

**FLORIDA INTERNATIONAL UNIVERSITY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>Page(s)</u>
Independent Auditor’s Report	1 – 3
Required Supplementary Information	
Management’s Discussion and Analysis	4 – 16
Financial Statements	
Statements of Net Position	17
Statements of Revenues, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19
Statements of Fiduciary Net Position	20
Statements of Revenues, Expenses, and Changes in Fiduciary Net Position	21
Notes to Financial Statements	22 – 47
Compliance Report	
Independent Auditor’s Report on Internal Controls 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>	48 – 49

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 Foundation'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 Foundation'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 auditor's 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 Foundation'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 Foundation's ability to continue as a going concern for a reasonable period of time.

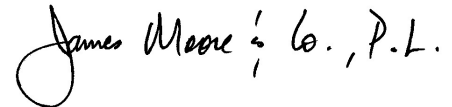
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on the following pages 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 standards 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 21, 2022, 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 initial "J" and a distinct "Co." followed by "P.L.".

Gainesville, Florida
October 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021

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, 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 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 objectives.

FINANCIAL HIGHLIGHTS

The Foundation's assets decreased by 11.7% as compared to the prior year primarily due to investment losses and a decrease in capital assets. The Foundation's liabilities increased by 68.5% as compared to the prior year primarily due to higher accounts payable and amounts due to the University, offset by a decrease in notes payable. During fiscal year 2022, the Foundation's net position, which represents the excess of total assets over liabilities and deferred inflows of resources, decreased by \$57.6 million.

The Foundation's operating revenues decreased 98.0% as compared to the prior year primarily driven by investment losses in the current year and a significant contribution in the prior year. The Foundation expects that contribution revenue may fluctuate from year to year and that large contributions are the result of cultivation efforts spanning various years. Investment performance is dependent on the financial markets and the Foundation manages the portfolio with a long-term philosophy of capital appreciation. The Foundation's operating expenses increased 45.2% as compared to the prior year primarily attributable to higher building support to the University for major construction projects.

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 for its business-type activities: 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")
- Foundation Enterprise Holdings VI, LLC ("FEH VI")

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 present 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.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

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

	June 30,		
	2022	2021	2020
Assets			
Current assets	\$ 30,842,039	\$ 38,782,329	\$ 40,934,630
Noncurrent assets	391,359,534	439,417,411	300,015,224
Total assets	422,201,573	478,199,740	340,949,854
Liabilities			
Current liabilities	8,671,776	4,892,404	5,105,974
Noncurrent liabilities	495,549	547,692	1,774,396
Total liabilities	9,167,325	5,440,096	6,880,370
Deferred inflows of resources			
Deferred inflows related to rental income	317,885	2,451,674	4,557,604
Total deferred inflows of resources	317,885	2,451,674	4,557,604
Net position			
Net investment in capital assets	7,345,972	13,171,584	12,921,147
Restricted:			
Nonexpendable endowments	198,540,065	191,376,258	185,009,260
Expendable	145,013,261	183,178,127	114,580,228
Unrestricted	61,817,065	82,582,001	17,001,245
Total net position	\$ 412,716,363	\$ 470,307,970	\$ 329,511,880

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

TOTAL ASSETS

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

	June 30,		
	2022	2021	2020
Cash and cash equivalents	\$ 17,636,774	\$ 21,398,096	\$ 28,302,508
Pledges receivable, net	20,715,897	25,974,582	19,751,852
Lease receivable	317,885	2,451,674	4,557,604
Other current assets	571,510	678,306	488,439
Due from Florida International University	87,891	166,639	134,300
Investments	375,039,589	412,740,949	272,216,094
Depreciable capital assets, net	4,361,943	14,767,494	15,477,057
Nondepreciable capital assets	3,470,084	22,000	22,000
Total assets	\$ 422,201,573	\$ 478,199,740	\$ 340,949,854

Total assets as of June 30, 2022, decreased by \$55,998,167, or 11.7%, as compared to the prior year. Investments decreased in the current year due to lower investment performance as compared to the prior year. Depreciable capital assets decreased due to the transfer of the MARC Building to the University, offset by the purchase of nondepreciable capital assets for FEH VI in the current year. The carrying value of the MARC Building and its improvements and furniture and fixtures at June 30, 2022, was transferred to the University.

