and line of credit. See note 13 for information about the University's line of credit.

Functional Expense Allocation - Operation and maintenance of plant, depreciation, utilities, and insurance expense are allocated across all functional expense categories as follows:

- Expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant (O&M) are allocated based on square footage of the buildings used to support each functional area. (Interest is included in O&M.)
- Depreciation expense of all depreciable assets, other than buildings, is allocated based on square footage of the buildings owned by the University used to support each functional area. Depreciation expense on buildings owned by the University, excluding the auxiliary buildings, is allocated based on square footage of the buildings to support each functional area of the buildings. Depreciation expense of the auxiliary buildings are directly charged to the auxiliary functional area. These allocations are based on information obtained through a periodic inventory of space usage.
- Expenses for insurance and utilities are allocated based on square footage of the buildings used to support each functional area.

Measure of Operations - The University's operating activities include revenues that are earned as a result of providing its programs and supporting activities, and expenses related to providing these programs and supporting activities. Operating activities also include amounts released from donor restrictions, as well as transfers from board designated and other non operating funds to support these operating activities. Operating activities do not include returns from investment activity in excess of amounts made available for current activities or contributions received for use in future periods.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

2. ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at April 30, 2019:

Students	\$	1,606,745
Sponsored research and similar agreements		3,820,264
Aviation		430,178
Total		<u>5,857,187</u>
Less: allowance for doubtful accounts		<u>(1,302,696)</u>
Net accounts receivable	\$	<u><u>4,554,491</u></u>

3. PLEDGES RECEIVABLE, NET

Pledges receivable, discounted using a risk-free rate of 3%, are expected to be realized in the following time frames at April 30, 2019:

Due:		
Less than one year	\$	903,263
One year to five years		1,372,880
More than five years		915,000
Total		<u>3,191,143</u>
Less: discount		<u>(382,361)</u>
Less: allowance		<u>(384,192)</u>
Net pledges receivable	\$	<u><u>2,424,590</u></u>

One pledge from a related party had a balance of \$2.2 million (78% of pledges receivable, net of allowance) as of April 30, 2019.

4. PREPAID EXPENSES, INVENTORIES AND OTHER ASSETS, NET

Prepaid expenses, inventories and other assets consisted of the following at April 30, 2019:

Prepaid expenses	\$	2,705,651
Prepaid insurance		1,828,100
Prepaid rent		1,195,833
Inventories		1,204,808
Other		726,867
Net prepaid expenses, inventories, and other assets	\$	<u><u>7,661,259</u></u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

5. STUDENT LOANS RECEIVABLE, NET

Student loans receivable consisted of the following at April 30, 2019:

Perkins	\$	4,248,766
Merit		133,434
Frueauff		3,363
Total		<u>4,385,563</u>
Less: allowance for doubtful accounts		<u>(325,401)</u>
Student loans receivable, net	\$	<u><u>4,060,162</u></u>

Loans to students include participation in the Perkins Federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$4,431,112 at April 30, 2019, are ultimately refundable to the government and are classified as liabilities in the consolidated statement of financial position. Outstanding loans cancelled under the program result in a decrease in the liability to the government. During 2018, the Perkins Federal revolving loan program was suspended by the Federal Government. Based on this suspension, loans are no longer being disbursed to students. The liquidation of funds will be made in accordance with established guidelines to be determined by the Department of Education.

6. INVESTMENTS

Investments consisted of the following at April 30, 2019:

Short term investments	\$	2,183,414
Debt mutual funds		3,864,899
US government notes and bonds		1,694,607
Corporate bonds		7,937,854
Mortgage/asset backed securities		7,934,191
Municipal bonds		1,190,329
Equity mutual funds		30,074,200
Common stocks		34,963,408
Alternative investments		2,643,535
Surplus notes		<u>1,140,282</u>
Total investments	\$	<u><u>93,626,719</u></u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

6. INVESTMENTS (continued)

Net realized and unrealized gains and losses on investments consisted of the following for the year ended April 30, 2019:

Without donor restrictions	
Realized gain	
Endowments	\$ 370,981
Surplus notes	625,344
Subtotal	<u>996,325</u>
With donor restrictions	
Realized/unrealized gain	
Endowments	2,612,599
Annuity contracts & charitable remainder trusts	99,607
Subtotal	<u>2,712,206</u>
Total realized and unrealized gains, net	<u>\$ 3,708,531</u>

Concentrations of market risk included the following at April 30, 2019:

	<u>Amount</u>	<u>Percentage</u>
EuroPacific growth fund	\$ 20,700,946	22%

7. LONG-LIVED ASSETS, NET

Long-lived assets consisted of the following at April 30, 2019:

Land	\$ 9,210,513
Building and leasehold improvements	36,961,497
Buildings	121,435,186
Equipment (including computer hardware and furniture)	32,010,855
Vehicles and boats	2,216,547
Airplanes	9,037,603
Computer software	1,308,363
Library books	612,091
Construction in progress	<u>2,751,428</u>
Total	215,544,083
Less: accumulated depreciation	<u>(89,790,139)</u>
Net long-lived assets	<u>\$ 125,753,944</u>

Depreciation and amortization expense was \$7,446,749 for the year ended April 30, 2019.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

8. ENDOWMENTS

Spending Policy

The University has a spending policy that governs the rate at which funds are transferred from the endowment to the operating fund. The annual allocation to the operating fund is calculated as a percentage of the endowment fair value. The policy allows for a transfer of 5% of the fair value during the subsequent fiscal year by using a moving average, computed on the last three calendar years of endowment fair values. Transfers were made in accordance with the aforementioned spending policy, and amounted to \$3,354,154 for the year ended April 30, 2019.

Investment Policy

In approving endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the University, as authorized by the State of Florida, has relied upon the actions, reports, information, advice and counsel taken or provided by its duly constituted committees and the duly appointed officers of the University, including University counsel, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

As a result of this interpretation, for accounting and consolidated financial statement purposes, the University classifies as restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

The investment objectives for the management of endowment assets are to maximize the benefit intended by the donor, to produce current income to support the programs of the University and donor objectives, and to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets. The Endowment Fund Investment Policy embraces the total return concept. The following formula summarizes the factors involved in the Endowment Fund Investment Program: Real Asset Growth Rate = total investment return - CPI - management costs - annual payout amount.

The investment program attempts to balance current need and future support so that in the future, the Endowment Fund will provide at least the same value of annual financial support as is currently provided.

The fund is managed in compliance with the Uniform Prudent Management of Institutional Funds Act.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

8. ENDOWMENTS (continued)

Investment Policy (continued)

The endowment net asset balance consisted of the following at April 30, 2019:

Donor-restricted endowment fund	
With Donor Restrictions	\$ 76,338,551
Board-designated endowment fund	
Without Donor Restrictions	<u>10,538,524</u>
Total funds	<u><u>\$ 86,877,075</u></u>

The changes in the University's endowments as of and for the year ended April 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - Beginning of year	\$ 10,189,066	\$ 70,209,350	\$ 80,398,416
Investment income	380,962	2,751,957	3,132,919
Realized and unrealized gain on investments - net of fees	324,128	2,273,576	2,597,704
Additions to investment pool - net	322,313	3,883,689	4,206,002
Appropriation of endowment assets for expenditure	(287,814)	(3,066,340)	(3,354,154)
Reclassification	(390,131)	290,725	(99,406)
Transfer for underwater endowments	-	(4,406)	(4,406)
Endowment net assets - End of year	<u>\$ 10,538,524</u>	<u>\$ 76,338,551</u>	<u>\$ 86,877,075</u>

Underwater endowments arise when individual endowment fund's market value is less than the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions. Per our Endowment Policy, individual endowment funds that are underwater are reported in our financial statements and are temporarily funded by unrestricted funds. Future monitoring of spending payouts will take place until the market value has increased to the original gift amount.

The current underwater endowments consist of two gifts, as follows:

<u>Market value</u>	<u>Original Gift (Corpus)</u>	<u>Underwater Endowment</u>
\$ 45,855	\$ 49,882	\$ (4,027)
72,455	75,337	(2,882)
<u>\$ 118,310</u>	<u>\$ 125,219</u>	<u>\$ (6,909)</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at April 30, 2019:

Accounts payable	\$ 5,232,676
Accrued expenses	
Accrued salaries and wages	4,558,976
Accrued vacation	4,488,121
Due to Bisk Education	1,869,339
Deferred rent	8,448,747
Other accrued expenses	580,711
Total accounts payable and accrued expenses	<u>\$ 25,178,709</u>

10. DEPOSITS AND DEFERRED REVENUE

Deposits and deferred revenue consisted of the following at April 30, 2019:

Deposits	\$ 3,679,987
Deferred revenue/tuition	<u>10,165,691</u>
Total deposits and deferred revenue	<u>\$ 13,845,678</u>

11. ANNUITIES PAYABLE

The University is a party to several forms of split-interest contracts and agreements. In return for a lump-sum payment to the University or to an outside trustee, the donor specifies a beneficiary (or beneficiaries) who receive periodic payments, usually for the beneficiary's lifetime. The University is named as a remainder beneficiary. Upon the death of the beneficiary, the University receives the residual funds.

