

**FLORIDA INTERNATIONAL UNIVERSITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Florida International University Foundation, Inc. (the Foundation), a direct support organization and component unit of Florida International University, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standard generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Gainesville, Florida
October 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Management's discussion and analysis ("MD&A") provides an overview of the financial position and activities of the Florida International University Foundation, Inc. (the "Foundation") for the fiscal years ended June 30, 2020, 2019 and 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, financial statements, and notes thereto are the responsibility of management. The MD&A contains financial activity of the Foundation for the fiscal years ended June 30, 2020, 2019 and 2018.

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

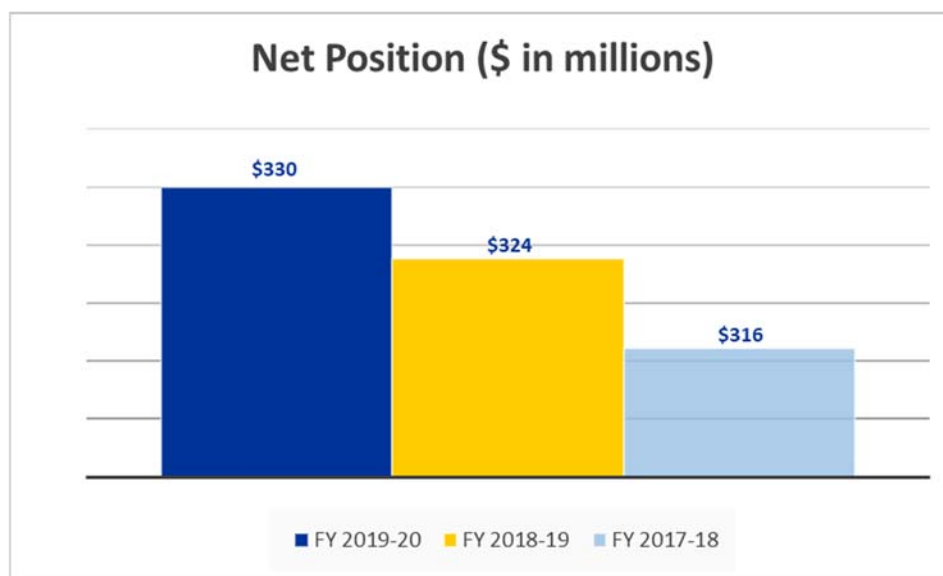
FINANCIAL HIGHLIGHTS

The Foundation's assets totaled \$346,377,162 and \$338,895,922 at June 30, 2020 and 2019, respectively. This balance represents an increase of \$7,481,240 or 2.2%. This change is a result of an increase in total cash equivalents and investments coupled with higher pledges receivable due to new contributions in the current year.

The Foundation's liabilities totaled \$16,380,370 and \$15,048,372 at June 30, 2020 and 2019, respectively. This balance represents an increase of \$1,331,998, or 8.9%. The increase is primarily attributable to the net effect of additional grant funds managed by the Foundation as an endowment on behalf of the University offset by the payment of principal on the notes payable.

As a result, the Foundation's net position increased by \$6,149,242, resulting in a year-end balance of \$329,996,792. Net position represents the residual interest in the Foundation's assets after deducting liabilities.

The Foundation's comparative total net position for the fiscal years ended June 30, 2020, 2019 and 2018, is shown in the following graph:



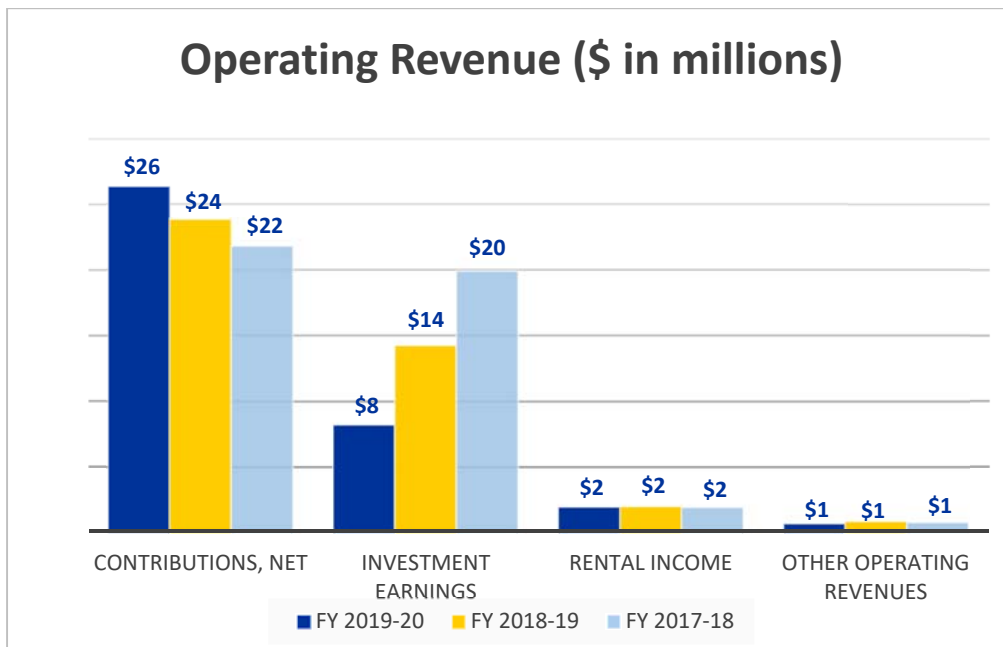
FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

The Foundation's operating revenues totaled \$37,226,596 for the 2019-20 fiscal year, representing a decrease of \$3,740,650, or 9.1%. Major components of operating revenues are contributions and investment earnings. The decrease in operating revenues is attributable to investment underperformance as compared to prior year due to the negative market effects of the COVID-19 pandemic.

The Foundation's operating expenses totaled \$36,854,695 for the 2019-20 fiscal year, representing a decrease of \$1,648,279, or 4.3%. Operating expenses are comprised of support to the University, fundraising, general and administrative, and depreciation expenses. The largest component of operating expenses is for the benefit of the University in the form of programs, scholarships and building support totaling \$27,461,363 and other general support totaling \$1,273,868.

The decrease in operating expenses is mainly due to one-time fundraising expenses related to the launch of the public phase of the Next Horizon Campaign in the prior year coupled with lower expenses in the current year as a result of cancelled events, reduced travel and delays in hiring due to the COVID-19 pandemic. This decrease was offset by an increase in general and administrative expenses due to environmental remediation expenses on land held for investment in the current year.