Endowment pledges are not recognized under the GASB accounting framework and are not reflected as pledges receivable 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, 2022, 2021 and 2020, endowment pledges receivable totaled \$15,826,541, \$9,703,958 and \$9,758,887, respectively. Not included in these amounts is \$41,967,040 of match funds, which have been approved but are still pending to be received from the State of Florida 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, 2022 AND 2021
(Continued)

TOTAL LIABILITIES

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

	June 30,		
	2022	2021	2020
Accounts payable and accrued expenses	\$ 1,890,465	\$ 578,797	\$ 634,483
Due to Florida International University	6,571,326	3,148,622	3,421,506
Notes payable	-	1,075,000	2,035,000
Unearned revenue	120,000	-	150,000
Annuity obligations	585,534	637,677	639,381
Total liabilities	\$ 9,167,325	\$ 5,440,096	\$ 6,880,370

Total liabilities as of June 30, 2022, increased by \$3,727,229, or 68.5%, as compared to the prior year. The increase is mainly due to higher amounts due to Florida International University and accounts payable and accrued expenses due to pending payments related to the Doral Property remediation and transfer of MARC Building reserves to the University, offset by a decrease of \$1,075,000 in notes payable.

DEFERRED INFLOWS OF RESOURCES

The Foundation implemented GASB Statement No. 87, *Leases*, in the fiscal year ending June 30, 2022, with retrospective application beginning July 1, 2020.

The following summarizes the Foundation's total deferred inflows of resources for the fiscal years ended:

	June 30,		
	2022	2021	2020
Deferred inflows related to rental income	\$ 317,885	\$ 2,451,674	\$ 4,557,604
Total deferred inflows of resources	\$ 317,885	\$ 2,451,674	\$ 4,557,604

Total deferred inflows of resources as of June 30, 2022, decreased by \$2,133,789, or 87.0%, as compared to the prior year. The decrease is due to the recognition of rental income and interest revenue over the term of the lease.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

NET POSITION

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

	June 30,		
	2022	2021	2020
Net investment in capital assets	\$ 7,345,972	\$ 13,171,584	\$ 12,921,147
Restricted:			
Nonexpendable endowments	198,540,065	191,376,258	185,009,260
Expendable	145,013,261	183,178,127	114,580,228
Unrestricted	61,817,065	82,582,001	17,001,245
Total net position	\$ 412,716,363	\$ 470,307,970	\$ 329,511,880

Net position represents the residual interest in the Foundation's assets after deducting liabilities. Total net position as of June 30, 2022, decreased by \$57,591,607, or 12.2%, as compared to the prior year. The decrease in net position is mainly attributable to the lower investment performance, the transfer of the MARC Building to the University, and an outflow of expendable restricted resources for the benefit of programs, scholarships and building support provided to the University. This decrease was offset by the receipt of nonexpendable endowment gifts.

Net position is reported in three classifications: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets reflects total capital assets, net of accumulated depreciation, less any capital-related borrowing. 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 endowments. Unrestricted net position represents funds that are available without restriction for carrying out the Foundation's objectives.

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED 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 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 the fiscal years ended:

	June 30,		
	2022	2021	2020
Contributions, net	\$ 26,010,190	\$ 78,984,929	\$ 26,346,350
Investment earnings (losses)	(25,423,340)	87,296,896	7,995,841
Rental income	2,134,753	2,070,566	1,945,885
Other operating revenues	715,655	494,277	704,354
Total operating revenues, net	3,437,258	168,846,668	36,992,430
Programs, scholarships and building support to Florida International University	43,946,464	25,921,906	27,235,249
Fundraising	11,592,942	9,528,255	9,500,622
General and administrative	6,319,398	6,543,940	7,064,402
General support to Florida International University	1,187,684	1,182,987	1,273,868
Depreciation	734,854	744,623	747,787
Total operating expenses	63,781,342	43,921,711	45,821,928
Operating income (loss)	(60,344,084)	124,924,957	(8,829,498)
Nonoperating revenues (expenses)			
Transfers to Florida International University	(12,170,696)	-	-
Change in value of annuity obligations	(27,145)	(84,000)	(84,000)
Support from Florida International University	7,899,821	9,700,747	9,193,347
Total nonoperating revenues (expenses)	(4,298,020)	9,616,747	9,109,347
Gain (loss) before endowment contributions	(64,642,104)	134,541,704	279,849
Endowment contributions	7,050,497	6,254,386	5,861,341
Change in net position	(57,591,607)	140,796,090	6,141,190
Net position - beginning of year	470,307,970	329,511,880	323,370,690
Net position - end of year	\$ 412,716,363	\$ 470,307,970	\$ 329,511,880

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(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 the 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,		
	2022	2021	2020
Contributions, net	\$ 26,010,190	\$ 78,984,929	\$ 26,346,350
Investment earnings (losses)	(25,423,340)	87,296,896	7,995,841
Rental income	2,134,753	2,070,566	1,945,885
Other operating revenues	715,655	494,277	704,354
Total operating revenues, net	\$ 3,437,258	\$ 168,846,668	\$ 36,992,430

Total operating revenues decreased by \$165,409,410, or 98.0%, as compared to the prior year. Operating revenues are made up of contributions, investment earnings, rental income and other operating revenues.