During the term of the agreement, funds are invested with the objective of providing income to fund periodic payments to beneficiaries and provide some growth through appreciation for the remainder interest. At April 30, 2019 the University was a party to the following types of split-interest agreements:

- Annuity contracts
- Charitable remainder trusts

The University serves as trustee/administrator for the annuity programs and records the investment and actuarial liability for annuities payable in its consolidated financial statements as donor restricted net assets. Trustees for the charitable remainder trusts are designated by the donor. When the University is the trustee, the trust assets, liabilities, revenues and expenses are recorded in the University's consolidated financial statements. In those cases where the University is not the trustee, only the estimated present value of the future remainder interest is recognized.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

11. ANNUITIES PAYABLE (continued)

On an annual basis, the University revalues the liability related to future distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments are calculated using the current annual period treasury yield rate and applicable mortality tables for each beneficiary.

Annuities payable consisted of the following at April 30, 2019:

Charitable remainder trusts	\$	1,788,761
Annuities payable		<u>127,151</u>
Total annuities payable	\$	<u><u>1,915,912</u></u>

12. CAPITAL LEASE OBLIGATIONS

Siemens Performance Contract

On September 24, 2009, the University entered into an agreement with Siemens Public, Inc. (“Siemens”) to lease various types of equipment under a performance contract agreement (“Siemens contract”) with Siemens Building Technologies.

The initial contract lease under the Siemens contract was refinanced on September 24, 2014 to reduce the effective annual interest rate from 5.77% to 3.0%, and to extend the term to allow for payment of the previous balloon payment over an additional nine years through September 2029. As of April 30, 2019, this capital lease obligation was \$5,884,337.

On September 30, 2014, the University entered into a second capital lease under the Siemens contract for additional equipment, the purchase and installation of which was completed during the year ending April 30, 2016. In accordance with the terms of this capital lease, Siemens advanced \$5.5 million to the University at inception for the anticipated total cost of the equipment and its installation. The funds were deposited to an escrow account in the name of the University and were disbursed as the purchases and installation progressed. This lease has an effective annual interest rate of 3.2% that was charged from the date of the initial advance. Monthly payments commenced in October 2015 and extend through September 2033. As of April 30, 2019, this capital lease obligation was \$4,790,389.

The Center for Aeronautics and Innovation

On April 17, 2013, the University entered into an agreement with the City of Melbourne Airport Authority to lease the property now known as the Center for Aeronautics and Innovation (“CAI”).

The agreement is a 40 year lease with monthly payments beginning January 1, 2014. It contains both a capital lease component for the building and an operating lease component for the land.

The University has the option to extend the lease for two additional terms of five years each. The initial rent is based on 31,000 square feet of floor space and includes a building lease rate of \$6.26 per square foot. As of April 30, 2019, the total capital lease obligation was \$3,894,766.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

12. CAPITAL LEASE OBLIGATIONS (continued)

Total Capital Leases

The University also leases additional equipment under capital lease, which is included in the total as capital leases on equipment.

The following represents assets held under capital leases by major classes, which are included in long-lived assets at April 30, 2019:

Capital Leases on equipment	\$	17,963
Building - CAI		4,100,000
Equipment - Siemens energy project		15,870,042
Subtotal		<u>19,988,005</u>
Less: accumulated depreciation		<u>(7,363,128)</u>
Total assets held under capital lease	\$	<u><u>12,624,877</u></u>

The interest rates on the lease obligations range from 3% to 3.771%, and mature from 2020 through 2053.

The present value of future minimum lease payments under capital leases for the next five years ending April 30 and thereafter are as follows:

2020	\$	1,277,479
2021		1,277,479
2022		1,273,111
2023		1,272,715
2024		1,274,218
Thereafter		<u>13,679,348</u>
Total minimum lease payments		<u>20,054,350</u>
Less amounts representing interest		<u>(5,385,241)</u>
Present value of net minimum lease payments	\$	<u><u>14,669,109</u></u>

The carrying value of capital lease obligations approximates fair value. These financial instruments bear rates that approximate current market rates for debt of similar credit quality and maturities.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

13. LINE OF CREDIT

The University has a line of credit, which consists of a promissory note agreement with a commercial bank, under which the University may borrow up to \$15,000,000 for working capital purposes. On November 12, 2008, the University entered into an office lease agreement with Broadstone FIT Florida, LLC for the Harris Commons (formerly known as Florida Tech Commons) building. A portion of the Line of Credit is used to secure an Irrevocable Letter of Credit for \$3,032,000 to be used as a security deposit for this lease as required by the second amendment to this lease dated December 13, 2010. The remaining available line of credit balance of \$11,968,000 is payable on demand and is subject to certain restrictions. At April 30, 2019 the University had no outstanding balances under this agreement. The floating interest rate is based on the one-month LIBOR plus 1.75% (4.23% at April 30, 2019). In addition, a quarterly fee is charged to the University based on the unused balance. The University has pledged tuition and fees and unrestricted revenues as collateral for the line of credit.

14. LONG-TERM DEBT

Long term debt consisted of the following at April 30, 2019:

18 year annuity contract mortgage, fixed interest rate of 5.824%, maturing January 15, 2032, collateralized by real estate.	\$ 1,709,707
2013 Series A Brevard County bonds, fixed interest rate 2.45%, maturing July 1, 2032. Collateral for these bonds is tuition and fee revenue.	17,720,000
2013 Series B Brevard County bonds, fixed interest rate 2.45%, maturing February 1, 2043. Collateral for these bonds is tuition and fee revenue.	<u>8,753,691</u>
Long-term debt	<u><u>\$ 28,183,398</u></u>

Scheduled principal payments on the above obligations due in each of the next five years ended April 30 and thereafter are as follows:

2020	\$ 1,719,929
2021	1,788,196
2022	1,866,417
2023	1,940,186
2024	1,914,026
Thereafter	<u>18,954,644</u>
Total	<u><u>\$ 28,183,398</u></u>

The carrying value of long-term debt approximates fair value. These financial instruments bear rates that approximate current market rates for debt of similar credit quality and maturities.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

14. LONG-TERM DEBT (continued)

Interest expense and debt service fees for all debt obligations for the years ended April 30, 2019 totaled \$1,282,814.

The bonds contain certain financial covenants with respect to cash flow and debt ratios for which the University was in compliance at April 30, 2019.

15. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions consisted of the following at April 30, 2019:

Net assets with donor restrictions:	
Programs and passage of time	\$ 3,787,828
Endowment, annuity and similar funds	21,879,364
General endowments	7,581,920
Scholarship endowments	17,942,930
Departmental endowments	31,589,926
Endowed pledges	671,173
Total net assets with donor restrictions	<u>\$ 83,453,141</u>

Net assets released from restrictions, as reported on the consolidated statement of activities, occur by incurring expenses satisfying the restricted purposes, principally for construction, instruction, research, and departmental support or by the passage of time.

16. OTHER REVENUES

Other revenues included in the consolidated statement of activities consisted of the following for the years ended April 30, 2019:

Fees for services	\$ 2,868,695
Commissions and fundraising	1,848,917
Admissions and miscellaneous fees	531,875
Student organizations revenue	368,547
Total other revenue	<u>\$ 5,618,034</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

17. FUNDRAISING

Fundraising expenses consisted of the following for the year ended April 30, 2019:

General	\$	4,087,235
WFIT Radio Station		146,510
Athletics		656,853
Total fundraising expenses	\$	<u>4,890,598</u>

In addition to the expenses above, individual departments of the University host fundraisers throughout the year. Fundraising expenses incurred at the individual department level are included with their program expenses.

18. EMPLOYEE BENEFIT PLAN

The University maintains a defined contribution plan. An employee is eligible to contribute to the plan on date of hire. After 30 days of continued service, if an employee elects to contribute to the plan, the University may match this contribution up to 5% of the employee's salary. Retirement plan contributions for the year ended April 30, 2019, were \$2,451,181.

19. RELATED PARTY TRANSACTIONS

The University has liabilities due to parties related through current and former employment and board relationships, including lifetime annuities and charitable remainder trust lifetime annuities. Payment terms vary from monthly to quarterly. The total outstanding liability to all related parties at April 30, 2019 was \$279,557.