The following charts provide a graphical presentation of the Foundation's revenues by category for the 2019-20, 2018-19 and 2017-18 fiscal years:



FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

OVERVIEW OF FINANCIAL STATEMENTS

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

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

THE STATEMENTS OF NET POSITION

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

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

	June 30,		
	2020	2019	2018
Assets			
Current assets	\$ 36,849,383	\$ 24,949,030	\$ 28,263,370
Noncurrent assets	309,527,779	313,946,892	301,873,297
Total assets	346,377,162	338,895,922	330,136,667
Liabilities			
Current liabilities	5,105,974	4,707,204	4,708,335
Noncurrent liabilities	11,274,396	10,341,168	9,407,142
Total liabilities	16,380,370	15,048,372	14,115,477
Net position			
Net investment in capital assets	12,921,147	12,565,994	11,605,672
Restricted:			
Nonexpendable endowments	185,009,260	179,637,406	174,696,827
Expendable	115,065,140	113,540,580	109,696,445
Unrestricted	17,001,245	18,103,570	20,022,246
Total net position	\$ 329,996,792	\$ 323,847,550	\$ 316,021,190

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

TOTAL ASSETS

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

	June 30,		
	2020	2019	2018
Cash and cash equivalents	\$ 28,302,508	\$ 16,368,061	\$ 17,580,203
Pledges receivable, net	19,751,852	16,991,025	21,909,472
Other current assets	488,439	433,560	418,459
Due from Florida International University	134,300	19,855	64,160
Investments	282,201,006	289,029,517	274,151,644
Depreciable capital assets, net	15,499,057	15,975,578	15,995,929
Nondepreciable capital assets	-	78,326	16,800
Total assets	\$ 346,377,162	\$ 338,895,922	\$ 330,136,667

Total assets as of June 30, 2020 increased \$7,481,240, or 2.2%. Cash and cash equivalents were higher in current year due to the rebalancing of investments at year end. Pledges receivable, net increased due to new contributions mainly for scholarships and other University program support.

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

As of June 30, 2020, 2019 and 2018, endowment pledges receivable totaled \$51,725,927, \$51,309,132 and \$51,660,177, respectively, which includes \$41,967,040 the State of Florida has approved for match under the Trust Fund for Major Gifts. Effective July 1, 2011, state matching funds were temporarily suspended by the Florida Legislature for donations received for this program on or after June 30, 2011. The program may be restarted after \$200 million of the backlog for programs has been matched. The State of Florida did not provide funds for this program during the fiscal year; therefore, these endowment pledges are not recognized in the statements of net position. The ultimate collection of these funds is dependent upon future appropriations for this program by the State of Florida Legislature.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

TOTAL LIABILITIES

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

	June 30,		
	2020	2019	2018
Accounts payable and accrued expenses	\$ 627,256	\$ 417,198	\$ 182,694
Due to Florida International University	3,421,506	3,126,585	3,420,949
Funds held for others	9,507,227	7,625,600	5,789,900
Notes payable	2,035,000	2,945,000	3,810,000
Unearned revenue	150,000	292,836	214,807
Annuity obligations	639,381	641,153	697,127
Total liabilities	\$ 16,380,370	\$ 15,048,372	\$ 14,115,477

Total liabilities as of June 30, 2020 increased \$1,331,998, or 8.9%. The increase is mainly due to the receipt of funds held for others of \$1,881,627 offset by a decrease of \$910,000 in notes payable. Funds held for others are mainly comprised of grant funds awarded to the University and managed by the Foundation as an endowment. This grant supports research in the area of minority health and health disparities. Pursuant to the terms of the grant, the funds are to be held by the Foundation as an endowment for a period of at least 20 years. The decrease in notes payable is due to principal payments made in the current year.

NET POSITION

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

	June 30,		
	2020	2019	2018
Net investment in capital assets	\$ 12,921,147	\$ 12,565,994	\$ 11,605,672
Restricted:			
Nonexpendable endowments	185,009,260	179,637,406	174,696,827
Expendable	115,065,140	113,540,580	109,696,445
Unrestricted	17,001,245	18,103,570	20,022,246
Total net position	\$ 329,996,792	\$ 323,847,550	\$ 316,021,190

Total net position as of June 30, 2020 increased \$6,149,242, or 1.9%. Net position provides three classifications including net investment in capital assets, restricted, and unrestricted net position. Net investment in capital assets reflects total capital assets, net of accumulated depreciation, less any capital-related borrowings. Restricted net position consists of restricted nonexpendable resources which represent permanent endowments to be held in perpetuity, while expendable resources are made up of external, donor-restricted funds and appreciation from the endowment.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

The increase in net position is mainly attributable to the receipt of endowed gifts offset by the outflow of expendable restricted resources for the benefit of programs, scholarships and building support provided to the University.

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

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

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

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

	June 30,		
	2020	2019	2018
Contributions, net	\$ 26,346,350	\$ 23,870,781	\$ 21,828,030
Investment earnings	8,230,007	14,239,211	19,908,559
Rental income	1,962,682	2,001,143	1,927,652
Other operating revenues	687,557	856,111	771,851
Total operating revenues, net	37,226,596	40,967,246	44,436,092
Programs, scholarships and building support to Florida International University	27,461,363	27,688,533	28,530,233
Fundraising	4,369,700	7,437,386	6,302,716
General and administrative	3,001,977	1,410,991	1,132,275
General support to Florida International University	1,273,868	1,243,041	1,133,465
Depreciation	747,787	723,023	679,022
Total operating expenses	36,854,695	38,502,974	37,777,711
Operating income	371,901	2,464,272	6,658,381
Nonoperating expenses	(84,000)	(29,853)	(32,431)
Gain before endowment contributions	287,901	2,434,419	6,625,950
Endowment contributions	5,861,341	5,391,941	6,693,273
Change in net position	6,149,242	7,826,360	13,319,223
Net position - beginning of year	323,847,550	316,021,190	302,701,967
Net position - end of year	\$ 329,996,792	\$ 323,847,550	\$ 316,021,190

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

OPERATING REVENUES

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

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

	June 30,		
	2020	2019	2018
Contributions, net	\$ 26,346,350	\$ 23,870,781	\$ 21,828,030
Investment earnings	8,230,007	14,239,211	19,908,559
Rental income	1,962,682	2,001,143	1,927,652
Other operating revenues	687,557	856,111	771,851
Total operating revenues, net	\$ 37,226,596	\$ 40,967,246	\$ 44,436,092

Total operating revenues decreased \$3,740,650, or 9.1%. Operating revenues are made up of contributions revenue, investment earnings, rental income, and other operating revenues.

The decrease in total operating revenues is attributable to lower investment earnings of 2.7% in the current year versus 4.9% in the prior year offset by an increase in new gifts for scholarships and other program support.

Despite the uncertainty caused by the COVID-19 pandemic, contributions increased in the current year as a result of the Foundation's focus on a comprehensive fundraising campaign. On January 26, 2019, the University entered the public phase of The Next Horizon campaign. That momentum coupled with the dedicated work of the Foundation Board, volunteers, and staff have made this success possible.