The decrease in total operating revenues is mainly attributable to investment losses in the current year due to market volatility and a significant contribution of \$40 million in the prior year.

Rental income was level when compared to the prior year. Other operating revenues increased by \$221,378, or 44.8%, as compared to the prior year. Other operating revenues are comprised of revenues related to events, museum store sales, royalties and membership dues.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(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,		
	2022	2021	2020
Programs, scholarships and building support to			
Florida International University	\$ 43,946,464	\$ 25,921,906	\$ 27,235,249
Fundraising	11,592,942	9,528,255	9,500,622
General and administrative	6,319,398	6,543,940	7,064,402
General support to Florida International University	1,187,684	1,182,987	1,273,868
Depreciation	734,854	744,623	747,787
Total operating expenses	\$ 63,781,342	\$ 43,921,711	\$ 45,821,928

Total operating expenses increased by \$19,859,631, or 45.2%, as compared to the prior year. Operating expenses are comprised of support to the University, fundraising, general and administrative and depreciation expenses.

The largest component of operating expenses is support to the University. These operating expenses include programs, scholarships and building support totaling \$43,946,464 and other general support to the University totaling \$1,187,684. Operating expenses in support of the University totaled \$45,134,148 for the 2021-22 fiscal year, representing an increase of \$18,029,255, or 66.5%, as compared to the prior year. This increase is mainly due to higher building support to the University for major construction projects in the current year.

The next largest component of operating expenses is fundraising. Fundraising expenses totaled \$11,592,942 for the 2021-22 fiscal year, representing an increase of \$2,064,687, or 21.7%, as compared to the prior year. This increase is mainly due to higher professional services, which supported the University by increasing fundraising, alumni engagement and participation in the current year. The various in-state and out-of-state donor events promoted the University and assisted in generating philanthropic support and increasing alumni participation.

General and administrative expenses include business office expenses, utilities, maintenance, insurance, and environmental remediation on land held for investment. General and administrative expenses totaled \$6,319,398 for the 2021-22 fiscal year, representing a slight decrease of \$224,542, or 3.4%, as compared to the prior year.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

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.

NONOPERATING REVENUES

GASB Statement No. 35 categorizes revenues and expenses as either operating or nonoperating. Nonoperating revenues are comprised of the net change in value of annuity obligations and support from the University. Support from the University includes salaries and benefits related to personnel who perform administrative and fundraising functions for the Foundation.

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

	June 30,		
	2022	2021	2020
Transfers to Florida International University	\$ (12,170,696)	\$ -	\$ -
Change in value of annuity obligations	(27,145)	(84,000)	(84,000)
Support from Florida International University	7,899,821	9,700,747	9,193,347
Total nonoperating revenues (expenses)	\$ (4,298,020)	\$ 9,616,747	\$ 9,109,347

Total nonoperating revenues decreased by \$13,914,767, or 144.7%, as compared to the prior year. This decrease is primarily attributable to the transfer of the MARC Building at carrying value and its corresponding improvements and furniture and fixtures of \$9,670,696 and MARC Building reserves of \$2,500,000 to the University.

ENDOWMENT CONTRIBUTIONS

Endowment contributions increased by \$796,111, or 12.7%, 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 in endowment contributions is reflective of the Foundation's focus on fundraising efforts to grow the endowment.

	June 30,		
	2022	2021	2020
Endowment contributions	\$ 7,050,497	\$ 6,254,386	\$ 5,861,341
Total endowment contributions	\$ 7,050,497	\$ 6,254,386	\$ 5,861,341

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

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 include those activities not covered in other sections.