The majority of the pledge receivable balance is due from Board members or their affiliated companies.

The University has an agreement with BISK, which is owned by a board member, to develop various online degree programs and to market and recruit students for those programs. Revenue from the online degree program was \$12 million for the year ended April 30, 2019. The liability owed to BISK at April 30, 2019 was \$1.9 million.

20. COMMITMENTS AND CONTINGENCIES

Legal

The University is involved in various legal actions arising in the normal course of activities and is also subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of these pending matters should not have a material adverse effect upon the University's financial position.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

20. COMMITMENTS AND CONTINGENCIES (continued)

BISK

On January 13, 2006, the University entered into a 20-year agreement which became effective in February 2009, with BISK for collaboration of development and marketing of the University's for-credit distance learning program. BISK and the University will comply with accreditation standards of The Southern Association of Colleges and Schools, and any accreditation body that the University elects to join. The first 16 years of this agreement is non-cancelable, and once the 20-year term expires, BISK may extend this agreement in increments of 5 years. The payment terms to the University are based on a sharing arrangement of gross revenue adjusted for expenses in accordance with the contractually negotiated percentages for each respective program.

Ellucian

The University is party to an agreement with Ellucian, to provide onsite technology management services and software licensing for computer system support which expires on December 31, 2020. The agreement requires an annual payment for support services of approximately \$1.5 million plus hourly fees for additional services and annual maintenance and license fees. Total fees paid to Ellucian for the year ended April 30, 2019 was \$2,021,632.

Workday

On July, 26, 2018, the University entered into a 5 year agreement with Workday, Inc. to provide a cloud hosted Enterprise Resource Planning (ERP) system. The system is a business process management software that allows the University to use a system of integrated applications to manage the business and automate many back-office functions by supporting and integrating payroll, human resources, finance, grants management and banking. The agreement has an annual payment of approximately \$1 million. The fees paid to Workday totaled \$724,000 for the year ending April 30, 2019. Each renew option has an increase of 3% plus the Consumer Price Index rate established by the United States Department of Labor.

In the future, the system will support and integrate The University's student records, financial aid, student reporting, curriculum management, academic advising and student financials. The annual payment for this additional functionality will be approximately \$411,000. This fee will start when the deployment project begins in fiscal year 2020.

The University has engaged a consulting partner, Incline Alchemy, for the deployment of Workday. The deployment will be done in two phases. Phase one will include finance, payroll and human resources. The second phase will include the deployment of student records. The first phase started in the current fiscal year and will continue through fiscal year 2020. The agreement for the first phase of the deployment totals approximately \$2.3 million plus expenses. The total paid as of April 30, 2019 was \$386,750. The agreement for the second phase totals approximately \$3 million plus expenses and will span from fiscal year 2020 to fiscal year 2022. The majority of the Alchemy costs will be capitalized.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

20. COMMITMENTS AND CONTINGENCIES (continued)

WFIT Building Contingency

On January 13, 2011, WFIT Radio Station (the “Station”, a department of the University) entered an agreement with the Florida Department of Education (“FDOE”) to construct and furnish a new radio station. Construction was completed during the year ended April 30, 2013 at a total cost of \$1,574,820 for the building. The station also spent \$395,799 for improvements to connect the new building to existing structures. Upon completion, the FDOE leased the new building to the Station for 20 years at \$1 per year with four successive renewal options of five years each, for a total of 40 years, at the end of which title to the building transfers to the Station. Due to the bargain rent and title transfer, and upon completion of the building and start of the lease, this transaction was considered to be the contribution of a building with an estimated fair value equal to its total cost that is reported as a donor restricted net assets as it is restricted for use as a radio station over the extended lease term, which also coincides with the building's estimated useful life. This restricted contribution is being released from restriction on a straight-line basis over the 40 year lease term while the building is being depreciated on a straight-line basis over 50 years, its useful life in accordance with the normal depreciation policy of the University for similar assets.

Insurance Pool

The University is a member of the Florida Independent Colleges and Universities Risk Management Association, Inc. (“FICURMA”) insurance pool which includes, but is not limited to, coverage of property, general and auto liability, workers’ compensation, and excess crime. FICURMA was formed to assist universities in the State of Florida in controlling insurance costs. There is a risk that additional assessments could be incurred by the University as the result of this insurance pool. However, management does not believe any additional assessments exist as of April 30, 2019.

Operating Leases

The University Financing Foundation (TUFF) Florida Tech LLC

The University entered into a 30-year operating and ground lease with TUFF Florida Tech LLC for residence halls, a dining facility, a parking garage, an aquatic facility and a research laboratory. Rent payments on the facilities range between \$35,000 and \$63,000 per month and escalate annually at a fixed rate per facility of 1-2% each. The University retains ownership of the land, and acts as lessor on the ground lease. All facilities were completed from 2008 to 2011. The lease expires October 2039.

Melbourne Airport Authority

Buehler Building

The University entered into a ground lease with the Melbourne Airport Authority to lease property for a period of forty years starting March 1, 2009. Base rent for the property is \$0.15 per square foot of the property for the first five years, and is paid monthly. The estimated square footage disclosed in the lease is approximately 435,600 square feet.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

20. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

Melbourne Airport Authority (continued)

Buehler Building (continued)

Additionally, the University entered into an improved land lease March 1, 2009. The rent is based upon the Melbourne Airport Authority's construction expenses, amortized over a 35- year period at the rate of one-year LIBOR (1.9% at April 30, 2019) plus 200 basis points.

On the fifth anniversary of the Rent Commencement Date, and all subsequent fifth anniversaries, the base rent and the improved land lease rent shall be increased by a factor of the Consumer Price Index for the previous five-year period. According to the terms of the agreement, the annual percentage increase will not be less than 2% or more than 5% per year for each of the previous five-year periods.

The University is responsible for real estate taxes, fees, and assessments on the property. The University has an option to extend the lease for four additional terms of five years each.

Center for Aeronautics and Innovation

As described in Note 12, the University entered into a 40-year land lease on April 17, 2013 with the Melbourne Airport Authority for the Center for Aeronautics and Innovation. The lease includes an incremental escalation every five years, equal to the percentage increase in the Consumer Price Index. The increase will not be less than 2% or more than 5% per year.

Harris Commons

The University entered into a 15-year triple net operating office lease with Broadstone FIT Florida, LLC in March 2012. The University occupies all 62,523 square feet of the building. Gross rental payments (base rent) for the first twelve (12) months of the term are equal to \$18.75 per square foot, and are paid monthly. According to the terms of the agreement, the annual percentage increase based on the changes in the consumer price index will not be less than 1.5% or more than 3% per year.

The University is responsible for real estate taxes, fees, and assessments on the property.

Other

The University is a lessee in other leasing obligations with monthly payments ranging from \$800 to \$13,400. The lease terms range from one to five years. Total facilities rent expense recognized for the year ended April 30, 2019 was \$7,268,356.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

20. COMMITMENTS AND CONTINGENCIES (continued)

Total Operating Leases

In accordance with FASB ASC 840, *Leases*, the University recognizes lease expense over the course of the lease agreements using the straight-line method. Leasing commitments for the next five years ending April 30 and thereafter are as follows:

2020	\$ 6,186,078
2021	6,277,446
2022	6,370,250
2023	6,464,511
2024	6,568,798
Thereafter	<u>98,401,322</u>
Total lease payments	<u>\$ 130,268,405</u>

21. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosure*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 fair value measurements) and the lowest priority to unobservable inputs (level 3 fair value measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

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YEAR ENDED APRIL 30, 2019

21. FAIR VALUE MEASUREMENTS (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 3 Fair Value Measurements

Surplus notes - Held with association, is not actively traded, and significant other observable inputs are not available; thus, the fair value of the surplus note is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations and historical returns on the note. The fair value of surplus notes is equal to the discounted future expected cash flows of the note.

The following table summarizes the relevant valuation information used to calculate the fair value of level 3 assets as of April 30, 2019:

Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Rate or Range of rates
			Discount rate	10.63%
Surplus Notes	\$ 1,140,282	Discounted expected futures cash flows	Expected rate of return	10%

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

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

21. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the University's investments at fair value as of April 30, 2019.