Rental income was level when compared to the prior year. Other operating revenues decreased \$168,554, or 19.7%. Other operating revenues are comprised of revenues related to events, museum store sales and membership dues. This decrease is a result of the cancellation of events and closures due to the COVID-19 pandemic in the current year.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

OPERATING EXPENSES

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

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

	June 30,		
	2020	2019	2018
Programs, scholarships and building support to			
Florida International University	\$ 27,461,363	\$ 27,688,533	\$ 28,530,233
Fundraising	4,369,700	7,437,386	6,302,716
General and administrative	3,001,977	1,410,991	1,132,275
General support to Florida International University	1,273,868	1,243,041	1,133,465
Depreciation	747,787	723,023	679,022
Total operating expenses	\$ 36,854,695	\$ 38,502,974	\$ 37,777,711

Total operating expenses decreased \$1,648,279, or 4.3%. Operating expenses are comprised mainly of support to the University, fundraising, and general and administrative expenses.

The largest component of operating expenses is support to the University. This includes transfers to the University or expenses directly paid to third parties for the University's programs, student scholarships and building support.

The next largest component of operating expenses is fundraising. The decrease in operating expenses is mainly due to one-time fundraising expenses related to the launch of the public phase of the Next Horizon Campaign in the prior year coupled with lower expenses in the current year as a result of cancelled events, reduced travel and delays in hiring due to COVID-19 pandemic.

General and administrative expenses include business office expenses, utilities, maintenance, insurance, and environmental remediation on land held for investment. The increase in general and administrative expenses is primarily attributable to environmental remediation expenses in the amount of \$1,561,698 in the current year.

General support to the University includes other expenses such as lobbying, and support for the compensation, travel and business expenses for the University President. General support to the University was level when compared to the prior year.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

NONOPERATING EXPENSES

GASB Statement No. 35 categorizes expenses as either operating or nonoperating. Nonoperating expenses is comprised of the change in value of annuity obligations.

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

	June 30,		
	2020	2019	2018
Change in value of annuity obligations	\$ (84,000)	\$ (29,853)	\$ (32,431)
Total nonoperating expenses	\$ (84,000)	\$ (29,853)	\$ (32,431)

ENDOWMENT CONTRIBUTIONS

Endowment contributions increased \$469,400, or 8.7%, as compared to the prior year. Endowment contributions are recognized as revenue as they are received in cash. The earnings on an endowment, rather than the endowment itself, are intended for spending. The endowment is invested in perpetuity. The increase is reflective of Foundation's focus on fundraising efforts to grow the endowment.

	June 30,		
	2020	2019	2018
Endowment contributions	\$ 5,861,341	\$ 5,391,941	\$ 6,693,273
Total endowment contributions	\$ 5,861,341	\$ 5,391,941	\$ 6,693,273

THE STATEMENTS OF CASH FLOWS

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

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

	June 30,		
	2020	2019	2018
Cash flows provided by (used in)			
Operating activities	\$ (7,798,241)	\$ (4,202,640)	\$ (5,424,726)
Capital and related financing activities	(1,187,171)	(1,762,781)	(1,946,424)
Investing activities	15,058,518	(638,662)	(4,942,735)
Noncapital financing activities	5,861,341	5,391,941	6,693,273
Change in cash and cash equivalents	11,934,447	(1,212,142)	(5,620,612)
Cash and cash equivalents			
Beginning of year	16,368,061	17,580,203	23,200,815
End of year	<u>\$ 28,302,508</u>	<u>\$ 16,368,061</u>	<u>\$ 17,580,203</u>

Cash and cash equivalents increased \$11,934,447, or 72.9%. The increase was primarily attributable to the rebalancing of the investment portfolio offset by the use of cash to provide support to the University for scholarships and programs. During the course of the current year, the organization engaged in an extensive review of the investment policy statement which resulted in changes to the asset allocation. As such, at year end, cash was held pending reinvestment.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At June 30, 2020, the Foundation had \$23,827,558 in capital assets, less accumulated depreciation of \$8,328,501 for net capital assets of \$15,499,057. Depreciation charges for the current fiscal year totaled \$747,787.

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

	June 30,		
	2020	2019	2018
Building and improvements, net	\$ 14,976,002	\$ 15,345,925	\$ 15,515,615
Furniture and equipment, net	523,055	629,653	480,314
Total depreciable capital assets, net	15,499,057	15,975,578	15,995,929
Construction in progress	-	78,326	16,800
Total nondepreciable capital assets	-	78,326	16,800
Total capital assets, net	<u>\$ 15,499,057</u>	<u>\$ 16,053,904</u>	<u>\$ 16,012,729</u>

The largest component of capital assets is building and improvements, totaling \$14,976,002, or 96.6%, of the total balance. Furniture and equipment account for the remaining balance in capital assets.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

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

	June 30,		
	2020	2019	2018
Notes payable	\$ 2,035,000	\$ 2,945,000	\$ 3,810,000
Annuity obligations	639,381	641,153	697,127
Total outstanding debt	\$ 2,674,381	\$ 3,586,153	\$ 4,507,127

During the 2019-20 fiscal year, the Foundation reduced debt by \$911,772, primarily as a result of principal payments.

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

	June 30,		
	2020	2019	2018
Capital assets, net	\$ 15,499,057	\$ 16,053,904	\$ 16,012,729
Notes payable	(2,035,000)	(2,945,000)	(3,810,000)
Annuity obligations	(542,910)	(542,910)	(597,057)
Net investment in capital assets	\$ 12,921,147	\$ 12,565,994	\$ 11,605,672

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

OUTLOOK FOR THE FUTURE

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

The Next Horizon campaign is FIU's most ambitious and forward-thinking philanthropic endeavor to date. The fiscal year 2019-2020 was the comprehensive campaign's first full year in the public phase, and its accomplishments were many, even in light of the COVID-19 pandemic. The university raised a record \$75.85 million in FY 19-20, exceeding its goal of \$71 million. This brought FIU to a total of \$585.6 million, or 78 percent, toward its \$750 million goal for Next Horizon. The total raised in FY 19-20 includes a record number of principal gifts of \$1 million or higher. We also experienced a record number of gifts ranging from \$50,000 up to \$99,000, and increased the number of gifts between \$25,000 and \$49,000.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

Adding to the significance of this fiscal year's successes were the challenges posed to university foundations nationwide by the COVID-19 pandemic. When FIU announced it would transition to remote learning and remote work in March 2020, development staff knew it would present challenges for the remaining quarter of the fiscal year. With the health and well-being of both staff and constituents in mind, the team rallied and shifted focus to reach out to donors and prospects using virtual platforms, an effort that is ongoing as of September 2020. During this time, staff and student ambassadors of the Foundation have taken the opportunity to reach out to alumni, donors, and other partners to check in on a personal level, to make sure they are doing well, and share virtual programs and events offered by the university to promote professional development, health and wellbeing, and camaraderie even as we social distanced. The strategy pivot proved successful, and fundraising continued unabated. As a result, \$30.8 million was raised between the start of the pandemic and the end of the fiscal year. This includes \$2.64 million toward FIUStrong, the university's disaster relief initiative, which continues to support students, faculty and staff who need emergency assistance as a result of the pandemic and is providing aid for South Florida's hard-hit hospitality industry through the SOBEWFF® & Chaplin School Hospitality Relief Fund.