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

	June 30,		
	2022	2021	2020
Cash flows provided by (used in)			
Operating activities	\$ (20,690,311)	\$ 39,026,764	\$ (11,280,176)
Capital and related financing activities	(2,399,528)	1,042,397	620,878
Investing activities	12,278,020	(53,227,959)	16,732,404
Noncapital financing activities	<u>7,050,497</u>	<u>6,254,386</u>	<u>5,861,341</u>
Change in cash and cash equivalents	(3,761,322)	(6,904,412)	11,934,447
Cash and cash equivalents			
Beginning of year	21,398,096	28,302,508	16,368,061
End of year	<u>\$ 17,636,774</u>	<u>\$ 21,398,096</u>	<u>\$ 28,302,508</u>

Cash and cash equivalents decreased by \$3,761,322, or 17.6%, as compared to the prior year. Net cash flows from operating activities decreased by \$59,717,075, mainly attributable to the receipt of a significant contribution in the prior year coupled with higher payments made to suppliers and the University in the current year. Net cash from capital and related financing activities decreased by \$3,441,925, mainly attributable to the outflow of cash to purchase the FEH VI property. The cash flows from investing activities increased by \$65,505,979 due to a full transition of the investment portfolio to the new outsourced chief investment officer (OCIO). Net cash flows from noncapital financing activities increased by \$796,111, attributable to an increase in endowment contributions as compared to the prior year.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

At June 30, 2022, the Foundation had \$9,891,271 in capital assets, less accumulated depreciation of \$2,059,244 totaling net capital assets of \$7,832,027. Depreciation charges for the current fiscal year totaled \$734,854. The decrease in building and improvements is attributable to the MARC Building and its improvements and furniture and fixtures being transferred, at carrying value, to the University on June 30, 2022. The carrying value of the MARC Building and its improvements and furniture and fixtures is \$9,670,696. The MARC Building has an estimated replacement cost of approximately \$34 million. This decrease was offset with an increase in land related to the purchase of real property in Sweetwater, Florida.

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

	June 30,		
	2022	2021	2020
Building and improvements, net	\$ 4,187,814	\$ 14,374,908	\$ 14,976,002
Furniture and equipment, net	174,129	392,586	501,055
Total depreciable capital assets, net	4,361,943	14,767,494	15,477,057
Artwork	22,000	22,000	22,000
Land	3,448,084	-	-
Total nondepreciable capital assets	3,470,084	22,000	22,000
Total capital assets, net	\$ 7,832,027	\$ 14,789,494	\$ 15,499,057

The largest component of capital assets is building and improvements, net totaling \$4,187,814, or 53.5%, of the total balance. Land, furniture and equipment, net, and artwork, totaling \$3,448,084, \$174,129 and \$22,000, respectively, account for the remaining balance in capital assets.

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

	June 30,		
	2022	2021	2020
Notes payable	\$ -	\$ 1,075,000	\$ 2,035,000
Annuity obligations	585,534	637,677	639,381
Total outstanding debt	\$ 585,534	\$ 1,712,677	\$ 2,674,381

During the 2021-22 fiscal year, the Foundation reduced debt by \$1,127,143, primarily as a result of the final principal payment.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

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

	June 30,		
	2022	2021	2020
Capital assets, net	\$ 7,832,027	\$ 14,789,494	\$ 15,499,057
Notes payable	-	(1,075,000)	(2,035,000)
Annuity obligations	(486,055)	(542,910)	(542,910)
Net investment in capital assets	\$ 7,345,972	\$ 13,171,584	\$ 12,921,147

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

FIDUCIARY FINANCIAL STATEMENTS

As a result of the implementation of GASB 84, *Fiduciary Activities*, separate Statements of Fiduciary Net Position and Statements of Revenues, Expenses, and Changes in Fiduciary Net Position are included in these financial statements. Fiduciary funds are used to account for resources held for the benefit of external parties such as the University. Fiduciary funds are not reflected in the Foundation's basic business-type entity financial statements because ownership of those resources remains with the University.

OUTLOOK FOR THE FUTURE

In the fiscal year ended June 30, 2022, FIU exceeded the \$750 million fundraising goal of its Next Horizon campaign, the University's comprehensive campaign focused on supporting student success, research excellence and alumni achievement at FIU. While the Foundation has surpassed its campaign goal, the fundraising program will continue in the 2022-23 fiscal year with activities focused on strengthening alumni giving and engagement.

Celebrating its 50th anniversary in fall 2022, FIU has graduated more than 286,000 alumni and has over 55,000 enrolled students. These are FIU's Panthers. In the 2022-23 fiscal year, the Foundation will launch an alumni brand campaign to mobilize the Panther Nation. The alumni campaign will offer new programming responsive to alumni needs, opportunities for alumni to connect and engage with their alma mater through philanthropy, and increased recognition of alumni achievement and giving.

