

**FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
TABLE OF CONTENTS
JUNE 30, 2022 AND 2021

	<u>Page Number(s)</u>
Independent Auditors' Report	1 – 3
Required Supplementary Information	
Management's Discussion and Analysis	4 – 11
Financial Statements	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	15 – 24
Supplementary Information	
Supplemental Schedule	25 – 26
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27 – 28

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
FIU Athletics Finance Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Corporation's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

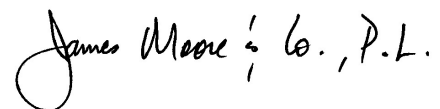
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Foundation's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

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 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of FIU Athletics Finance Corporation (the "AFC") for the fiscal years ended June 30, 2022, 2021 and 2020, 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 AFC 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 AFC was organized to facilitate the financing of projects related to the FIU football stadium, as well as, manage and operate the facilities.

FINANCIAL HIGHLIGHTS

The AFC's assets totaled \$20,799,263 and \$20,660,662 at June 30, 2022 and 2021, respectively. The balance reflects an increase of \$138,601, or 0.7%. This change is mainly attributable to an increase in cash and investments offset by a decrease in prepaid rent in the current year.

The AFC's deferred outflow of resources totaled \$650,475 and \$2,197,984 at June 30, 2022 and 2021, respectively. The balance reflects a decrease of \$1,547,509, or 70.4%. The decrease in deferred outflow of resources is attributable to an increase in interest rates in the current year.

The AFC's liabilities totaled \$25,446,402 and \$28,570,897 at June 30, 2022 and 2021, respectively. The balance reflects a decrease of \$3,124,495, or 10.9%. This change is mainly attributable to the payment of principal on the bonds payable coupled with a decrease in the derivative liability on the interest rate swap.

As a result, the AFC's net position increased by \$1,715,587, resulting in a year-end net deficit balance of \$3,996,664.

The AFC's operating revenues totaled \$5,507,789 for the 2021-22 fiscal year, representing an increase of \$1,367,996, or 33.0%, as compared to prior year. Major components of operating revenues include game guarantees, athletic support and conference payments.

The AFC's operating expenses totaled \$2,820,149 for the 2021-22 fiscal year, representing an increase of \$926,292, or 48.9%, as compared to prior year. Major components of operating expenses include amortization of prepaid rent, professional services, security services and, custodial and janitorial.

OVERVIEW OF FINANCIAL STATEMENTS

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

THE STATEMENTS OF NET POSITION

The statements of net position reflect the assets, deferred outflows of resources, and liabilities of the AFC, using the accrual basis of accounting, and present the financial position of the AFC at a specified time. Assets together with deferred outflows, less liabilities, equals net position, which is one indicator of the AFC's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the AFC's financial condition.

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

	June 30,		
	2022	2021	2020
Assets			
Current assets	\$ 5,084,038	\$ 3,638,632	\$ 3,699,026
Noncurrent assets	15,715,225	17,022,030	18,347,734
Total assets	<u>20,799,263</u>	<u>20,660,662</u>	<u>22,046,760</u>
Deferred outflow of resources	<u>650,475</u>	<u>2,197,984</u>	<u>3,243,249</u>
Liabilities			
Current liabilities	1,974,037	1,824,196	1,774,539
Noncurrent liabilities	23,472,365	26,746,701	29,453,795
Total liabilities	<u>25,446,402</u>	<u>28,570,897</u>	<u>31,228,334</u>
Total net position	<u>\$ (3,996,664)</u>	<u>\$ (5,712,251)</u>	<u>\$ (5,938,325)</u>

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

TOTAL ASSETS

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

	June 30,		
	2022	2021	2020
Cash	\$ 1,019,902	\$ 143,610	\$ 14,903
Investments	1,043,638	507,327	1,098,257
Suites and ticket sales receivable	101,820	49,320	160,000
Stadium naming rights receivable	-	-	700,000
Due from Florida International University	1,612,010	1,634,260	421,751
Prepaid rent and other	14,238,826	15,540,357	16,844,440
Restricted investments	2,783,067	2,782,138	2,781,859
Leasehold improvement, net	-	3,650	25,550
Total assets	<u>\$ 20,799,263</u>	<u>\$ 20,660,662</u>	<u>\$ 22,046,760</u>

Total assets as of June 30, 2022 increased \$138,601 or 0.7%, as compared to prior year. This change is primarily a result of an increase in cash and investments offset by a reduction in prepaid rent due to the recognition of annual rent expense.