New initiatives that drove FIU Foundation efforts in FY 19-20 focused on cultivating new audiences as prospects, and ensuring that philanthropic endeavors support areas and issues that both the university and donors find meaningful and timely. The newly established Pathway to Philanthropist program offers a novel approach to endowment establishment that helps constituents who may not normally think they have the capacity to explore options that work for their budget and make an impact at the university. New committee structures in the Foundation have enhanced operations and concentrated fundraising efforts on areas of need and growth identified by university leadership. This includes a committee dedicated to ascertaining philanthropic support for university-identified opportunities to strengthen diversity, equity and inclusion. The Corporate Enterprise Growth Initiative was created to help the Foundation adapt to a shifting philanthropic landscape by attracting impact philanthropy to support curricula and research that address emerging trends and prepare students for careers with the region's companies, particularly those in the technology sector.

As a whole, FIU is committed to student success, research excellence, and continuing to advance in university rankings. This is reflected in both the university's Next Horizon 2025 strategic plan and in the Next Horizon capital campaign. In FY 19-20, the university had 44 top-50 rankings among public universities from U.S. News & World Report. These included No. 10 for Top Performers for Social Mobility and No. 2 for its undergraduate International Business program. FIU was also ranked among the top three U.S. universities in four categories for impact on the community by Times Higher Education. FIU was also selected by the Carnegie Foundation for the Advancement of Teaching as one of 119 U.S. colleges and universities to classify as a community-engaged university in 2020. FIU reached nearly \$226 million in research expenditures last year, a 15 percent rise from 2018 to 2019; and it remains ranked among the top 25 public universities in the world for the number of U.S. utility patents produced. FIU holds 61 patents, spanning the fields of renewable energy, medicine, computer science, engineering, and more.

The FIU Foundation has set a goal to complete the Next Horizon campaign within the next two years. Key priorities moving forward include building development capacity and the pipeline of donors to prepare the university for its next, larger campaign, and growing undergraduate alumni giving participation to 18 percent by 2025. Fundraising will focus, in large part, on capital projects that will reshape the face of campus, including the future construction of a combined alumni and conference center and hotel, the nondenominational Trish and Dan Bell Chapel, CasaCuba – a home for research and preservation of Cuban history and culture – a new engineering building, and phase two of the Green School of International & Public Relations' complex.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

On the heels of a record fundraising year and with priorities and initiatives that align with the university's 2025 strategic plan, the FIU Foundation is poised for another impactful fiscal year, making a difference in the lives of those we serve and on the university's progress.

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 28,302,508	\$ 16,368,061
Pledges receivable, net	7,924,136	8,127,554
Other current assets	488,439	433,560
Due from Florida International University	134,300	19,855
Total current assets	36,849,383	24,949,030
Noncurrent assets		
Investments	282,201,006	289,029,517
Pledges receivable, net	11,827,716	8,863,471
Depreciable capital assets, net	15,499,057	15,975,578
Nondepreciable capital assets	-	78,326
Total noncurrent assets	309,527,779	313,946,892
Total assets	346,377,162	338,895,922
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	627,256	417,198
Due to Florida International University	3,421,506	3,126,585
Funds held for others	7,227	25,600
Long-term liabilities - current portion:		
Notes payable	960,000	910,000
Unearned revenue	-	137,836
Annuity obligations	89,985	89,985
Total current liabilities	5,105,974	4,707,204
Noncurrent liabilities		
Notes payable	1,075,000	2,035,000
Unearned revenue	150,000	155,000
Annuity obligations	549,396	551,168
Funds held for others	9,500,000	7,600,000
Total noncurrent liabilities	11,274,396	10,341,168
Total liabilities	16,380,370	15,048,372
<u>NET POSITION</u>		
Net investment in capital assets	12,921,147	12,565,994
Restricted:		
Nonexpendable endowments	185,009,260	179,637,406
Expendable	115,065,140	113,540,580
Unrestricted	17,001,245	18,103,570
Total net position	\$ 329,996,792	\$ 323,847,550

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating revenues		
Contributions, net	\$ 26,346,350	\$ 23,870,781
Investment earnings	8,230,007	14,239,211
Rental income	1,962,682	2,001,143
Dues	387,447	433,428
Other miscellaneous	219,908	337,505
Royalties	80,202	85,178
Total operating revenues, net	37,226,596	40,967,246
Operating expenses		
Programs, scholarships and building support to Florida International University	27,461,363	27,688,533
Fundraising	4,369,700	7,437,386
General and administrative	3,001,977	1,410,991
General support to Florida International University	1,273,868	1,243,041
Depreciation	747,787	723,023
Total operating expenses	36,854,695	38,502,974
Operating income (loss)	371,901	2,464,272
Nonoperating expenses		
Change in value of annuity obligations	(84,000)	(29,853)
Total nonoperating expenses	(84,000)	(29,853)
Gain (loss) before endowment contributions	287,901	2,434,419
Endowment contributions	5,861,341	5,391,941
Change in net position	6,149,242	7,826,360
Net position - beginning of year	323,847,550	316,021,190
Net position - end of year	\$ 329,996,792	\$ 323,847,550

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows used in operating activities		
Receipts from contributions	\$ 23,466,078	\$ 28,833,537
Receipts from rental income	1,824,846	2,079,171
Receipts on behalf of others	1,900,000	1,900,000
Other receipts	612,535	774,882
Net payments on annuity obligations	(84,000)	(84,000)
Payments made to suppliers	(4,888,854)	(5,553,876)
Payments made to Florida International University	(30,628,846)	(32,152,354)
Net cash used in operating activities	(7,798,241)	(4,202,640)
Cash flows used in capital and related financing activities		
Principal paid on capital debt	(910,000)	(865,000)
Purchase of leasehold improvement	(192,940)	(505,518)
Purchase of furniture and equipment	-	(258,680)
Interest paid on capital debt	(84,231)	(133,583)
Net cash used in capital and related financing activities	(1,187,171)	(1,762,781)
Cash flows from (used in) investing activities		
Proceeds from sale and maturity of Investments	188,917,135	105,998,684
Purchase of investments	(174,633,815)	(107,276,375)
Receipts from interest, net of fees	775,198	639,029
Net cash provided by (used in) investing activities	15,058,518	(638,662)
Cash flows from noncapital financing activities		
Private gifts for permanent endowments	5,861,341	5,391,941
Net cash flows provided by noncapital financing activities	5,861,341	5,391,941
Net increase (decrease) in cash and cash equivalents	11,934,447	(1,212,142)
Cash and cash equivalents - beginning of year	16,368,061	17,580,203
Cash and cash equivalents - end of year	\$ 28,302,508	\$ 16,368,061
Reconciliation of operating income to net cash used in operating activities:		
Operating income (loss)	\$ 371,901	\$ 2,464,272
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation expense	747,787	723,023
Investment earnings	(8,230,007)	(14,239,211)
Interest expense	84,231	133,583
Change in value of annuity obligations	(84,000)	(29,853)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables from related parties	(114,445)	44,305
Pledges receivable	(2,760,827)	4,918,447
Other assets	(54,879)	(15,101)
Increase (decrease) in:		
Accounts payable and other liabilities	210,058	234,504
Annuity obligations	(1,772)	(55,974)
Funds held for others	1,881,627	1,835,700
Payables to related parties	294,921	(294,364)
Unearned revenue	(142,836)	78,029
Total adjustments	(8,170,142)	(6,666,912)
Net cash used in operating activities	\$ (7,798,241)	\$ (4,202,640)

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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

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

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

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

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

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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

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

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

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

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

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

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

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

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

(c) **Use of estimates**—Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectability of pledges receivable and the fair value of investments. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

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

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

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

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

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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

See Note 4 for a summary of the inputs used as of June 30, 2020 and 2019, in determining the fair value of the Foundation’s investments.