Key Next Horizon campaign priorities include growing undergraduate alumni giving participation from 9.4% in the 2021-22 fiscal year to 18% by 2025. Rising alumni participation rates demonstrate alumni pride and have a ripple effect, from helping increase FIU's rankings to inspiring other donors to build on our alumni's investments. In fall 2022, FIU was ranked No. 72 among U.S. public universities in the *U.S. News & World Report* rankings, making it the fastest-rising public university, gaining 62 spots in these rankings in the past 10 years.

In the 2022-23 fiscal year, the Foundation will also prioritize fundraising for scholarships, endowment growth and major construction projects, expanding the University's impact as a proven force for good in the region and the world.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

REQUESTS FOR INFORMATION

These financial statements are designed to provide a general overview of the Foundation's finances. Questions concerning the 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, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 17,636,774	\$ 21,398,096
Pledges receivable, net	12,281,965	14,353,649
Lease receivable	263,899	2,185,639
Other current assets	571,510	678,306
Due from Florida International University	87,891	166,639
Total current assets	30,842,039	38,782,329
Noncurrent assets		
Investments	375,039,589	412,740,949
Pledges receivable, net	8,433,932	11,620,933
Lease receivable	53,986	266,035
Depreciable capital assets, net	4,361,943	14,767,494
Nondepreciable capital assets	3,470,084	22,000
Total noncurrent assets	391,359,534	439,417,411
Total assets	422,201,573	478,199,740
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable and accrued expenses	1,890,465	578,797
Due to Florida International University	6,571,326	3,148,622
Long-term liabilities - current portion:		
Notes payable	-	1,075,000
Unearned revenue	120,000	-
Annuity obligations	89,985	89,985
Total current liabilities	8,671,776	4,892,404
Noncurrent liabilities		
Annuity obligations	495,549	547,692
Total noncurrent liabilities	495,549	547,692
Total liabilities	9,167,325	5,440,096
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred inflows related to rental income	317,885	2,451,674
Total deferred inflows of resources	317,885	2,451,674
<u>NET POSITION</u>		
Net investment in capital assets	7,345,972	13,171,584
Restricted:		
Nonexpendable endowments	198,540,065	191,376,258
Expendable	145,013,261	183,178,127
Unrestricted	61,817,065	82,582,001
Total net position	\$ 412,716,363	\$ 470,307,970

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, 2022 AND 2021

	2022	2021
Operating revenues		
Contributions, net	\$ 26,010,190	\$ 78,984,929
Investment earnings (losses)	(25,423,340)	87,296,896
Rental income	2,134,753	2,070,566
Dues	357,676	365,503
Other miscellaneous	243,612	74,923
Royalties	114,367	53,851
Total operating revenues, net	3,437,258	168,846,668
Operating expenses		
Programs, scholarships and building support to Florida International University	43,946,464	25,921,906
Fundraising	11,592,942	9,528,255
General and administrative	6,319,398	6,543,940
General support to Florida International University	1,187,684	1,182,987
Depreciation	734,854	744,623
Total operating expenses	63,781,342	43,921,711
Operating income (loss)	(60,344,084)	124,924,957
Nonoperating revenues (expenses)		
Transfers to Florida International University	(12,170,696)	-
Change in value of annuity obligations	(27,145)	(84,000)
Support from Florida International University	7,899,821	9,700,747
Total nonoperating revenues (expenses)	(4,298,020)	9,616,747
Gain (loss) before endowment contributions	(64,642,104)	134,541,704
Endowment contributions	7,050,497	6,254,386
Change in net position	(57,591,607)	140,796,090
Net position - beginning of year	470,307,970	329,511,880
Net position - end of year	\$ 412,716,363	\$ 470,307,970