TOTAL DEFERRED OUTFLOW OF RESOURCES

The following summarizes the AFC's total deferred outflow of resources for fiscal years ended:

	June 30,		
	2022	2021	2020
Accumulated decrease in fair value of hedging derivatives	\$ 489,040	\$ 2,021,532	\$ 3,051,780
Deferred amount on debt refundings	161,435	176,452	191,469
Total deferred outflow of resources	<u>\$ 650,475</u>	<u>\$ 2,197,984</u>	<u>\$ 3,243,249</u>

Total deferred outflow of resources as of June 30, 2022 decreased \$1,547,509, or 70.4%, as compared to prior year. The change in the fair value of the interest rate swap is presented as a hedging derivative in deferred outflow of resources. The decrease in deferred outflow of resources attributable to an increase in interest rates in the current year.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

TOTAL LIABILITIES

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

	June 30,		
	2022	2021	2020
Accounts payable	\$ 62,407	\$ 45,270	\$ 12,964
Accrued interest payable	86,301	89,487	93,723
Due to Florida International University	893,782	857,177	855,093
Bonds payable	22,735,000	24,315,000	25,820,000
Unearned revenue	138,788	104,503	160,000
Derivative liability	1,530,124	3,159,460	4,286,554
Total liabilities	\$ 25,446,402	\$ 28,570,897	\$ 31,228,334

Total liabilities as of June 30, 2022 decreased \$3,124,495, or 10.9%, as compared to prior year. This change in total liabilities is primarily attributable to a principal payment on the bonds payable made in the current year coupled with a decrease in the derivative liability on the interest rate swap. Under the terms of the swap agreement and on June 30, 2022, the AFC paid a fixed interest rate of 3.6% and received 63.7% of the three-month LIBOR. The value of the three-month LIBOR at June 30, 2022 and 2021 is 2.28% and 0.14%, respectively.

NET POSITION

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

	June 30,		
	2022	2021	2020
Net investment in capital assets	\$ -	\$ 3,650	\$ 25,550
Unrestricted	(3,996,664)	(5,715,901)	(5,963,875)
Total net position	\$ (3,996,664)	\$ (5,712,251)	\$ (5,938,325)

Total net position as of June 30, 2022 increased by \$1,715,587, or 30.0%, as compared to prior year. Net position is reported in two classifications: net investment in capital assets and unrestricted. Net investment in capital assets reflects total capital assets, net of accumulated depreciation, less any capital-related borrowings.

For more detailed information, see the statements of net position on page 12 of the financial statements.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

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

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

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

Statements of Revenues, Expenses, and Changes in Net Position

	June 30,		
	2022	2021	2020
Operating revenues	\$ 5,507,789	\$ 4,139,793	\$ 4,251,968
Operating expenses	<u>2,820,149</u>	<u>1,893,857</u>	<u>2,268,179</u>
Operating income	2,687,640	2,245,936	1,983,789
Net nonoperating expenses	(972,053)	(1,019,862)	(1,035,593)
Transfers to Florida International University	<u>-</u>	<u>1,000,000</u>	<u>500,000</u>
Change in net position	1,715,587	226,074	448,196
Net position - beginning of year	<u>(5,712,251)</u>	<u>(5,938,325)</u>	<u>(6,386,521)</u>
Net position - end of year	<u><u>\$ (3,996,664)</u></u>	<u><u>\$ (5,712,251)</u></u>	<u><u>\$ (5,938,325)</u></u>

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

OPERATING REVENUES

The AFC was organized to facilitate the financing of projects related to the FIU football stadium, as well as, manage and operate the facilities. Operating revenues generally result from exchange transactions associated with managing and operating the stadium.

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

	June 30,		
	2022	2021	2020
Game guarantees	\$ 1,750,000	\$ 775,000	\$ -
Athletic support	1,203,831	1,246,223	1,275,059
NCAA conference payments	713,087	590,134	937,512
Event revenues	507,398	196,476	41,071
Suite revenues	428,640	283,080	349,940
Rental income	296,873	230,828	137,274
Sponsorship revenues	296,536	62,863	375,000
Ticket sales	229,183	49,617	589,167
Merchandise royalties	82,241	25,567	103,940
Contributions	-	680,005	268,005
Stadium naming rights	-	-	175,000
Total operating revenues	\$ 5,507,789	\$ 4,139,793	\$4,251,968

Total operating revenues increased \$1,367,996, or 33.0%, as compared to prior year. Operating revenues are primarily made up of game guarantees, athletic support from student fees and NCAA conference payments.