Description	Total	(Level 1)	(Level 2)	(Level 3)
Short-term investments	\$ 2,183,414	\$ 2,183,414	\$ -	\$ -
Debt mutual funds	3,864,899	3,864,899	-	-
US government notes and bonds	1,694,607	1,694,607	-	-
Corporate bonds	7,937,854	7,937,854	-	-
Mortgage/asset backed securities	7,934,191	7,934,191	-	-
Municipal bonds	1,190,329	1,190,329	-	-
Equity mutual funds	30,074,200	30,074,200	-	-
Common stocks	34,963,408	34,963,408	-	-
Alternative investments	2,643,535	2,643,535	-	-
Surplus notes	1,140,282	-	-	1,140,282
Total Investments	\$ 93,626,719	\$ 92,486,437	\$ -	\$ 1,140,282

22. DEFERRED INCOME TAXES

The University has unrelated business income which is not exempt from federal income taxes, including the activities of its wholly owned subsidiary, FIT Aviation, LLC. For the year ended April 30, 2019 there was no provision for federal income taxes because the total of these activities resulted in a net loss and the benefit derived therefrom has been offset by a valuation allowance.

The University's deferred tax asset is based on operating loss carryforwards. A deferred income tax valuation allowance has been provided as of April 30, 2019. The valuation allowance reduces the deferred tax asset to an amount that represents management's best estimate of the amount of such deferred tax asset that will actually be realized.

As of April 30, 2019, the University had federal net operating loss carryforwards of approximately \$24.6 million, which includes a net operating loss of approximately \$636,000 for the year ended April 30, 2019.

The University's deferred tax asset is as follows at April 30, 2019:

Deferred tax assets:	
Non-current:	
Net operating loss carryforwards	\$ 5,166,000
Valuation allowance for net non-current deferred tax assets	(5,166,000)
Total deferred tax asset	\$ -

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2019

23. SUBSEQUENT EVENTS

Subsequent to April 30, 2019, the University began pursuing an opportunity to refinance its existing bonds for the following purposes:

- Lower the interest rate of its overall debt by refinancing the existing bonds payable
- Acquire funds for the purchase of buildings currently under an operating lease with TUFF, as described in Note 20
- Creation of a construction fund for future develop

If the refinancing occurs, the impact to the financial statements would be a total liability of approximately \$105 million.

No agreements have been finalized as of the date of the issuance of these audited financial statements and, therefore, no impact was reflected.

The University's management has evaluated subsequent events through September 5, 2019, the date the consolidated financial statements were available to be issued, and has determined that no additional subsequent events have occurred that require disclosure.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
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Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
<u>FEDERAL</u>				
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>U.S. DEPARTMENT OF COMMERCE</u>				
<u>National Oceanic & Atmospheric Administration - NOAA</u>				
<i>Florida Sea Grant</i> , Characterization & Modeling of the Damage	11.417	NA14OAR4170108	\$ 15,361	\$ -
<u>National Institute of Standards and Technology:</u>				
<i>Energy Florida</i> , Consortium for Advanced Production and Engineering	N/A	70NANB15H069	680	-
<u>Economic Development Administration:</u>				
Center for Advanced Manufacturing and Innovative Design	11.307	04-79-07091	304,582	-
Subtotal, U.S. Department of Commerce:			320,623	-
<u>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION</u>				
Multi-Regional HAB Toxin Diagnostics for the Marine Mammal	11.439	NA16NMF4390151	859	-
Multi-Regional HAB Toxin Diagnostics for the Marine Mammal	11.439	NA17NMF4390082	44,535	-
An Ensemble-Based Approach to Forecasting Surf, Set-up, and	11.468	NA14NWS4680014	44,296	-
An Ensemble-Based Approach to Forecasting Surf, Set-up, and	11.468	NA14NWS4680014	4,186	-
Subtotal, National Oceanic and Atmospheric Administration:			93,876	-
<u>U.S. DEPARTMENT OF DEFENSE</u>				
<u>Office of Naval Research:</u>				
Advanced Nontoxic Anti-Fouling Coatings Research, Test Site Facility	12.300	N00014-16-1-3123	247,343	-
Large Scale Seawater Facility for Development of Ship Hull Grooming	12.300	N00014-16-1-3050	209,264	-
Exploring the Role of Topography and Land-sea Contrast	12.300	N00014-16-1-3091	71,354	-
Development of a STEM Education Program in Support of Naval Flight	12.300	N00014-16-1-3170	242,487	16,521
ASEC, Cognitive Task Analysis of Naval Combat Crews Option 3.1	N/A	N61340-15-C-0024	7,869	-
ASEC, Cognitive Task Analysis of Naval Combat Crews Option 3.4	N/A	N61340-15-C-0024	49,707	-
<u>Department of the Air Force:</u>				
AFOSR, On a Theory of Broadband Absorption Suppression	12.800	FA9550-15-1-0086	3,499	-
<i>Securborator</i> , Joint Collaboration Augmentation for Sensemaking	N/A	FA8750-17-C-0017	82,228	-
<i>Design Interactive</i> , Noninvasive Gauge to Assess and Utilize Goal-	N/A	FA8650-17-P-6852	11,153	-
<i>Raytheon BBN/ AFRL</i> , Defense Quantification Service	N/A	FA8750-15-C-0067	84,879	-
<i>Raytheon BBN/ AFRL</i> , Behavior-extracting Autonomous Resiliency Toolkit	N/A	FA8750-16-C0053	117,097	-
<i>Raytheon BBN/ DARPA</i> , Adaptive Resource Management Enabling Deception	N/A	HR0011-16-C-0058	201,217	-
<i>Raytheon BBN/ AFRL</i> , Derived and Integrated Cyber Effects	N/A	FA8750-17-C-0209	50,524	-
AFRL, ADW: Semi-automated Moving Target Defense Wrapping	N/A	FA8750-15-C-0061	494,850	204,805
<i>Montana State</i> , AFRL, Quantum Coherence in Reactive Oxygen Species (ROS) Biology	12.800	FA9550-17-0456	66,374	-
<u>Other Department of Defense Programs:</u>				
Tactical Infrasound and Seismic Event Classification	12.598	HHM402-18-1-0008	39,283	-
Infrasound Cyber-Physical MASINT for Environmental Characteristics and Classification	12.91	FA8750-18-2-0113	78,300	36,172
<i>UCF/DARPA</i> , Deep Agent: A Framework for Information Spread	12.999	FA8650-18-C-7823	90,770	-
<i>NCAT</i> , A Computation Framework for Modeling Cyber Identity	N/A	21069C	83,834	-
NSA/MD Procurement Office, Multi-tier Orchestration Framework	N/A	H98230-18-C-0034	479,172	-
Subtotal, U.S. Department of Defense:			2,711,204	257,498

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Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subreceptient
<u>U.S. DEPARTMENT OF ENERGY</u>				
<u>US CMS Project:</u>				
<i>Fermi Lab, USCMS Project</i> LHC CMS Detector HCAL Subsystem	N/A	616788	44,640	-
<i>BNL, Development of Large Area GEM Detectors</i>	N/A	DE-AC02-98CH10886	33,925	-
<u>Other Department of Energy Programs:</u>				
Experimental High Energy Physics Research	81.049	DE-SC0013794	157,068	-
Experimental High Energy Physics Research	81.049	DE-SC0013794	115,246	-
<i>UF, Development of 3-D Computational Tools for Study of Shock</i>	81.124	DE-NA0002378	29,837	-
Subtotal, U.S. Department of Energy:			380,716	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<u>National Institutes of Health:</u>				
Development of Light Triggered Molecular Tools Critical for Understanding	93.859	1R15GM112119-01A1	56,984	-
3D Printed Biomimetic Bioglass-Gradient Matrices for ACL Reconstruction	93.846	1R15AR071102-01	73,254	-
3D Printed Biomimetic Bioglass-Gradient Matrices for ACL Reconstruction	93.846	1R15AR071102-01	54,752	-
Signal Transduction during Fertilization	93.865	1R15HD094324-01	56,605	-
Regulatory Mechanisms Linking HSF1 Protein levels and HSF1 Protein Activity to the Alternative Splicing Factor SF3B1	93.865	1R15CA227573-01A1	20,166	-
<u>Health Resources and Services Administration:</u>				
Graduate Psychology Education Programs	93.191	16D40HP29822-01-00	356,196	-
<u>Center for Disease Control and Prevention</u>				
<i>USF, Positive effect of a web based mindfulness training on work and wellbeing related outcomes</i>	N/A	T42OH008438-11	10,480	-
Subtotal, U.S. Department of Health and Human Services:			628,437	-
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>The Mitre Corporation, Pollen Enterprise Database Phase IV</i>	N/A	HSHQDC-14-D-0006	214,214	-
A Federated Command and Control Infrastructure for Adaptive Network	N/A	HSHQDC-14-C-B0032	313,455	-
<i>Intelligent Automation, Shelf-shielding Dynamic Network Architecture</i>	N/A	HHSP233201600073C	396,499	-
A Federated Defense Community and Ecosystem (FDCE) in practice	97.077	70RSAT18CB000035	235,766	-
Subtotal, U.S. Department of Homeland Security:			1,159,934	-