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, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Receipts from contributions	\$ 31,467,623	\$ 72,579,859
Other receipts	827,160	302,706
Net payments on annuity obligations	(84,000)	(84,000)
Payments made to suppliers	(29,891,158)	(3,676,407)
Payments made to Florida International University	(23,009,936)	(30,095,394)
Net cash provided by (used in) operating activities	(20,690,311)	39,026,764
Cash flows from capital and related financing activities		
Receipts from rental income	2,134,754	2,070,566
Principal paid on capital debt	(1,075,000)	(960,000)
Purchase of leasehold improvement	-	(35,060)
Purchase of land	(3,448,084)	-
Interest paid on capital debt	(11,198)	(33,109)
Net cash provided by (used in) capital and related financing activities	(2,399,528)	1,042,397
Cash flows from investing activities		
Proceeds from sale and maturity of investments	17,666,225	55,737,112
Purchase of investments	(13,209,393)	(110,125,509)
Receipts from interest, net of fees	7,821,188	1,160,438
Net cash provided by (used in) investing activities	12,278,020	(53,227,959)
Cash flows from noncapital financing activities		
Private gifts for permanent endowments	7,050,497	6,254,386
Net cash flows provided by noncapital financing activities	7,050,497	6,254,386
Net decrease in cash and cash equivalents	(3,761,322)	(6,904,412)
Cash and cash equivalents - beginning of year	21,398,096	28,302,508
Cash and cash equivalents - end of year	\$ 17,636,774	\$ 21,398,096
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (60,344,084)	\$ 124,924,957
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Rental income	(2,134,753)	(2,070,566)
Depreciation expense	734,854	744,623
Noncash support from Florida International University	7,899,821	9,700,747
Transfers to Florida International University	(2,500,000)	-
Investment earnings (losses)	25,423,340	(87,296,896)
Interest expense	11,198	33,109
Change in value of annuity obligations	(27,145)	(84,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables from related parties	78,748	(32,339)
Lease receivable	2,133,789	2,105,930
Pledges receivable	5,258,685	(6,222,730)
Other assets	106,796	(189,867)
Increase (decrease) in:		
Accounts payable and other liabilities	1,311,668	(55,686)
Annuity obligations	(52,143)	(1,704)
Payables to related parties	3,422,704	(272,884)
Unearned revenue	120,000	(150,000)
Deferred inflows related to rental income	(2,133,789)	(2,105,930)
Total adjustments	39,653,773	(85,898,193)
Net cash provided by (used in) operating activities	\$ (20,690,311)	\$ 39,026,764
Non-cash investing, financing and capital activities		
Transfer of the MARC Building to Florida International University	\$ 9,670,696	\$ -

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2022 AND 2021

	2022	2021
<u>ASSETS</u>		
Assets		
Investments	\$ 11,215,537	\$ 12,759,008
Total assets	11,215,537	12,759,008
<u>NET POSITION</u>		
Restricted:		
Nonexpendable endowments	9,500,000	9,500,000
Expendable	1,715,537	3,259,008
Total fiduciary net position	\$ 11,215,537	\$ 12,759,008

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Additions		
Investment earnings (losses)	\$ (1,141,702)	\$ 3,083,468
Total additions (deductions)	(1,141,702)	3,083,468
Deductions		
Spending distribution	401,769	309,372
Total deductions	401,769	309,372
Change in fiduciary net position	(1,543,471)	2,774,096
Net position - beginning of year	12,759,008	9,984,912
Net position - end of year	\$ 11,215,537	\$ 12,759,008

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

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(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 five 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”), Foundation Enterprise Holdings V, LLC (“FEH V”), and Foundation Enterprise Holdings VI, LLC (“FEH VI”).

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 19th to the mid-20th 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., and 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, 2022 AND 2021

(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 VI is a Florida limited liability company of which the sole member is the FIU Foundation, Inc. On April 26, 2022, FEH VI became the owner of 30,312 square feet (0.70 acres) of real property located at 144 SW 109th Avenue, Miami, Florida (“Sweetwater Property”). The Sweetwater Property was purchased for \$3,403,517.

FEH I, FEH II, FEH V and FEH VI 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, FEH V and FEH VI 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 creditors, grantors, contributors, or law. 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 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 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, 2022 AND 2021

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

In addition to the business type activities noted above, the Foundation accounts for assets that it holds in a fiduciary capacity that it invests and manages for the University, which accumulates resources for annual distributions to the University. These funds are accounted for as fiduciary funds in accordance with GASB Statement No. 84, *Fiduciary Activities*, which was implemented during the fiscal year ended June 30, 2021.

(c) **Operating and nonoperating activities**—Operating revenues and expenses represent ongoing activities of the Foundation, as well as ongoing activities that are in support of the University’s programs. Operating activities relate to the Foundation’s mission, which is to encourage, solicit, receive and administer gifts and bequests of property and funds for scientific, educational and charitable purposes, all for the advancement of the University and its objectives. Nonoperating revenues and expenses include activities not included in operating revenues and expenses, which include support from the University and changes in the value of annuity obligations.