Athletic support from student fees slightly decreased as a result of lower than anticipated student credit hour enrollment during the current year. Game guarantees, Miami FC soccer event revenues, ticket sales and sponsorship revenues generated higher operating revenues in the current year. The increase in game guarantees was attributable to \$1.4 million game guarantee received from Texas Tech coupled with higher NCAA Conference USA football related distributions. Due to physical distancing requirements during COVID, attendee capacity was limited in the football stadium. This year, capacity was set back to pre-COVID standards, which resulted in an increase in ticket sales in the current year. The decrease in contributions is attributable to an increase in game guarantees received in the current year.

For more detailed information, see the supplemental schedules on page 25 and 26 of the financial statements.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

OPERATING EXPENSES

The AFC categorizes expenses as operating or nonoperating. Operating expenses represent expenses related to the ongoing activities of the AFC. The majority of the AFC's expenses are operating expenses as defined by GASB. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The AFC has chosen to report operating expenses by their natural classifications on the statements of revenues, expenses, and changes in net position.

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

	June 30,		
	2022	2021	2020
Amortization of prepaid rent	\$ 1,304,083	\$ 1,304,083	\$ 1,304,083
General operations	720,179	362,583	362,889
Event operations	409,681	116,919	50,263
Football operations	386,206	110,272	550,944
Total operating expenses	<u>\$ 2,820,149</u>	<u>\$ 1,893,857</u>	<u>\$ 2,268,179</u>

Total operating expenses increased \$926,292, or 48.9%, as compared to prior year. Operating expenses are comprised of amortization of prepaid rent, general AFC event operations, and football operations.

The largest component of operating expenses is the amortization of prepaid rent. Under the ground sublease agreement between the AFC and the University, the AFC prepaid the rental of the stadium to the University. The AFC amortizes the prepaid rent on a straight-line basis over the life of the sublease.

General operations include expenses related to the up-keep and maintenance of the stadium. Expenses in this category include utilities, materials and supplies, professional services, and repairs and maintenance. General operations expenses were higher when compared to prior year due to increased events held at the stadium.

Event operations include all direct expenses related to any special events, which are defined as non-FIU home football games. These special events can include sporting events, meetings, or conferences. The increase in event operations is due to various home Miami FC soccer games held at the stadium in the current year. This increase was coupled by higher rental income and event revenues in the statement of changes in net position.

Football operations include direct expenses related to home football games. Security services increased due to the number of home games played in the current year. AFC had six home games in the current year as compared to four home games in the prior year. The increase in professional services, security services, and rental of equipment is attributable to higher expenses related to home games played in the current year.

For more detailed information, see the supplemental schedules on page 25 and 26 of the financial statements.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses consist of interest income and interest expense. The following summarizes the AFC's nonoperating revenues and expenses for the fiscal years ended:

	June 30,		
	2022	2021	2020
Interest income	\$ 4,223	\$ 458	\$ 47,899
Interest expense and fiscal charges	(976,276)	(1,020,320)	(1,083,492)
Net nonoperating expenses	\$ (972,053)	\$ (1,019,862)	\$ (1,035,593)

Net nonoperating expenses were fairly level when compared to prior year.

TRANSFERS TO FLORIDA INTERNATIONAL UNIVERSITY

There were no transfers to Florida International University for the fiscal year ended June 30, 2022. During the fiscal years ended June 30, 2021 and 2020, transfers to Florida International University represented \$1,000,000 and \$500,000, respectively. These transfers are reflected in the statements of revenues, expenses and changes in net position and represent surplus funds returned to the University.

DEBT ADMINISTRATION

As of June 30, 2022, the AFC had \$22,735,000 in outstanding bonds payable, representing a decrease of \$1,580,000, or 6.5% due to principal payments made in the current year.

Additional information about the AFC's bond payable is presented in notes 5 and 6 to the financial statements on pages 20-23.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University has pledged a significant portion of football game guarantee revenues, Conference USA distribution revenues, and a percentage of student athletic fees to the Athletic Finance Corporation. Such pledges are dependent on conference re-alignment, television agreements in place, student enrollment, and the ability to obtain high dollar football guarantees which are generally scheduled many years in advance.