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Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
<u>DEPARTMENT OF TRANSPORTATION</u>				
FAA, COE Partnership to Enhance General Aviation Safety, Accessibility	20.109	12-C-GA-FIT-021	31,477	-
FAA, Air Transportation Center of Excellence - Task 353	20.109	15-C-CST-FIT-005	27,712	-
FAA, Task 358: Regulatory Streamlining Workshop	20.108	15-C-CST-FIT-009	7,369	3,580
FAA, Flight Demonstration for AoA-limiting Systems on Part 23 Aircraft	N/A	DTFACT-17-C-00001	68,757	2,475
		DTFACT-13-D-00011-		
FAA, Airport safety research & development technical support	N/A	DEORDER0001	38,218	-
FAA, Decluttered flight path marker on hud	N/A	DTFACT-17-C-0001	3,678	-
ECS, Human Factors Consideration for Information of Varying Levels	N/A	DTFAWA-16-D-00003	284,539	-
<i>FDOT</i> , Improving Design Phase Evaluations for High Pile Rebound Soils	N/A	BDV28 TWO 977-05	28,814	-
<i>FDOT</i> , Confinement of Effect of Metal Railing Narrow Baseplants on Adhesive	N/A	BDV28 TWO 977-06	38,025	-
<i>FDOT</i> , Quantifying Pile Rebound with Deflection Measuring Systems Best Suited	N/A	BDV28 TWO 977-07	102,028	1,500
Subtotal, State of Florida Department of Transportation:			630,617	7,555
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
USACE, Identifying coral refuges in the Florida reef tract	15.634	W81EWF82193643	9,876	-
<i>Florida Fish & Wildlife Commission</i> , Identifying Coral Refuges in the Florida Reef Tract	15.634	FL-T-F16AF00528	34,799	-
Subtotal, U.S. Department of the Interior:			44,675	-
<u>U.S. INTELLIGENCE COMMUNITY</u>				
Cyber Identity and Behavioral Analytics Consortium (CIBAR)	N/A	2018-18041200002	791,104	638,771
Five Factor Model Corpora Development for Computational Psychology Research (Crystal Forest - Amethyst Pine)	N/A	2018-18061400003	227,681	176,051
Subtotal, U.S. Intelligence Community:			1,018,785	814,822
<u>U.S. SMALL BUSINESS ADMINISTRATION</u>				
Women's Business Center Sustainability Pilot Program	59.043	SBAHQ-15-W-0018	70,905	-
Women's Business Center Sustainability Pilot Program-Melbourne	59.043	SBAHQ18W0028/0001	83,465	-
Subtotal, U.S. Small Business Administration			154,370	-

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<u>NATIONAL SCIENCE FOUNDATION</u>				
Collaborative Research: Measuring Information Content of the Artifacts	47.041	CMMI-1532894	22,905	-
Collaborative Research: Exploring the Evolution of Design Requirements	47.041	CMMI-1463358	51,611	-
Collaborative Research: Improving Capabilities of Micro-scale Vibratory	47.041	CMMI-1561829	63,312	-
Capstone Design Projects in Rehabilitation to Aid Persons with Disabilities	47.041	CBET-1403345	17,560	-
UNS: Novel Biomaterials with Light-controlled CO Release for Modulation	47.041	CBET-1510003	69,991	-
UNS: Novel Biomaterials with Light-controlled CO Release for Modulation	47.041	CBET-1510003	49,678	-
<i>Univ. of Texas at Austin</i> , Natural Hazards Engineering Research	47.041	UTA15-000858	36,444	-
Design Interactive, Virtual Reality Rehabilitation Technologies for Children	47.041	1647093	15,403	-
<i>FAU</i> , Workshop electron beam technical conference focused on science	47.041	1635881	3,954	-
Collaborative Research: Nonlinear Coupling and Relaxation Mechanisms in	47.041	CMMI 1662619	16,773	-
<i>CUNY</i> , CAREER: Are current therapies accessing the disabilities	47.041	CBET-1829310	25,863	-
PFI-TT: A parallel computing engine for simulation of complex multi-scale systems	47.041	1827730	63,426	-
<i>Caltech</i> , Design and Characterization of Composite Membranes	47.049	68D-1096387	101,666	-
Reversible Metastable-state Photoacids	47.049	CHE-1565613	63,078	-
Collaboration Research: Undercovering Nature's 100 TeV Particle	47.049	AST-1716507	76,269	-
Collaboration Research: Blood Clotting at the Extreme	47.049	DMS-1715156	43,443	-
<i>Univ. of Delaware</i> , Time Resolved Studies of Outflows from Massive Stars	47.049	1747658	500	-
<i>Cornell University</i> , US CMS Phase 2 Upgrade R&D Endcap Muons (Travel)	47.049	78877-10947	22,458	-
Collaborative Research - Understanding the Full Range of Amazon	47.050	EAR-1303831	97,608	-
<i>Duke</i> , FESD Type I: The Dynamics of Mountains, Landscapes	47.050	EAR-1338694	2,985	-
Collaborative Research: Deep Drilling of Lake Junin, Peru:	47.050	EAR-1402054	19,205	-
Collaborative Research: Climate Change Mesoscale Oceanography	47.050	OCE-1535007	98,207	300
Waves, Bubbles and Splashes from Jovian Impacts	47.050	AST-1627409	22,878	-
Collaborative Research Belmont Forum: Vulnerability of Populations	47.050	ICER-1624207	87,529	47,026
<i>UNH</i> , Balloon Observation of Gamma-Ray Glows from Thunderstorms	47.050	AGS-1618457	17,421	1,244
<i>UNH</i> , CEDAR: High Speed Spectroscopic Studies of Lightning Bolts	47.050	N/A	32,948	-
Adjustment of Western Pacific Ocean Coral Reefs to Sea-level Rise	47.050	OCE-1657633	191,327	-
Collaborative Research: RAPID/ Workshop- Antarctic Ecosystem Research	47.050	OPP-1750888	2,005	-
Career: Toward Understanding solar wind turbulence in the inner heliosphere	47.050	175827	56,139	-
Identifying coral reef "bright spots" from the global 2015-2017 thermal-stress event	47.050	1829393	49,818	5,200
REU Site: Advances of Machine Learning in Theory & Applications	47.070	CNS-1560345	98,950	-
REU Sites: Research at the Intersection of Biology and Mathematics	47.074	DBI-1359341	24,686	-
Investigating the Timing and Consequences of Pleistocene Megafaunal	47.074	DEB-1260983	1,762	-
Collaborative Research: RET in Engineering and Computer Science Site	47.076	CNS-1200552	19,500	-
Collaborative Research: STEM Education in Virtual Worlds Workshop Series	47.076	DUE-1650342	9,217	-
Growing the Community College Pipeline for Careers in Civil, Chemical	47.076	DUE-1356455	152,184	-
Supporting Student Research at the Nano Florida 2018 conference	47.077	1833221	8,200	-
Collaborative Research: Climate Change and Predatory Invasion	47.078	1141877	2,883	-
Exploring The Future Of Innovative Learning Environments: The X-FILES Workshop	N/A	1848612	42,023	306
Subtotal, National Science Foundation:			1,781,809	54,076