(d) **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 revenues 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.

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

(f) **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.

(g) **Lease receivable**—The Foundation records a lease receivable at the present value of lease payments anticipated to be received during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivable is assessed annually for changes in the terms of the lease, interest rate, impairment of underlying leased asset, and other factors that may impact the expected lease payments. Rental income is reported systematically over the term of the lease, corresponding

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

with the reduction of deferred inflow of resources. The Foundation calculates the amortization of the discount on each lease receivable in subsequent financial reporting periods, and that amount is reported as interest revenue. The future lease payments to be received should be discounted using the interest rate the Foundation charges the lessee. The interest rate used for valuation purposes for the FEH I Properties is the current 30-year mortgage rate and for the MARC Building is the rate the University would pay based on (a) AA Rating, (b) Tax-Exempt Status, and (c) one-year term lease.

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

(i) **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 (j) 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.

(j) **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 a 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 5 for a summary of the inputs used as of June 30, 2022 and 2021, in determining the fair value of the Foundation's investments.

(k) **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. Artwork owned by the Foundation is reflected as nondepreciable capital assets. 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.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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 is 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.

(l) **Unearned revenue**—Unearned revenue is comprised of unearned contributions. The Foundation has received various contributions that are contingent on the construction of CasaCuba. If such evolution prevents the completion of the construction of CasaCuba, the Foundation will need to notify the donor and the donor can either (a) allocate the contribution to another program or (b) donate the funds to another 501(c)(3) charitable organization designated by the donor. The Foundation has \$120,000 in unearned revenue for the fiscal year ended June 30, 2022, and no unearned revenue for the fiscal year ended June 30, 2021.

(m) **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.

(n) **Fiduciary activities**—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 a total of \$9,500,000 as of June 30, 2022 to the Foundation to be held as a term endowment. The endowment will be managed consistent with the Foundation’s policies and procedures. The endowment’s market value is reflected within the Statements of Fiduciary Net Position, and the annual appreciation is presented in the statements of revenues, expenses, and changes in fiduciary net position.

(o) **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 DSOs. These expenses include programs, scholarships, building support and other program related expenses.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

(p) **Support from Florida International University**—The Foundation’s mission is to raise funds for the benefit of the University and donations are generally restricted for the benefit of the University. As a result, the Foundation receives support for personnel services from the University in order to carry out its administrative and fundraising functions. The University directly funded salaries and benefits of \$7,899,821 and \$9,700,747 for University employees who perform functions for the benefit of the Foundation for the fiscal years ended June 30, 2022 and 2021, respectively. This amount is included in Support from Florida International University on the statements of revenues, expenses, and changes in net position.

(q) **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.

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 and 2021, 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.

(r) **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 that 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, 2022 and 2021, approximately \$382,771,000 and \$427,087,000, was held in these accounts, respectively. The Foundation believes that the number, diversity and financial strength of the issuers mitigate the credit risks associated with all investments.

(s) **Recent accounting pronouncements**—The Foundation implemented GASB Statement No. 87, *Leases*, in the fiscal year ending June 30, 2022, with retrospective application beginning July 1, 2020. Refer to Note (4) Lease Receivable for additional information.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

(t) **Reclassifications**—In order to facilitate the comparison of financial data, certain June 30, 2021 amounts have been reclassified to conform to the current year reporting format. These reclassifications had no effect on net position.

(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 2031, at which time it can be renewed for an additional period of 10 years.

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

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

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.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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

(3) **Pledges Receivable:**

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

	June 30,	
	2022	2021
Pledges receivable	\$ 24,932,106	\$ 28,746,003
Less:		
Allowance for doubtful accounts	(2,554,373)	(2,182,435)
Discount on future payments	(1,661,836)	(588,986)
Total pledges receivable, net	\$ 20,715,897	\$ 25,974,582
Current pledges receivable, net	\$ 12,281,965	\$ 14,353,649
Noncurrent pledges receivable, net	8,433,932	11,620,933
Total pledges receivable, net	\$ 20,715,897	\$ 25,974,582

Contributions to be received after one year are discounted using U.S. Treasury yields. The discount on future payments totaled \$1,661,836 and \$588,986 at June 30, 2022 and 2021, respectively. Amortization of the discount on future payments is recorded as an adjustment to contribution revenue. The discount rate on June 30, 2022 and 2021 was 3.01% and 0.87%, respectively.