In 2021-2022, Conference USA faced re-alignment that financially benefited the AFC, however, impacts of such benefits are short term. COVID 19 had less of an impact as the organization played a full football season and engaged in internal and external rentals once again.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Current assets		
Cash	\$ 1,019,902	\$ 143,610
Investments	1,043,638	507,327
Suites and ticket sales receivable	101,820	49,320
Due from Florida International University	1,612,010	1,634,260
Prepaid rent and other	1,306,668	1,304,115
Total current assets	5,084,038	3,638,632
Noncurrent assets		
Restricted investments	2,783,067	2,782,138
Prepaid rent	12,932,158	14,236,242
Leasehold improvement, net	-	3,650
Total noncurrent assets	15,715,225	17,022,030
Total assets	20,799,263	20,660,662
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Accumulated decrease in fair value of hedging derivatives	489,040	2,021,532
Deferred amount on debt refundings	161,435	176,452
Total deferred outflows of resources	650,475	2,197,984
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	62,407	45,270
Accrued interest payable	86,301	89,487
Due to Florida International University	41,541	4,936
Bonds payable	1,645,000	1,580,000
Unearned revenue	138,788	104,503
Total current liabilities	1,974,037	1,824,196
Noncurrent liabilities		
Due to Florida International University	852,241	852,241
Derivative liability	1,530,124	3,159,460
Bonds payable	21,090,000	22,735,000
Total noncurrent liabilities	23,472,365	26,746,701
Total liabilities	25,446,402	28,570,897
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	-	3,650
Unrestricted	(3,996,664)	(5,715,901)
Total net position	\$ (3,996,664)	\$ (5,712,251)

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Game guarantees	\$ 1,750,000	\$ 775,000
Athletic support	1,203,831	1,246,223
NCAA conference payments	713,087	590,134
Event revenues	507,398	196,476
Suite revenues	428,640	283,080
Rental income	296,873	230,828
Sponsorship revenues	296,536	62,863
Ticket sales	229,183	49,617
Merchandise royalties	82,241	25,567
Contributions	-	680,005
Total operating revenues	<u>5,507,789</u>	<u>4,139,793</u>
Operating expenses		
Amortization of prepaid rent	1,304,083	1,304,083
Professional services	454,287	102,687
Security services	301,747	90,708
Custodial and janitorial	270,825	110,552
Materials and supplies	200,631	54,442
Utilities	194,077	132,464
Repairs and maintenance	54,601	55,155
Rental of equipment	22,164	7,021
Banking fees	14,023	14,784
Depreciation	3,650	21,900
Other operating expenses	61	61
Total operating expenses	<u>2,820,149</u>	<u>1,893,857</u>
Operating income	<u>2,687,640</u>	<u>2,245,936</u>
Nonoperating revenues (expenses)		
Interest income	4,223	458
Interest expense and fiscal charges	(976,276)	(1,020,320)
Total nonoperating expenses	<u>(972,053)</u>	<u>(1,019,862)</u>
Transfers to Florida International University	-	1,000,000
Change in net position	<u>1,715,587</u>	<u>226,074</u>
Net position, beginning of year	(5,712,251)	(5,938,325)
Net position, end of year	<u>\$ (3,996,664)</u>	<u>\$ (5,712,251)</u>

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows provided by operating activities		
Operating receipts	\$ 5,511,823	\$ 3,682,468
Payments to vendors	(1,458,673)	(533,485)
Net cash provided by operating activities	<u>4,053,150</u>	<u>3,148,983</u>
Cash flows used in capital and related financing activities		
Transfers to Florida International University	-	(1,000,000)
Principal payments on bonds	(1,580,000)	(1,505,000)
Interest paid	(1,061,289)	(1,106,383)
Net cash used in capital and related financing activities	<u>(2,641,289)</u>	<u>(3,611,383)</u>
Cash flows provided by (used in) investing activities		
Proceeds from sale and maturity of investments	8,657,638	7,270,676
Purchase of investments	(9,194,877)	(6,680,027)
Interest income received	1,670	458
Net cash provided by (used in) investing activities	<u>(535,569)</u>	<u>591,107</u>
Net increase in cash and cash equivalents	<u>876,292</u>	<u>128,707</u>
Cash and cash equivalents, beginning of year	143,610	14,903
Cash and cash equivalents, end of year	<u>\$ 1,019,902</u>	<u>\$ 143,610</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,687,640	\$ 2,245,936
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	3,650	21,900
Change in assets and liabilities:		
(Increase) decrease in:		
Suites and ticket sales receivable	(52,500)	110,680
Stadium naming rights receivable	-	700,000
Prepaid rent and other	1,304,083	1,304,083
Due from Florida International University	22,250	(1,212,509)
Increase (decrease) in:		
Accounts payable	17,137	32,306
Unearned revenue	34,285	(55,497)
Due to Florida International University	36,605	2,084
Total adjustments	<u>1,365,510</u>	<u>903,047</u>
Net cash provided by operating activities	<u>\$ 4,053,150</u>	<u>\$ 3,148,983</u>
Non-cash investing and financing activities		
Change in fair value derivative liability	<u>\$ 1,532,492</u>	<u>\$ 1,030,248</u>
Change in deferred amount on debt refunding	<u>\$ 15,017</u>	<u>\$ 15,017</u>
Amortization of derivative liability	<u>\$ 96,845</u>	<u>\$ 96,845</u>