(i) **Capital assets**—Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years and are recorded at historical cost. If contributed, the asset, with the exception of the collection of decorative and propaganda arts, is recorded at its fair value at the time of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions are recorded as unrestricted support. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to forty years. Capital assets, net of accumulated depreciation, are reported as capital assets in the statements of net position. Capital assets, net of accumulated depreciation and capital-related borrowings, are reported as net investment in capital assets in the statements of net position.

The Foundation has elected to exercise the option of not capitalizing the items that meet the definition of “collections” as prescribed by accounting principles generally accepted in the United States. Therefore, the fair value of the donated collection of decorative and propaganda arts are not reflected in the accompanying financial statements. Purchases of collection items are recorded as decreases in unrestricted net position in the year in which the items are acquired or as restricted expendable net position if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net position classes.

(j) **Unearned revenue**—Unearned revenue is comprised of unearned contributions. On May 13, 2016, the Foundation entered into a challenge gift agreement to receive matching contributions up to \$1 million for the benefit of a Chair of Transition Studies in the Vaclav Havel Center for Human Rights and Diplomacy. As of June 30, 2020 and 2019, the donor has made advanced matching funding payments to the Foundation in the amount of \$150,000. This balance is reflected as noncurrent unearned revenue in the statements of net position. Once the required matching donations are received, the Foundation will recognize contribution revenue.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

The Foundation has no current unearned revenue for the fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2019, the Foundation had current unearned revenues in the amount of \$137,836, mainly made up of a prepaid lease payment in the amount of \$110,481. This balance was recognized as rental income and contributions revenue in the current year.

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

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

(l) **Funds held for others**—In March 2016, the National Institutes of Health (NIH) awarded a grant in the amount of \$9,500,000 to the University, with annual installments in the amount of \$1,900,000 payable over five years in support of research in the area of minority health and health disparities. Pursuant to the terms of the grant, the NIH requires that the funds be held as an endowment for a period of at least 20 years. Thereafter, the funds may be used to support this research initiative. The University transferred \$1,900,000, \$1,710,000, \$2,090,000 and \$1,900,000 during fiscal years ended June 30, 2016, 2017, 2018 and 2019, respectively, to the Foundation to be held as a term endowment. The University transferred an additional \$1,900,000 to the Foundation during fiscal year ended June 30, 2020. The endowment will be managed consistent with the Foundation's policies and procedures. In addition, the balance also includes funds deposited with the Foundation for management on behalf of a family foundation in the amount of \$7,227 and \$25,600 as of June 30, 2020 and 2019, respectively.

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

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Foundation were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations from years prior to 2017.

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

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

The Foundation maintains certain investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. At June 30, 2020 and 2019, approximately \$307,344,000 and \$302,407,000, respectively, was held in these accounts, respectively. The Foundation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(2) **Gift Agreements:**

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

As a result of the Agreement, the Wolfsonian, Inc. has amended its articles of incorporation and bylaws to provide that all of its directors be appointed and removed at any time with or without cause by the Foundation, with the intention to effect a transfer of complete control of all of the assets, interests and obligations of the Wolfsonian, Inc. to the Foundation. On May 26, 1999, the Foundation passed a revision to the bylaws of the Wolfsonian, Inc. to make the Foundation the sole voting member of the Wolfsonian, Inc.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

The gifts are conditional upon the provisions outlined in the Agreement, including but not limited to the Foundation continuing the museum and educational activities and operations that were conducted by the Wolfsonian, Inc. As a result of the Agreement, the University and the Foundation have assumed all administrative functions and operating costs of the Wolfsonian activities within the University (Wolfsonian-FIU).

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

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

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

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(3) **Pledges Receivable:**

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

	June 30,	
	2020	2019
Pledges receivable	\$ 22,354,188	\$ 19,290,594
Less:		
Allowance for doubtful accounts	(2,410,364)	(1,384,814)
Discount on future payments	(191,972)	(914,755)
Total pledges receivable, net	\$ 19,751,852	\$ 16,991,025
Current pledges receivable, net	\$ 7,924,136	\$ 8,127,554
Noncurrent pledges receivable, net	11,827,716	8,863,471
Total pledges receivable, net	\$ 19,751,852	\$ 16,991,025

Contributions to be received after one year are discounted using U.S. Treasury yields. The discount on future payments totaled \$191,972 and \$914,755 at June 30, 2020 and 2019, respectively. Amortization of the discount on future payments is recorded as an adjustment to contribution revenue. The discount rate on June 30, 2020 and 2019 was 0.29% and 1.76%, respectively.

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

(4) **Investments:**

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Investments:** (Continued)

The Foundation's investments, including alternative investments are reported as follows:

	June 30,	
	2020	2019
Domestic equities	\$ 34,279,809	\$ 43,458,187
Global equities	114,938,486	87,138,667
Real assets	3,622,426	10,612,471
Fixed income	19,198,061	38,652,619
Hedge funds	53,236,246	60,747,119
Private investments	55,514,428	47,008,904
Land held for investments	1,411,550	1,411,550
Total investments	\$ 282,201,006	\$ 289,029,517

Total investment earnings for the year ended June 30, 2020 and 2019 totaled \$8,230,007 and \$14,239,211, of which \$6,150,622 and \$10,789,520 was applied to individual endowments, respectively. Investment earnings are reported net of related expenses for custodial fees, investment management and incentive fees, mutual fund expenses, and investment consulting fees. Custodial fees, investment management and incentive fees paid during the fiscal year ended June 30, 2020 and 2019 totaled \$4,182,993 and \$3,465,209, respectively. Investment consultant fees totaled \$836,914 and \$797,769 for the fiscal year ended June 30, 2020 and 2019, respectively.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The future maturities of the securities held in domestic fixed income at June 30, 2020 are as follows:

Type of Investment	Fair Market Value	Investment Maturities (In Years)		
		Less Than 1	1-5	6-10
Domestic Fixed Income	\$ 19,196,861	\$ 10,593	\$ 5,601,859	\$ 13,584,409
Total	\$ 19,196,861	\$ 10,593	\$ 5,601,859	\$ 13,584,409