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<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
<i>Florida Space Grant:</i>				
<i>UCF-FSG</i> , 2017 Dissertation and Thesis Improvement Fellowship	43.999	NNX10AM01H	1,673	79
<i>UCF-FSG</i> , Evaluation of Role of Ionization Using 3D Bioprinted Tissue	43.999	NNX15 020 under FSGC-02	4,874	-
<i>UCF-FSG</i> , Autonomous Control of Spacecraft Orbital Refueling AcSor	43.999	NNX10AM01H	326	-
<i>UCF-FSG</i> , 2018 Nasa Robotic Mining Competition: ReGAL Robot	43.008	NNX15AI10H FSGC-02 TO#022	2,000	-
<i>UCF-FSG</i> , Development of a high contrast imaging testbed: B. Steffens	43.008	NNX15AI10H FSGC-02 TO#023	5,000	-
<i>UCF-FSG</i> , 2018 Dissertation and Thesis Improvement Fellowship- Ky Johnston, Automated Variable Star Detection in the era of big data	N/A	NNX15AI10H FSGC-02 TO#024	3,183	700
<i>UCF-FSG</i> , Mission optimization based on crew psychophysiological	43.999	NNX15AI10H FSGC-02 TO#025	23,455	-
<i>UCF-FSG</i> , Interplay between cardiovascular disease and space Radiation	43.999	NNX15AI10H FSGC-02 TO#026	10,322	-
<i>UCF-FSG</i> , An Experimental Investigation of Polyimides for Space App	43.999	NNX15AI10H FSGC-02 TO#027	7,979	-
<i>UCF-FSG</i> , NASA-NIH Workshop On Collaborative Biomedical Research	43.008	NNX15AI10H FSGC-02 TO#028	756	-
<i>UCF-FSG</i> , High Altitude/Mach Rocket Nosecone	43.008	NNX15AI10H FSGC-02 TO#030	1,839	-
<i>UCF-FSG</i> , 2019 NASA RMC Senior Design Project	43.008	NNX15AI10H FSGC-02 TO#031	568	-
<i>Abacus Technology</i> , IDEAS: Innovative display and environmental	43.999	NNK08OH01C 25602-FIT- 15-005	43,097	-
<i>IMSS</i> , Optimizing monitoring of feral hog population size associated	43.999	IMSS-MSA-18-0037 (FERAL HOG)	38,331	-
NASA SHARED SERVICES CENTER:				
<u>NASA Goddard SpaceFlight Center:</u>				
<i>UAH</i> , Multi-scale Investigation of the Energetic Particle Behavior	43.001	NNX14AJ53G	587	-
Global System Based Approach to Test a Mechanism of the IBEX	43.001	NNX14AP24G	77,117	13,487
Connecting Theory and Simulations of Turbulence in the Inner	43.001	NNX16AH92G	53,234	-
NASA SFRO: Experimental Investigation of Polyimide Wire Repair System	43.001	NNX16AK66A	14,061	-
A New Tool for Studying Jupiter's Clouds, Storms and Vortices - FIT	43.001	NNX16AQ03G	47,724	-
<i>UM</i> , Assessing the relative importance of stochastic and resonant Ion	43.001	NNX16AM23G	13,483	-
<i>SAO</i> , The Physics of the Jets of Powerful Radio Galaxies and Quasars	43.001	NAS8-03060	12,770	-
<i>SAO</i> , Chandra General Observer Program, Cycle 18 - The 3C111 Jet: X-ray	43.001	NAS8-03060	16,982	-
Search for the origin of double power-law energy spectrum of energetic	43.001	80NSSC18K0644	40,362	18,756
An investigation on the roles of the shock acceleration and the interplanetary	43.001	80NSSC19K0076	1,117	-
SVGS-Based Navigation of Rings onboard ISS	43.002	80MSFC18M0029	3,781	-
<u>Space Telescope Science Institute (STSCI):</u>				
Extreme Variability in the M87 Jet	N/A	HST-GO-13759.003-A	5,199	-
The Physics of the Jets of Powerful Radio Galaxies and Quasars	N/A	HST-GO-14696-001-A	20,633	-
3C111 Jet: X-ray Variability, Spectrum and Broadband SED	43.012	HST-GO-14849-001-A	2,626	-

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Other NASA Programs:				
Probing the Magnetic Structure of the Heliosphere with MeV and TeV	43.001	NNX15AN72G	108,993	18,721
<i>Univ of New Mexico</i> , NASA Swarmathon	43.008	NNX15AM14A	10,368	-
SVGS-Based Navigation of Rings onboard ISS	43.009	NNM17AA03A	25,111	-
<i>SAO</i> , Testing the Wind-shock Paradigm for B-type Star X-ray	43.001	NAS8-03060	120	-
<i>CASIS</i> , Development and Deployment of Change Injection Device	N/A	NNH11CD70A	6,999	-
<i>A.I. Solutions</i> , Feasibility Study of Solid State Nitrogen Gas Generator	N/A	NNK12LA12C	398	-
An investigation of Solar Energetic Particles from Poorly Concentrated	N/A	NNX15AB76G	84,031	-
Testing Analytical & Numerical Models in Phase Coarsening Using NASA	43.007	NNX16AT74G	67,125	-
NASA IPA Agreement (Oluseyi)	N/A	N/A	145,186	-
Jaycon Systems, Vision Based Navigation for Formation Flight Onboard ISS	N/A	NNX14CG46P	50,747	-
Cloud Formation In Substellar Atmospheres	43.001	80NSSC18K0183	11,393	-
<i>Soar Technology</i> , Human Experimentation Toolkit for Variable Physiological Conditions in an Aerospace Environment	N/A	SC-18-006	31,671	-
Subtotal, National Aeronautics and Space Administration:			995,221	51,743
<u>U.S. ARMY</u>				
<i>Brockington & Associates</i> , Everglades Paleocology Study	N/A	W912EP-13-F-0020	9,531	-
<i>ARO</i> , Refinement and Validation of the 3CS Assessment Project	12.431	W911NF-16-2-0011	130,625	-
Free-Space Optical Communication in Plasma Waveguides (ARO-YIP)	12.431	W911NF1810347	27,643	-
Toward A Theory of Trust Development, Violation, & Repair Across	12.63	W911NF-16-1-0106	78,601	2,250
Evaluating Cross-Shore Sediment Grain Size Distribution Sediment	12.63	W912HZ-17-2-0011	9,355	-
Evaluating Cross-Shore Sediment Grain Size Distribution Sediment	12.36	W912HZ-17-2-0004	94,697	82,669
Noninvasive Gauge to Assess and Utilize Goal-Oriented Engagement (N-GAUGE) STTR Phase II	N/A	AF-FA8650-18-C-6964-FIT	34,741	-
Linked Web for Analysis of Plans (LWAP)	N/A	4201930521	24,994	-
Support of Cyber Dependency Mapping by the Florida Institute of Technology	N/A	W56KGU-16-C-0010	95,000	-
<u>U.S. Army Medical Research and Materiel Command:</u>				
<i>Engineering Acoustics</i> , Noninvasive, Head-Mounted Measures of Vestibular	12.42	X81XWH-15-C-0046	15,776	-
Subtotal, U.S. Army:			520,963	84,919
<u>U.S. NAVY</u>				
<i>Mainstream Engineering</i> , Integrated Health Sensing for Highly Efficient Weapon	N/A	HQ0147-16-7807	128,234	-
Cognitive Task Analysis of Naval Combat Crew Option 1 - Protection of Human Subjects CLIN 0002	N/A	N61340-15-C-0024	318	-
Cognitive Task Analysis of Naval Combat Crews Option 3.2 - MTS Coordination Across EW - CLIN 0005	N/A	N61340-15-C-0024	58,607	-
Autonomous Hull Grooming Vehicle (STTR)	N/A	N6833518C01471	39,272	-
Guided Mindfulness (CLIN 0009)	N/A	ASEC-SUB-15-1175-001	19,676	-
Subtotal, U.S. Navy:			246,107	-

See independent auditor's report.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED APRIL 30, 2019

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Development and Testing of the Miniaturized Pavement Pressuremeter	N/A	BDV28	17,835	-
Subtotal, U.S. Department of Transportation:			17,835	-
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Office of the Attorney General</i> , Victims of Crime Act (VOCA) 2016-2017	16.575	V169-14046	5,326	-
<i>Office of the Attorney General</i> , Victims of Crime Act (VOCA) 2017-2018	16.575	Institute of Tech-00077	37,265	-
FY18 Automatic Face Recognition Best Practices	N/A	FBI PO# 15F06718G0000637	250,708	92,455
Radio Frequency, Wireless, and Cellular Technologies Training	N/A	15F06718F0001446	10,126	-
Subtotal, U.S. Department of Justice:			303,425	92,455
<u>UNITED NATIONS, COMPREHENSIVE NUCLEAR-TEST-BAN TREATY ORGANIZATION</u>				
<i>General Dynamics</i> , GDAIS RASA	N/A	51ESM830782	600	-
<i>General Dynamics</i> , GDAIS RASA	N/A	51ESM914323	19,642	-
<i>General Dynamics</i> , GDAIS RASA	N/A	51ESM986251	11,060	-
Subtotal, United Nations, Comprehensive Nuclear-Test-Ban Treaty Org:			31,302	-
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
<i>IRL Council</i> , The Efficacy of Sediment Aeration As a Complement to Muck	66.456	27866	119,953	-
Numerical Model Flushing Of The North Indian River Lagoon	N/A	IRL2017-26	20,006	-
Subtotal, Environmental Protection Agency:			139,959	-
<u>U.S. DEPARTMENT OF STATE</u>				
Carbon-14 Elevations as a Indicator of Underground Weapons Testing	N/A	SAQMMA16M2264	2,254	-
Subtotal, U.S. Department of State			2,254	-
<u>OTHER</u>				
<i>Olgoonik Fairweather</i> , ANIMIDA III	N/A	M13PC00019	4,985	-
Subtotal, Other:			4,985	-
Subtotal, Research and Development Cluster:			11,187,097	1,363,068
<u>CORPORATION FOR PUBLIC BROADCASTING</u>				
CPB Community Serve Grant 2016-2018	N/A	N/A	133,711	-
Subtotal, Corporation for Public Broadcasting:			133,711	-
<u>FLORIDA DEPARTMENT OF EDUCATION</u>				
Robert C. Byrd Honors Scholarship Program	84.185	N/A	-	-
Subtotal, Florida Department of Education:			-	-
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>				
Post 9/11 Veterans Educational Assistance	64.028	N/A	6,961,821	-
Subtotal, U.S. Department of Veterans Affairs:			6,961,821	-