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

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

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

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

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

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

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

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

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

(e) **Cash**—Amounts reported as cash consist of cash on hand.

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

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

(h) **Income taxes**—The Organization is a not-for-profit corporation, as described in Section 501(c)(3) of the Internal Revenue Code and as such is subject to federal income taxes only on unrelated business income. There were no income taxes resulting from unrelated business income during the years ended June 30, 2022 and 2021.

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, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Athletics Finance Corporation's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

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

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

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

(n) **Pronouncements issued**—GASB issued Statement No. 93, *Replacement of Interbank Offices*, in May 2020. GASB No. 93 addresses the accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. Most notably, this will include the London Interbank Offered Rate (LIBOR) which is expected to cease to exist in its current form. The provisions of GASB No. 93 are effective for reporting periods ending after December 31, 2021. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements.

GASB issued Statement No. 87, *Leases*, in June 2017. GASB No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases, and recognized as inflows of resources, or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB No. 87 are effective for fiscal years beginning after June 15, 2021, as amended by GASB No. 95. The Organization evaluated the requirements of GASB 87, and determined that the leasing arrangements of the Organization did not fall within the scope of GASB 87 due to the fact that they are related to assets funded through conduit debt obligations, which are specifically scoped out of GASB 87.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

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

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

At June 30, 2022 and 2021, \$3,826,705 and \$3,289,465, respectively, were held in these accounts. The Athletics Finance Corporation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(3) **Investments:**

Investments are made in accordance with the trust indenture. The Organization invests in the Fidelity Institutional Money Market Government Portfolio – Class III Fund (Fidelity Money Market Fund). This is a money market fund seeking to provide current income consistent with stability of principal by investing in a portfolio of short-term, U.S. treasury and government securities. These investments include repurchase agreements collateralized fully by U.S Treasury and government securities. The Fund limits its investment to those that would enable it to qualify as a permissible investment for federally chartered credit unions. Investments are made in accordance with the Trust Indenture dated as of December 1, 2009 (the “Trust Indenture”) between the Miami-Dade County Industrial Development Authority and Regions Bank, as trustee. This transaction is further described in Note 5. The investments were reported at amortized cost of \$3,826,705 and \$3,289,465 as of June 30, 2022 and 2021, respectively, which is generally the equivalent of fair value.

(a) **Credit risk**—Credit risk is the risk that an issuer of securities in which the Fund invests may default on the payment of interest or principal on the securities when due, which would cause the Fund to lose money. At June 30, 2022 and 2021, the money market mutual fund investments were rated AAAM by Standard & Poor’s.

(b) **Concentration credit risk**—All of the investments at June 30, 2022 and 2021 are held with Regions Trust and are invested in money market funds. According to the bond indenture, the Organization can invest the bond proceeds in these investment vehicles; there are no stated limitations on the amount that can be invested in any one issuer. The short term nature of the investments is due to liquidity needs, since those funds are being used for operating expenses and debt service payments.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(3) **Investments:** (Continued)

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

The Fidelity Money Market Fund prices of fixed-income securities generally fall when interest rates rise. Interest rate changes have a greater effect on the price of fixed-income securities with longer maturities. The money market mutual fund WAM at June 30, 2022 and 2021 was 22 and 28 days, respectively, while the weighted average life (WAL) was 47 and 66 days at June 30, 2022 and 2021, respectively.