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Investments:** (Continued)

The future maturities of the securities held in domestic fixed income at June 30, 2019 are as follows:

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the securities held in domestic fixed income had credit quality ratings by Standard & Poor's as follows:

Debt Investment Credit Quality Ratings

<u>Type of Investment</u>	<u>Fair Market Value</u>	<u>AA+</u>
Domestic Fixed Income	\$ 19,196,861	\$ 19,196,861
Total	<u>\$ 19,196,861</u>	<u>\$ 19,196,861</u>

At June 30, 2019, the securities held in domestic fixed income had credit quality ratings by Standard & Poor's as follows:

Debt Investment Credit Quality Ratings

<u>Type of Investment</u>	<u>Fair Market Value</u>	<u>AA+</u>
Domestic Fixed Income	\$ 38,651,419	\$ 38,651,419
Total	<u>\$ 38,651,419</u>	<u>\$ 38,651,419</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Investments:** (Continued)

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a framework for determining fair value through a hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The three-level valuation hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

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

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

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

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

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

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Investments:** (Continued)

Land held for investment is carried at fair value and is updated periodically based on recent market conditions and outside appraisals obtained on its value.

The following tables set forth by levels, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of June 30, 2020:

Fair Value Measurements Using

Investments by fair value level	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic equities	\$ 135,161	\$ 135,161	\$ -	\$ -
Global equities	55,706,286	55,706,286	-	-
Fixed income	19,196,861	19,196,861	-	-
Real assets	-	-	-	-
Land held for investments	1,411,550	-	-	1,411,550
Total investments by fair value level	\$ 76,449,858	\$ 75,038,308	\$ -	\$ 1,411,550

Investments measured at the net asset value (NAV)¹

Domestic equities	34,144,648
Global equities	59,232,200
Fixed income	1,200
Real assets	3,622,426
Hedge funds	53,236,246
Private investments	55,514,428
Total investments measured at NAV¹	205,751,148
Total investments measured at fair value	\$ 282,201,006

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Investments:** (Continued)

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

	Fair Value Measurements Using			
	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Domestic equities	\$ 6,915,068	\$ 6,915,068	\$ -	\$ -
Global equities	28,082,670	28,082,670	-	-
Fixed income	38,651,419	38,651,419	-	-
Real assets	6,728,512	6,728,512	-	-
Land held for investments	1,411,550	-	-	1,411,550
Total investments by fair value level	\$ 81,789,219	\$ 80,377,669	\$ -	\$ 1,411,550
Investments measured at the net asset value (NAV)¹				
Domestic equities	36,543,119			
Global equities	59,055,997			
Fixed income	1,200			
Real assets	3,883,959			
Hedge funds	60,747,119			
Private investments	47,008,904			
Total investments measured at NAV¹	207,240,298			
Total investments measured at fair value	\$ 289,029,517			

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Investments:** (Continued)

The following table discloses the nature and risk of investments for which fair value has been estimated using the net asset value per share (NAV) of the investments as a practical expedient as of June 30, 2020:

Investments measured at NAV ¹	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equities:				
Domestic equities (a)	\$ 34,144,648	\$ -	Monthly - Quarterly	5 - 45 days
Global equities (b)	46,267,884	-	Monthly - Quarterly	6 - 60 days
Emerging markets (c)	12,964,316	-	Monthly	7 - 30 days
Fixed income:				
Global bonds (d)	1,200	-	Monthly	10 Days
Real assets:				
Natural resource equities (e)	3,622,426	-	Monthly	30 Days
Hedge funds:				
Long/short equity (f)	38,779,177	-	Monthly - Every 3 Years ²	30 - 180 Days
Event driven/open mandate (g)	14,457,069	-	Quarterly - Annually ²	45 - 90 days
Global macro (h)	-	-	Daily - Monthly	2 - 14 Days
Private investments:				
Private equity (i)	30,750,206	23,056,167	Illiquid	N/A
Venture capital (j)	24,764,222	1,465,000	Illiquid	N/A
Total investments measured at NAV¹	\$ 205,751,148	\$ 24,521,167		

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Investments:** (Continued)

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

Investments measured at NAV ¹	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equities:				
Domestic equities (a)	\$ 36,543,119	\$ -	Monthly - Quarterly	5 - 45 Days
Global equities (b)	46,199,108	-	Monthly - Quarterly	6 - 60 Days
Emerging markets (c)	12,856,889	-	Monthly	7 - 30 Days
Fixed income:				
Global bonds (d)	1,200	-	Monthly	10 Days
Real assets:				
Natural resource equities (e)	3,883,959	-	Monthly	30 Days
Hedge funds:				
Long/short equity (f)	39,308,883	-	Monthly - Every 3 Years ²	30 - 180 Days
Event driven/open mandate (g)	11,931,105	-	Quarterly - Annually ²	30 - 90 Days
Global macro (h)	9,507,131	-	Daily - Monthly	2 - 14 Days
Private investments:				
Private equity (i)	25,717,012	23,482,991	Illiquid	N/A
Venture capital (j)	21,291,892	1,465,000	Illiquid	N/A
Total investments measured at NAV¹	\$ 207,240,298	\$ 24,947,991		

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

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

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

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

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

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

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) **Investments:** (Continued)

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

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

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

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

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

(5) **Capital Assets:**

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Buildings and improvements	\$ 22,412,735	\$ 262,278	\$ -	\$ 22,675,013
Less: accumulated depreciation	<u>(7,066,810)</u>	<u>(632,201)</u>	<u>-</u>	<u>(7,699,011)</u>
Net buildings and improvements	<u>15,345,925</u>	<u>(369,923)</u>	<u>-</u>	<u>14,976,002</u>
Furniture and equipment	1,242,734	8,988	(99,177)	1,152,545
Less: accumulated depreciation	<u>(613,081)</u>	<u>(115,586)</u>	<u>99,177</u>	<u>(629,490)</u>
Net furniture and equipment	<u>629,653</u>	<u>(106,598)</u>	<u>-</u>	<u>523,055</u>
Construction in progress	78,326	-	(78,326)	-
Total capital assets, net	<u>\$ 16,053,904</u>	<u>\$ (476,521)</u>	<u>\$ (78,326)</u>	<u>\$ 15,499,057</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(5) **Capital Assets:** (Continued)

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

Depreciation expense was \$747,787 and \$723,023 for the year ended June 30, 2020 and 2019, respectively.

(6) **Other Current Assets:**

Other current assets include the cash surrender value of life insurance policies in the amount of \$269,177 and \$253,365 at June 30, 2020 and 2019, respectively. The net benefit value of the underlying life insurance in force was \$9,116,344 and \$6,784,543 at June 30, 2020 and 2019. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner.