See independent auditor's report.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED APRIL 30, 2019

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
STUDENT FINANCIAL AID CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<u>Federal Supplemental Educational:</u>				
Opportunity Grant Program	84.007	N/A	735,271	-
Federal Work Study Program	84.033	N/A	623,357	-
JLD 11-12	84.033	N/A	71,920	-
Federal Perkins Loan Program	84.038	N/A	(8,836)	-
Federal Pell Grant Program	84.063	N/A	8,398,296	-
Erma Byrd Scholarship	84.116	N/A	-	-
Subsidized Direct Lending	84.268	N/A	9,003,767	-
Unsubsidized Direct Lending	84.268	N/A	28,784,018	-
Plus Direct Lending	84.268	N/A	10,924,412	-
Grad Plus Direct Lending	84.268	N/A	2,328,926	-
Academic Competitive Grant	84.376	N/A	-	-
Science and Math Access (SMART)	84.376	N/A	-	-
Subtotal, U.S. Department of Education:			60,861,131	-
CWS-Community Service	N/A	N/A	-	-
Subtotal Student Financial Aid Cluster:			60,861,131	-
TOTAL FEDERAL EXPENDITURES			79,143,760	1,363,068
<u>STATE</u>				
<u>FLORIDA OFFICE OF INSURANCE REGULATIONS</u>				
<i>FIU</i> - Development of Florida Public Model 2013-2014	N/A	N/A	51,512	-
<i>FIU</i> - Enhancement of Florida Public Model w/ Storm Surge	N/A	N/A	51,667	-
Subtotal, Florida Office of Insurance Regulations			103,179	-
<u>FLORIDA DIVISION OF EMERGENCY MANAGEMENT</u>				
<i>FIU</i> - Investigation and Incorporation of WOW testing outputs 2017-2018	31.066	800008787-02	37,898	-
Development of Florida Public Model 2017-18 cycle amended	31.066	800009459-02	23,772	-
Subtotal, Florida Division of Emergency Management			61,670	-
<u>FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES</u>				
Demonstration of Cost Effective Scalable Zero Energy Commercial Building Design for Florida Climates	N/A	024553 (SO432)	17,908	16,813
Subtotal, Florida Department of Agriculture and Consumer Services			17,908	16,813
<u>FLORIDA DEPARTMENT OF HEALTH</u>				
CO Releasing Polymer Nanoparticles for Treatment of Alzheimer's Disease	N/A	8AZ03	10,096	-
CO Releasing Polymer Nanoparticles for Treatment of Alzheimer's Disease	N/A	8AZ03	22,266	-
<u>Medical Services to Abused/Neglected Children</u>				
Family Learning Program 2017-2018	64.006	CSABV	15,784	-
FLP 2018-2019	64.066	CSBBV	13,170	-
Subtotal, Florida Department of Health:			61,316	-
<u>FLORIDA DEPARTMENT OF EDUCATION</u>				
Public Radio Stations Grant	48.056	857-99790-8Q001	9,665	-
Public Radio Stations Grant	N/A	857-99790-9Q001	80,965	439
FIT CAMID	48.128	857-99685-8D001	528,670	-
RISE consortium (reaching and inspiring students through education) - summer camp 2017	N/A	N/A	7,000	-
RISE Consortium (Reaching and Inspiring Students through Education) - Summer Camp	N/A	N/A	218	-
High Power Thulium Laser Marking System Development for Visibly Transparent Polymers	N/A	65018673-01	25,780	-
Subtotal, Florida Department of Education:			652,298	439

See independent auditor's report.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED APRIL 30, 2019

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
<u>FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>				
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 4 Subtask 4	37.039	NS005	86	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 1 Subtask 6	37.039	S0714	122	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 2 Subtask 1	37.039	S0714	9,245	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 2 Subtask 2	37.039	S0714	85,347	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 2 Subtask 6	37.039	S0714	39,171	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 2 Subtask 8	37.039	S0714	8,446	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 2 Subtask 9	37.039	S0714	15,168	5,564
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 2 Subtask 5	37.039	S0714	8,511	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 2 Subtask 7	37.039	S0714	112	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 5	37.039	NS005	25,721	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 2	37.039	NS005	36,067	585
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 3	37.039	NS005	110,631	6,020
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 4	37.039	NS005	55,184	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 2	37.039	NS005	98,055	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 6	37.039	NS005	83,320	28,497
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 2	37.039	NS005	43,246	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 1	37.039	NS005	28,192	-
<i>Brevard County (FDEP)</i> , Muck Dredging Project: TO 3 Subtask 5	37.039	NS006	13,152	-
Indian River Muck Dredging Research: Additional of research subtask #7 to TO #3	N/A	TO 3 (SUBTASK 7) (PRIME-NS005)	1,103	-
Indian River Legacy Load Toxicity and Transfer	N/A	TASK ORDER 02-01	17,252	-
<i>Sebastian Inlet Tax District Commission</i> - Wave, Weather and Tide Data Collection	N/A	W/O: 1718-002-FIT	110,552	6,595
<i>Sebastian Inlet Tax District Commission</i> - State of the Inlet Analysis 2016-17	N/A	W/O: 1516-012-FIT	1,996	-
<i>Sebastian Inlet Tax District Commission</i> - State of the Inlet Analysis 2017-18	N/A	W/O: 1617-021-FIT	47,864	-
Sebastian Inlet: State of the Inlet Analysis:2018-19	N/A	WORK ORDER 1718-014-FIT	46,131	-
Sebastian Inlet Tax District Commission Wave, Weather and Tide Data Collection System at Sebastian Inlet (CR - Equipment)	N/A	WORK ORDER 1718-002-FIT	32,000	-
Sebastian Inlet Tax District Commission Turbidity Monitoring	N/A	WO1819-005-FIT	21,074	-
Sebastian Inlet Tax District Commission Wave, Weather, and Tide Data Collection	N/A	WO 1819-002-FIT	3,359	-
<i>Marine Resource Council</i> , NEP SJRWMD Outreach	N/A	N/A	299	-
Spatial Epidemiology Modeling of the Florida Coral Disease Outbreak	N/A	B29704	33,738	18,914
General Survey and Grazing characteristics of mesozooplankton in the northern indian river lagoon	N/A	27786	700	-
Sediment Survey and nutrient fluxes from sediments and groundwater in northern indian river lagoon system	N/A	27815	179	-
Sediment survey and nutrient fluxes from sediments and groundwater in northern indian river lagoon	N/A	27815	46,810	-
Hydrological model indian river lagoon	N/A	27957	252	-
Design and Modeling of complex system	N/A	4102962674	45	-
Nutrient Fluxes from Groundwater in Northern Indian River Lagoon	N/A	30473	33,125	-
Feature extraction from PET-CT images	N/A	M-FRANC-FIT-00SC	340	-
Biorock	N/A	N/A	4,386	-
Subtotal, Florida Department of Environmental Protection:			<u>1,060,981</u>	<u>66,175</u>
<u>FLORIDA DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES</u>				
Specialty License Plate	76.049	N/A	69,983	-
<i>FAU</i> , Dolphins as Sentinels for Harmful Algal Bloom Toxins	76.011	AWD001123	42,743	-
Subtotal, Florida Department of Highway Safety and Motor Vehicles:			<u>112,726</u>	-

See independent auditor's report.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED APRIL 30, 2019