(4) **Leasehold Improvements:**

Leasehold improvement activity for the years ended June 30, 2022 and 2021, is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Leasehold Improvements	\$ 109,500	\$ -	\$ -	\$ 109,500
Less: Accumulated Depreciation	(105,850)	(3,650)	-	(109,500)
	<u>\$ 3,650</u>	<u>\$ (3,650)</u>	<u>\$ -</u>	<u>\$ -</u>

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Leasehold Improvements	\$ 109,500	\$ -	\$ -	\$ 109,500
Less: Accumulated Depreciation	(83,950)	(21,900)	-	(105,850)
	<u>\$ 25,550</u>	<u>\$ (21,900)</u>	<u>\$ -</u>	<u>\$ 3,650</u>

Depreciation expense was \$3,650 and \$21,900 for the years ended June 30, 2022 and 2021, respectively.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Debt activity for the years ended June 30, 2022 and 2021, is as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	\$ 24,315,000	\$ -	\$ 1,580,000	\$ 22,735,000	\$ 1,645,000
	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
2009 Tax Exempt Capital Improvement Revenue Bonds (Series A)	\$ 25,820,000	\$ -	\$ 1,505,000	\$ 24,315,000	\$ 1,580,000

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

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

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

The bonds are secured by operating and nonoperating revenues as well as University athletic fees equal to 5% of the total athletic fees collected. Total principal due at June 30, 2022 and 2021, was \$22,735,000 and \$24,315,000, respectively.

The Athletics Finance Corporation has funded a debt service reserve fund in accordance with the bond indenture requirement of maintaining an amount equal to the maximum allowable debt service on the bond in the current and any future fiscal year. This debt service reserve fund totaled \$2,783,067 and \$2,782,138 as of June 30, 2022 and 2021, respectively, and is presented in restricted investments.

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

The aggregate maturities of these bonds as of June 30, 2022 are as follows:

For the Year Ending			Total
June 30,	Principal	Interest	Principal
			and Interest
2023	\$ 1,645,000	\$ 996,845	\$ 2,641,845
2024	1,730,000	927,363	2,657,363
2025	1,825,000	849,284	2,674,284
2026	1,900,000	769,704	2,669,704
2027	1,985,000	686,768	2,671,768
2028-2032	13,650,000	2,056,528	15,706,528
Total	<u>\$ 22,735,000</u>	<u>\$ 6,286,492</u>	<u>\$ 29,021,492</u>

(6) **Derivative Financial Instruments:**

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

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

(c) **Fair value**—The Athletics Finance Corporation swap had a derivative liability of \$1,530,124 and \$3,159,460 at June 30, 2022 and 2021, respectively, as reported in the statements of net position. The negative fair value was determined using a mark-to-market value and represents the closing mid-market values. It was classified in Level 2 of the fair value hierarchy at June 30, 2022 and 2021.

As of June 30, 2022 and 2021, the fair value of the Series 2007A ineffective interest rate swap was \$1,041,084 and \$1,137,929, respectively. This interest rate swap was not terminated when the bonds were refunded in December 2009 nor in December 2016. The interest rate on the refunded Series 2009A bonds reflects a higher rate due to not terminating this interest rate swap.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Accordingly, the fair value of \$1,041,084 of the ineffective Series 2007A interest rate swap at June 30, 2022, is being amortized over the remaining life of the refunded Series 2009A bond.

The synthetic instrument method evaluates the effectiveness by quantitative approach. The synthetic instrument method evaluates effectiveness by combining the hedgeable item and the potential hedging derivative instrument to simulate a third synthetic instrument. A potential hedging derivative instrument is effective if its total variable cash flows substantially offset the variable cash flows of the hedgeable item. The Organization determined that it met the criteria of the synthetic instrument method. Therefore, the change in the fair value of the effective interest rate swap is presented in the statements of net position as a deferred outflow of resources in the amount of \$489,040 and \$2,021,532 at June 30, 2022 and 2021, respectively.

(d) **Credit risk**—As of June 30, 2022 and 2021, the Athletics Finance Corporation was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Organization would be exposed to credit risk in the amount of the derivative’s fair value.

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

(f) **Termination risk**—The derivative contract uses the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes an “additional termination event.” That is, the swap agreement may be terminated if: (i) the loan or other indebtedness in connection with which a transaction entered into by the Athletics Finance Corporation for the purpose or with the effect of altering the net combined payment from a floating to fixed or a fixed to floating rate basis is repaid, whether upon acceleration of principal, at maturity, or otherwise, or for any other reason ceases to be an obligation of the Athletics Finance Corporation, with or without the consent of the counterparty (Regions Bank); or (ii) any credit support document expires, terminates or ceases to be of full force and effect. Also, the swap agreement may be terminated or assigned by Athletics Finance Corporation if the counterparty’s (Regions Bank) long-term, senior, unsecured, unenhanced debt rating is withdrawn, suspended, or falls below at least two of the following: a) “Baa1” as determined by Moody’s; or b) “BBB” as determined by Standard and Poor’s; or c) “BBB” as determined by Fitch. As of June 30, 2022 and 2021, the swap counterparty was rated in excess of the aforementioned requirements.