(7) **Notes Payable:**

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

The bonds are secured by an irrevocable letter of credit issued by a commercial bank as described below. The Foundation will finance the payments to the Authority under the loan agreement with lease payments received from the University under an operating lease (see Note 13). The \$13,000,000 original principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on fifty percent of the original issue, \$6,500,000, was synthetically fixed at 4.63 percent by way of an interest rate swap agreement with a commercial bank and expired on February 1, 2015. The bond proceeds were used to acquire, construct and equip the Management and Advanced Research Center (MARC), a multi-function support complex located on the University campus in Miami-Dade County and to pay issuance costs. As of June 30, 2020 and 2019, the outstanding principal balance due under this notes payable amounted to \$2,035,000 and \$2,945,000, respectively. For the year ended June 30, 2020 and 2019, total interest incurred and paid was \$84,231 and \$133,583, respectively.

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

The bonds were repurchased by the Trustee under the SunTrust Bank letter of credit due to the diminishing ability to remarket the variable rate demand bonds in the public marketplace. On July 30, 2010, the commercial bank converted the variable rate demand bonds into a five-year tax-exempt qualified loan. After the initial five-year period, the bank would have the right to require the Foundation to refinance the bank qualified loan or could agree to extend the maturity date for an additional five-year period. The Foundation agrees to pay interest at a rate of 67% of one-month LIBOR plus 1.68%. With the passage of The Tax Cuts and Jobs Act of 2017, effective January 1, 2018, the maximum federal corporate income tax rate decreased from 35% to 21%, resulting in an increase in the applicable interest rate by a factor of 1.22, retroactive to January 1, 2018. The interest rate at June 30, 2020 and 2019 is 2.18% and 4.03%, respectively. The bond maturity date of May 1, 2022 remains unchanged. The Foundation paid \$52,213 in refinancing fees to complete this transaction. Since the terms remained substantially the same and the present value of the cash outflows is not substantially different, this is not considered an exchange of debt instruments and therefore, all remains unchanged.

The debt activity for the years ended June 30, 2020 and 2019 is as follows:

	Beginning Balance 7/1/2019	Additions	Reductions	Ending Balance 6/30/2020	Due Within One Year
Notes payable	\$ 2,945,000	\$ -	\$ (910,000)	\$ 2,035,000	\$ 960,000
	<u>\$ 2,945,000</u>	<u>\$ -</u>	<u>\$ (910,000)</u>	<u>\$ 2,035,000</u>	<u>\$ 960,000</u>

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

Minimum principal and estimated interest payments required under all debt agreements, subsequent to June 30, 2020, are as follows:

For the Year Ending June 30,	Principal	Interest	Total Principal and Interest
2021	\$ 960,000	\$ 36,515	\$ 996,515
2022	1,075,000	15,178	1,090,178
Total	<u>\$ 2,035,000</u>	<u>\$ 51,693</u>	<u>\$ 2,086,693</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(8) **Annuity Obligations:**

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

The Property and or net proceeds derived therefrom shall be used exclusively for the benefit of the Wolfsonian-FIU, and any net income or proceeds generated from the Property, after the satisfaction of the annual payments herein and reimbursement to the University, Foundation or FEH I of all expenses with respect to the Property, shall be used solely for the support and benefit of the Wolfsonian-FIU. Donor agrees that the Property may be used as a net revenue source for the Wolfsonian-FIU, including but not limited to expansion of the Wolfsonian-FIU Facilities and/or other income generating projects such as the construction of the Wolfsonian-FIU facilities and/or other income generating projects such as the construction of a parking garage structure, with the express intent of achieving the highest and best use of the Property for the sole benefit of the Wolfsonian-FIU.

In return for the transfer of the Property and assignment of the leases to the FEH I, the Foundation or FEH I agreed to satisfy the donor’s obligation under the current mortgage of \$386,000; pay the 2010 property taxes on the real estate; documentary stamp taxes and Miami–Dade County surtax in connection with closing; pay the donor an annual sum of \$84,000 commencing on April 1, 2011 and continuing until the demise of the donor. The payment shall be paid by the Foundation in all events without regard to income or proceeds generated by the Property.

Actuarial assumptions published by the Social Security Administration, actuarial publications period life table and a discount rate of 5% was used in calculating the present value of the anticipated distributions to be made to the donor.

Annuity obligations for the years ended June 30, 2020 and 2019 are as follows:

	Beginning Balance 7/1/2019	Additions	Reductions	Ending Balance 6/30/2020	Due Within One Year
Annuity obligations	\$ 641,153	\$ 84,000	\$ (85,772)	\$ 639,381	\$ 89,985
	<u>\$ 641,153</u>	<u>\$ 84,000</u>	<u>\$ (85,772)</u>	<u>\$ 639,381</u>	<u>\$ 89,985</u>

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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

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

The Foundation has received, as of June 30, 2020 and 2019, \$155,000 in gifts under charitable remainder annuity trust agreements. The Foundation recognized the contributions received as revenue during the period that the trust was established. The amount of the contribution was the fair value of the trust assets less the fair value of the estimated annuity payments to be paid annually over the expected life of the annuities. The Foundation recorded the present value of the annuities, as required by Florida Statute Section 627.481, as annuity obligations in the statements of net position totaling \$96,471 and \$98,243 at June 30, 2020 and 2019, respectively.

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

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

	June 30,	
	2020	2019
MARC Building		
Building and improvements, net	\$ 10,559,267	\$ 10,868,024
Furniture and equipment, net	523,055	629,653
Notes payable	(2,035,000)	(2,945,000)
FEH I		
Building, net	1,614,375	1,666,875
Annuity obligation	(542,910)	(542,910)
FEH II		
Building, net	2,802,360	2,889,352
Net investment in capital assets	\$ 12,921,147	\$ 12,565,994

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(10) **Restricted Net Position:**

At June 30, 2020 and 2019, the restricted nonexpendable endowments net position of \$185,009,260 and \$179,637,406, respectively, consisted of endowment funds. Investment earnings earned by endowment funds are available for spending based on the Foundation's spending policy. The spending rate is determined by the Foundation's Board at its annual meeting. The spending rate for the year ending June 30, 2020 and 2019 was 6.0%, 4.0% to support donor-designated scholarships and programs and 2.0% for the administrative fee. The spendable earnings are recorded as increases to the restricted expendable net position.

At June 30, 2020 and 2019, the restricted expendable net position of \$115,065,140 and \$113,540,580 includes \$33,674,990 and \$36,744,852, respectively, of undistributed earnings related to endowment funds, which represents gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. Restricted expendable amounts also include earnings on permanently restricted endowments that have not yet been appropriated for expenditure.