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	Federal / State Expenditures	Passed Through to Subrecipient
<u>FLORIDA STUDENT FINANCIAL ASSISTANCE</u>				
Florida Resident Access Grant	48.064	N/A	3,939,500	-
Scholarships for Children of Deceased or Disabled Veterans	48.055	N/A	52,788	-
Florida Student Assistance Grant	48.054	N/A	616,155	-
Florida State Stem Scholarship	N/A	N/A	-	-
Florida Ethics Scholarship	N/A	N/A	-	-
Jose Marti Scholarship Challenge Grant	48.052	N/A	-	-
Florida Work Experience Project (FWEP)	N/A	N/A	554	-
Subtotal, Florida Student Financial Assistance			<u>4,608,997</u>	<u>-</u>
<u>OTHER STATE STUDENT FINANCIAL ASSISTANCE</u>				
Michigan State Grant	N/A	N/A	-	-
Pennsylvania State Grant	N/A	N/A	-	-
Maryland State Grant	N/A	N/A	-	-
Vermont State Grant	N/A	N/A	1,000	-
Delaware State Grant	N/A	N/A	-	-
Rhode Island State Grant	N/A	N/A	-	-
Subtotal, Other State Student Financial Assistance:			<u>1,000</u>	<u>-</u>
<u>FLORIDA BRIGHT FUTURES SCHOLARSHIPS</u>				
Academic Top Scholars Award (Bright Futures)	48.059	N/A	1,364	-
Florida Vocational Gold Seal Award (Bright Futures)	48.059	N/A	-	-
Florida Academic Scholars Award (Bright Futures)	48.059	N/A	2,065,061	-
Florida Medallion Scholars Award (Bright Futures)	48.059	N/A	1,026,463	-
Subtotal, Bright Futures:			<u>3,092,888</u>	<u>-</u>
Total, Student Financial Assistance and Bright Futures Scholarships:			<u>7,702,885</u>	<u>-</u>
TOTAL STATE, FINANCIAL ASSISTANCE EXPENDITURES:			<u>\$ 9,772,963</u>	<u>\$ 83,427</u>

See independent auditor's report.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
YEAR ENDED APRIL 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the expenditures incurred under all federal and state awards received by Florida Institute of Technology, Inc. (the "University") for the year ended April 30, 2019. For purposes of this schedule, federal awards and state projects include all grants, contracts, loans, and loan guarantee agreements entered into directly between the University and agencies and departments of the federal and state government and federal and state awards passed through other agencies. Expenditures for federal and state awards programs are recognized on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements*, Cost Principles and Audit Requirements for Federal Awards and Chapter 10.650, *Rules of the Auditor General*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

2. PROGRAM CLUSTERS

Federal Uniform Guidance and the Florida State Single Audit Act define a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, we have determined the Student Financial Assistance Programs and Research and Development Programs to be Federal clusters of programs and the Florida Student Financial Assistance to be a State cluster of programs.

3. LOANS OUTSTANDING

The University had the following loan balances due to the federal government at April 30, 2019:

<u>Cluster/Program Title</u>	<u>Number</u>	<u>Outstanding</u>
Federal Perkins Loan Program	84,038	<u>\$ 4,431,112</u>

4. GUARANTEED STUDENT LOAN PROGRAMS

During the year ended April 30, 2019, the University processed new loans under the following Guaranteed Student Loan Programs:

	<u>Loans to Students</u>
Stafford Loans	\$ 37,787,785
Parents' Loans for Undergraduate and Graduate Students	<u>13,253,338</u>
Total Guaranteed Student Loan Program	<u>\$ 51,041,123</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE (continued)
YEAR ENDED APRIL 30, 2019**

5. CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the University. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

6. INDIRECT COST RATE

Under the current federally negotiated rate agreement, the University uses a predetermined indirect cost rate using a modified total direct cost base. This rate is in effect until April 30, 2019. The University applies a 45% indirect cost rate or a 22% off campus rate on a modified total direct cost basis to all federal grants, unless otherwise restricted by the agency.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

April 30, 2019

ASSETS	FIT	Affiliated Entities	Eliminations	Total Consolidated
Cash and cash equivalents	\$ 21,154,237	\$ 277,911	\$ -	\$ 21,432,148
Accounts receivable, net	27,947,118	364,109	(23,756,736)	4,554,491
Pledges receivable, net	2,424,590	-	-	2,424,590
Prepaid expenses, inventories and other assets, net	6,696,021	965,238	-	7,661,259
Student loans receivable, net	4,060,162	-	-	4,060,162
Investments	94,859,451	-	(1,232,732)	93,626,719
Long-lived assets, net	124,006,053	1,747,891	-	125,753,944
TOTAL ASSETS	\$ 281,147,632	\$ 3,355,149	\$ (24,989,468)	\$ 259,513,313
 LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	\$ 23,972,864	\$ 24,962,581	\$ (23,756,736)	\$ 25,178,709
Deposits and deferred revenue	13,514,378	331,300	-	13,845,678
Annuities payable	1,915,912	-	-	1,915,912
Refundable government loans	4,431,112	-	-	4,431,112
Capital lease obligations	14,669,109	-	-	14,669,109
Long-term debt	28,183,398	-	-	28,183,398
Total Liabilities	86,686,773	25,293,881	(23,756,736)	88,223,918
 NET ASSETS				
Without donor restrictions	111,007,718	(21,938,732)	(1,232,732)	87,836,254
With donor restrictions	83,453,141	-	-	83,453,141
Total Net Assets	194,460,859	(21,938,732)	(1,232,732)	171,289,395
TOTAL LIABILITIES AND NET ASSETS	\$ 281,147,632	\$ 3,355,149	\$ (24,989,468)	\$ 259,513,313

See independent auditor's report.

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

To the Board of Trustees of
Florida Institute of Technology, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Florida Institute of Technology, Inc. (the "University" a nonprofit organization), which comprise the consolidated statement of financial position as of April 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated 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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melbourne, Florida
September 5, 2019

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

To the Board of Trustees of
Florida Institute of Technology, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Florida Institute of Technology, Inc.'s (the "University", a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs and state projects for the year ended April 30, 2019. The University's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General (Chapter 10.650). Those standards, the Uniform Guidance and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state project occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended April 30, 2019.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Melbourne, Florida
September 5, 2019

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED APRIL 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|---|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None noted |
| 3. Noncompliance material to the consolidated financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None noted |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? | No |

4. Identification of major federal award programs:

CFDA Number

Name of Federal Program

Various

Student Financial Aid Programs
Cluster

- | | |
|---|-------------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$2,372,848 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
YEAR ENDED APRIL 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS (continued)

State Financial Assistance

- 1. Internal control over major projects:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? None noted
- 2. Type of auditor's report issued on compliance for major projects: Unmodified
- 3. Any audit findings disclosed that are required to be reported under Rule 10.654(1)(h)4? No
- 4. Any management letter issued under Rule 10.656(3)(e)? No
- 5. Identification of major state financial assistance projects:

CSFA Number

Name of State Project

Various

Florida Student Financial Assistance Cluster
The Florida Bright Futures Scholarship Programs

48.059

- 6. Dollar threshold used to distinguish between type A and type B projects: \$300,000

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued) YEAR ENDED APRIL 30, 2019

SECTION III - FINDINGS AND QUESTIONED COSTS - STATE AND FEDERAL AWARD PROGRAMS AND QUESTIONED COSTS

None reported

SECTION IV - SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2018-001 Procurement, Suspension and Debarment

Research and Development Cluster - Federal

Significant deficiency in internal control

Other matter required to be reported in accordance with the

Uniform Guidance

Condition: During our testing of the University's procurement process, we noted purchases which were not made in compliance with the University procurement process.

Auditor's Recommendations: We recommend that the University review the procurement policies to ensure that all policies are properly documented, including the use of preferred vendors. Additionally, we recommend that the policy be utilized in all purchasing transactions as appropriate. The policy related to the use of preferred vendors should be documented thoroughly, including:

- i. its use as an alternative to obtaining a written estimate or quote,
- ii. when its use is appropriate,
- iii. a standard listing of the vendors which are approved,
- iv. the process to approve a vendor for the preferred vendor list,
- v. controls related to the review and approval of the list,
- vi. periodic subsequent reviews of the list to ensure that preferred vendors still meet the initial requirements.

Current Year Status: Cleared in the current year.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

SCHEDULE OF POPULATIONS, SAMPLES TESTED, AND QUESTIONED COSTS FOR FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS
YEAR ENDED APRIL 30, 2019

		Award Population		Award Sample			Questioned Costs				
		Amount	Recipients	Amount	% of Population Amount	Recipients	% of Population Recipients	Amount	% of Sample Amount	Recipients	% of Sample Recipients
Florida Academic Scholars Award	FLAS	\$ 2,065,061	312	\$ 286,327	14%	50	16%	\$ -	0%	-	0%
Florida Medallion Scholars Award	FLMS	1,026,463	251	106,183	10%	50	20%	-	0%	-	0%
Academica Top Scholars Award	CHAL	1,364	1	1,364	100%	1	100%	-	0%	-	0%
Florida Resident Access Grant	FRAG	3,939,500	392	160,050	4%	50	13%	-	0%	-	0%
Florida Effective Access to Student Education Program	EASE	616,155	1264	83,870	14%	50	4%	-	0%	-	0%
Scholarship for Children of Veterans	CDDV	52,788	10	26,712	51%	10	100%	-	0%	-	0%
		<u>\$ 7,701,331</u>	<u>2230</u>	<u>\$ 664,506</u>		<u>211</u>		<u>\$ -</u>		<u>-</u>	

See independent auditor's report.