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

(g) **Swap payments and associated debt**—Using rates as of June 30, 2022, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows:

For the Year Ending June 30,	Variable-Rate Bond		Interest Rate Swap,	Total
	Principal	Interest	Net	
2023	\$ 1,135,000	\$ 528,680	\$ 270,011	\$ 1,933,691
2024	1,185,000	490,594	252,590	1,928,184
2025	1,245,000	450,829	230,250	1,926,079
2026	1,300,000	409,052	208,913	1,917,965
2027	1,355,000	365,429	186,634	1,907,063
2028-2032	9,535,000	1,161,553	505,058	11,201,611
Total	\$ 15,755,000	\$ 3,406,137	\$ 1,653,456	\$ 20,814,593

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

(7) **Unearned Revenues:**

The Athletics Finance Corporation and the University have pledged future revenues in order to meet certain minimum bond requirements under the issue of bond-related debt to finance the stadium project. Operating revenues may include athletics fees collected by the University, fund raising revenues, contributions, conference payments and naming rights revenues. Nonoperating revenues include capital gifts and investment revenues related to any of the above. Operating revenues related to the sale of football stadium suites and club seats have been deferred. Revenues are unavailable until the year they are earned. Suite sales will be recognized annually based on their corresponding contracts.

The following schedule presents sales commitments under suite agreements and ticket sales that expire on June 30, 2027:

For the Year Ending June 30,	Amount
2023	138,788
2024	24,320
2025	12,160
2026	12,160
2027	12,160
Total	\$ 199,588

**FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

(8) Related Party Transactions:

(a) **Related party revenues**—In accordance with the Memorandum of Understanding dated March 5, 2010; the University manages stadium-related activities, collects revenues on behalf of the Athletics Finance Corporation, and remits revenues timely as required under the existing trust indenture. For the years ended June 30, 2022 and 2021, the Athletics Finance Corporation received revenue for athletic support, game guarantees, NCAA conference payments, ticket sales, sponsorship revenues, suite revenue, contributions, rental income, and other operating revenues. The total of these revenues was \$5,507,789 and \$4,139,793 in 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Athletics Finance Corporation had amounts due from Florida International University related to these revenues of approximately \$1,612,010 and \$1,634,260, respectively.

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

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

For the Year Ending	
<u>June 30,</u>	<u>Amount</u>
2023	1,304,083
2024	1,304,083
2025	1,304,083
2026	1,304,083
2027	1,304,083
2028-2032	6,520,416
2033	1,195,410
Total	<u>\$ 14,236,241</u>

Reconciliation of the Statement of Net Position to the Lease Commitment	<u>2022</u>	<u>2021</u>
Current prepaid rent	\$ 1,304,083	\$ 1,304,083
Noncurrent prepaid rent	12,932,158	14,236,242
Total prepaid rent	14,236,241	15,540,325
Other assets	2,585	32
Total prepaid rent and other	<u>\$ 14,238,826</u>	<u>\$ 15,540,357</u>

As of June 30, 2022 and 2021, construction draws amounting to \$31,937,211 have been paid by the University to various contractors. The prepaid rent has been amortized by \$1,304,083 in both years.