(11) **Contributions to University Building Program:**

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

During the years ended June 30, 2020 and 2019, the Foundation received \$1,509,467 and \$6,197,222, respectively, from donors to support numerous construction projects, as follows:

	<u>2020</u>	<u>2019</u>
CasaCuba Building Fund	\$ 682,273	\$ -
The Trish and Dan Bell Chapel	500,000	-
Tennis Center	300,000	-
Alumni Center Building	14,251	84,258
Baseball Stadium Expansion	10,000	10,000
Founders Park	1,420	1,160
CBA Building Complex	871	1,023
SIPA Bricks and Mortar Building	260	580
Stocker Astrophysics Center Building	236	201
SIPA Auditorium	156	-
SIPA Phase II Building	-	6,000,000
SOBEWFF Capital Fund	-	100,000
Total contributions received in support of University building programs	<u>\$ 1,509,467</u>	<u>\$ 6,197,222</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(12) **Commitments and Contingencies:**

Loan Guarantees

In December of 2017, the Foundation Board authorized and approved to guarantee low-interest loans, up to \$1,000,000, to qualifying Florida International University employees, who are members of the University Credit Union, for purposes of hurricane relief as a result of Hurricane Irma. A total of \$989,800 was issued to qualifying employees with maturity dates through January 2023. The outstanding loan amount as of June 30, 2020 and 2019 was \$368,904 and \$592,578, respectively. As of June 30, 2020 and 2019, there have been six and eleven loan defaults totaling \$11,098 and \$39,699, respectively.

Doral Property

In October of 2017, FEH V purchased the Doral Property, which required environmental remediation. FEH V received the approval from the Division of Environmental Resources Management (DERM) on a Corrective Action Plan (CAP) for the remediation. As part of the CAP, an environmental consultant was engaged to provide construction oversight, monitoring, and reporting to DERM on a monthly basis. A construction firm was selected and hired through a competitive bid solicitation process to complete the removal of solid waste. The environmental consultant is working on the required reports to finalize the CAP requirements with DERM.

Letter of Credit

As part of a gift acceptance on June 29, 2005, the Foundation accepted all rights and responsibilities for two worker's compensation claims. On August 20, 2007, the Foundation was required to enter into a letter of credit agreement with a commercial bank that permitted the Foundation to borrow up to \$100,000 in favor of the Florida Self Insurers Guaranty Association (FSIGA) to guaranty the worker's compensation obligations. As of June 30, 2020, the Foundation has not used any of the available balance in the letter of credit.

(13) **Related Party Transactions:**

On December 1, 1999, the Foundation entered into a ground lease agreement with the Board of Regents of the State University System of the State of Florida for and on behalf of the University. Under this agreement, the Foundation, as lessee, has leased the grounds on which the MARC complex, was built, as described in Note 7. The consideration required to be paid by the Foundation is \$10 annually. The lease will expire on December 31, 2024 or the final payment date under the letter of credit agreement, as described in Note 7. Total amounts paid to the Foundation under this agreement were \$1,793,101 and \$1,669,315 for the year ended June 30, 2020 and 2019, respectively.

On December 1, 1999, the Foundation also entered into an operating lease with the Board of Regents on behalf of the University to lease the 75,000 square foot MARC complex to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 7, will be secured by the pledged lease payments from the University. The University has agreed to pay the Foundation, as lessor, rent in the amount equal to all amounts due and payable by the Foundation under the letter of credit agreement, if any, and the loan agreement. The payments also include any costs of operating and maintaining the MARC complex, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the MARC complex became operational.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

The lease expires on May 1, 2022 which is the date of maturity of the loan agreement. The cost of the leased asset is \$13,325,539 and the net book value is \$7,423,009 and \$7,757,698 at June 30, 2020 and 2019, respectively. Minimum future rentals as of June 30, 2020 are approximately as follows:

For the Year Ending	
June 30	Amount
2021	1,418,000
2022	1,418,000
Total	<u>\$ 2,836,000</u>

(14) **Endowments:**

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

Interpretation of Relevant Law

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

As of June 30, 2020, restricted net position consisted of the following:

	Restricted Expendable*	Restricted: Nonexpendable Endowments	Total
Restricted net position, beginning of year 7/1/2019	\$ 36,744,852	\$ 179,637,406	\$ 216,382,258
Endowment investment earnings:			
Interest, dividends and realized gains	7,716,748	-	7,716,748
Unrealized losses	(1,566,126)	-	(1,566,126)
Total endowment investment earnings	6,150,622	-	6,150,622
Contributions and other revenues	1,908,047	5,861,341	7,769,388
Appropriation of endowment assets for expenditure	(8,348,729)	-	(8,348,729)
Appropriation for administrative fee 2%	(2,765,785)	-	(2,765,785)
Donor directed release of restriction	(14,017)	9,484	(4,533)
Release of JMOF endowment	-	(498,971)	(498,971)
Restricted net position, end of year 6/30/2020	<u>\$ 33,674,990</u>	<u>\$ 185,009,260</u>	<u>\$ 218,684,250</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

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

	Restricted Expendable*	Restricted: None xpendable Endowments	Total
Restricted net position, beginning of year 7/1/2018	\$ 34,539,807	\$ 174,696,827	\$ 209,236,634
Endowment investment earnings:			
Interest, dividends and realized gains	4,962,540	-	4,962,540
Unrealized gains	5,826,980	-	5,826,980
Total endowment investment earnings	10,789,520	-	10,789,520
Contributions and other revenues	1,921,596	5,393,012	7,314,608
Appropriation of endowment assets for expenditure	(7,798,244)	-	(7,798,244)
Appropriation for administrative fee 2%	(2,552,509)	-	(2,552,509)
Donor directed release of restriction	(51,680)	(60,700)	(112,380)
Release of JMOF endowment	(103,638)	(391,733)	(495,371)
Restricted net position, end of year 6/30/2019	<u>\$ 36,744,852</u>	<u>\$ 179,637,406</u>	<u>\$ 216,382,258</u>

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

Return Objectives and Risk Parameters

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

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy states that the Finance and Audit Committee will recommend, subject to approval by the Board of Directors, the annual spending distribution to be made to endowed accounts. The spending distribution is computed as a percentage of the endowment's average market value (gift corpus plus undistributed investment earnings since inception) over twelve consecutive quarters ending on December 31 and distributed at the close of the Foundation's fiscal year.

Spending distributions are dependent on the Foundation's investment returns and are therefore not guaranteed. If in any given year investment losses reduce the endowment's market value below original corpus, future spending distributions are contingent on first restoring the endowment to its original corpus, before any distribution is made for spending. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. As of June 30, 2020 and 2019, the amount included in the endowment's temporarily restricted balance and approved for future spending on program support was \$8,348,729 and \$7,798,244, respectively.

(15) **Risks and Uncertainties – COVID-19:**

Since early 2020, local, U.S., and world governments have mandated business closures, imposed travel restrictions, and limited in-person gatherings to curtail the spread of the coronavirus disease (COVID-19). Businesses, nonprofits, and investment markets have been substantially affected. There remains unprecedented uncertainty surrounding the duration of the pandemic and the extent of its long-term socioeconomic impacts. Given the disruption to regular business operations effecting nonprofits, we cannot at this time determine whether the pandemic will materially impact the Foundation's financial position or its operations. The future related to philanthropy may be challenging in this environment.

COMPLIANCE REPORT

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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida International University Foundation, Inc. (the Foundation), a direct support organization and component unit of Florida International University, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 23, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

James Moore & Co., P.L.

Gainesville, Florida
October 23, 2020