SUPPLEMENTARY INFORMATION

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
SUPPLEMENTAL SCHEDULE
FOR THE YEARS ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	General AFC	Football Operations	Event Operations	2022	2021
Operating revenues					
Game guarantees	\$ 1,750,000	\$ -	\$ -	\$ 1,750,000	\$ 775,000
Athletic support	1,203,831	-	-	1,203,831	1,246,223
NCAA conference payments	713,087	-	-	713,087	590,134
Event revenues	-	-	507,398	507,398	196,476
Suite revenues	-	428,640	-	428,640	283,080
Rental income	-	-	296,873	296,873	230,828
Sponsorship revenues	296,536	-	-	296,536	62,863
Ticket sales	-	229,183	-	229,183	49,617
Merchandise royalties	82,241	-	-	82,241	25,567
Contributions	-	-	-	-	680,005
Total operating revenues	<u>4,045,695</u>	<u>657,823</u>	<u>804,271</u>	<u>5,507,789</u>	<u>4,139,793</u>
Operating expenses					
Amortization of prepaid rent	1,304,083	-	-	1,304,083	1,304,083
Professional services	206,608	149,842	97,837	454,287	102,687
Security services	-	134,609	167,138	301,747	90,708
Custodial and janitorial	63,089	70,485	137,251	270,825	110,552
Materials and supplies	186,281	14,350	-	200,631	54,442
Utilities	188,124	673	5,280	194,077	132,464
Repairs and maintenance	53,401	-	1,200	54,601	55,155
Rental of equipment	4,942	16,247	975	22,164	7,021
Banking fees	14,023	-	-	14,023	14,784
Depreciation	3,650	-	-	3,650	21,900
Other operating expenses	61	-	-	61	61
Total operating expenses	<u>2,024,262</u>	<u>386,206</u>	<u>409,681</u>	<u>2,820,149</u>	<u>1,893,857</u>
Operating income	<u>2,021,433</u>	<u>271,617</u>	<u>394,590</u>	<u>2,687,640</u>	<u>2,245,936</u>
Nonoperating revenues (expenses)					
Interest income	4,223	-	-	4,223	458
Interest expenses and fiscal charges	(976,276)	-	-	(976,276)	(1,020,320)
Total nonoperating expenses	<u>(972,053)</u>	<u>-</u>	<u>-</u>	<u>(972,053)</u>	<u>(1,019,862)</u>
Transfers to Florida International University	-	-	-	-	1,000,000
Change in net position	<u>\$ 1,049,380</u>	<u>\$ 271,617</u>	<u>\$ 394,590</u>	<u>\$ 1,715,587</u>	<u>\$ 226,074</u>

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

FIU ATHLETICS FINANCE CORPORATION
(A DIRECT SUPPORT ORGANIZATION)
SUPPLEMENTAL SCHEDULE
FOR THE YEARS ENDED JUNE 30, 2021

	<u>General AFC</u>	<u>Football Operations</u>	<u>Event Operations</u>	<u>2021</u>
Operating revenues				
Athletic support	\$ 1,246,223	\$ -	\$ -	\$ 1,246,223
Game guarantees	775,000	-	-	775,000
Contributions	680,005	-	-	680,005
NCAA conference payments	590,134	-	-	590,134
Suite revenues	-	283,080	-	283,080
Rental income	-	-	230,828	230,828
Event revenues	-	-	196,476	196,476
Sponsorship revenues	62,863	-	-	62,863
Ticket sales	-	49,617	-	49,617
Merchandise royalties	25,567	-	-	25,567
Total operating revenues	<u>3,379,792</u>	<u>332,697</u>	<u>427,304</u>	<u>4,139,793</u>
Operating expenses				
Amortization of prepaid rent	1,304,083	-	-	1,304,083
Utilities	132,219	245	-	132,464
Custodial and janitorial	53,482	14,633	42,437	110,552
Security services	-	66,612	24,096	90,708
Professional services	28,279	26,272	48,136	102,687
Repairs and maintenance	55,155	-	-	55,155
Materials and supplies	52,722	1,720	-	54,442
Depreciation	21,900	-	-	21,900
Banking fees	14,784	-	-	14,784
Rental of equipment	3,981	790	2,250	7,021
Other operating expenses	61	-	-	61
Total operating expenses	<u>1,666,666</u>	<u>110,271</u>	<u>116,919</u>	<u>1,893,857</u>
Operating income	<u>1,713,127</u>	<u>222,426</u>	<u>310,385</u>	<u>2,245,936</u>
Nonoperating revenues (expenses)				
Interest income	458	-	-	458
Interest expenses and fiscal charges	(1,020,320)	-	-	(1,020,320)
Total nonoperating expenses	<u>(1,019,862)</u>	<u>-</u>	<u>-</u>	<u>(1,019,862)</u>
Transfers to Florida International University	1,000,000	-	-	1,000,000
Change in net position	<u>\$ (306,735)</u>	<u>\$ 222,426</u>	<u>\$ 310,385</u>	<u>\$ 226,074</u>

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

REPORTING SECTION

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

To the Board of Directors,
FIU Athletics Finance Corporation:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of FIU Athletics Finance Corporation (the Corporation), a direct support organization and component unit of Florida International University, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 19, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

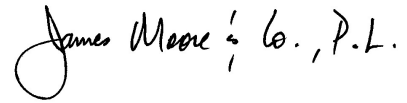
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 19, 2022