Effective July 1, 2011, the State of Florida match under the Trust Fund for Major Gifts is 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.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(4) **Lease Receivable:**

The Foundation evaluated all lease contracts applicable to GASB Statement No. 87, *Leases*, and identified several leases, in which the Foundation is the lessor, that have future minimum lease cash inflows. The Foundation has \$317,885 and \$2,451,674 in lease receivable for the fiscal years ended June 30, 2022 and 2021, respectively. The Foundation recognized \$2,129,326 and \$2,068,690 in lease revenue and \$19,070 and \$19,145 in interest revenue for the fiscal years ended June 30, 2022 and 2021, respectively, related to these leases. Present-value calculations of the lease payments were made utilizing a discount rate of 2.16% for the MARC Building leases and 5.34% for the FEH I leases.

	Lease Term		Present Value of Future Lease Payments		FY2022 Payments			
			7/1/2021	6/30/2022	Cash	Receivable	Interest	Revenue
	Start	End						
MARC Building	12/1/1999	6/30/2022	\$ 1,917,081	\$ -	\$ 1,935,233	\$ 1,917,081	\$ 18,152	\$ 1,917,081
Zerga Shoes, LLC	5/1/2021	9/30/2023	166,352	93,412	60,400	60,140	260	60,140
Bettant Bakery and Café, Inc.	10/1/2013	9/30/2023	199,693	130,225	72,540	72,228	312	72,228
Safron, LLC	1/1/2016	9/30/2023	168,548	94,248	80,223	79,877	346	79,877
			<u>\$ 2,451,674</u>	<u>\$ 317,885</u>	<u>\$ 2,148,396</u>	<u>\$ 2,129,326</u>	<u>\$ 19,070</u>	<u>\$ 2,129,326</u>

	Lease Term		Present Value of Future Lease Payments		FY2021 Payments			
			7/1/2020	6/30/2021	Cash	Receivable	Interest	Revenue
	Start	End						
MARC Building	12/1/1999	6/30/2022	\$ 3,832,595	\$ 1,917,081	\$ 1,933,652	\$ 1,915,514	\$ 18,138	\$ 1,915,514
Zerga Shoes, LLC	5/1/2021	9/30/2023	166,352	166,352	5,000	4,967	33	4,967
Bettant Bakery and Café, Inc.	10/1/2013	9/30/2023	256,054	199,693	80,215	79,691	524	79,691
Safron, LLC	1/1/2016	9/30/2023	232,821	168,548	64,274	63,854	419	63,854
Robert Fontaine Gallery, Inc	11/1/2019	12/31/2024	69,782	-	4,695	4,664	31	4,664
			<u>\$ 4,557,604</u>	<u>\$ 2,451,674</u>	<u>\$ 2,087,836</u>	<u>\$ 2,068,690</u>	<u>\$ 19,145</u>	<u>\$ 2,068,690</u>

Future minimum rents under operating leases to be received as of June 30, 2022, are as follows:

For the Year Ending June 30,	Principal	Interest	Total Payment
	2023	\$ 263,899	\$ 1,096
2024	53,986	160	54,146
Total Receipts	<u>\$ 317,885</u>	<u>\$ 1,256</u>	<u>\$ 319,141</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(5) **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 15 for additional information on these requirements.

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

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Domestic equities	\$ 150,209,610	\$ 155,970,071
Global equities	98,864,397	97,796,405
Real assets	12,475,993	-
Fixed income	19,144,886	71,738,205
Hedge funds	10,973,854	29,176,871
Private investments	79,246,236	69,406,855
Land held for investments	15,340,150	1,411,550
Total investments	<u>\$ 386,255,126</u>	<u>\$ 425,499,957</u>
Less: fiduciary fund equity interest	11,215,537	12,759,008
Total investments of the Foundation	<u>\$ 375,039,589</u>	<u>\$ 412,740,949</u>

Total investment earnings (losses) for the fiscal years ended June 30, 2022 and 2021, totaled (\$25,423,340) and \$87,296,896, of which (\$24,121,505) and \$63,059,221 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 fees and incentive fees paid during the fiscal year ended June 30, 2022 and 2021, totaled \$3,302,934 and \$4,493,816, respectively. Investment consultant fees totaled \$705,776 and \$809,005 for the fiscal years ended June 30, 2022 and 2021, respectively.

The Foundation's investments reported on the statement of financial position are reduced by the equity interest of fiduciary funds managed by the Foundation. The Foundation measures amounts held on behalf of fiduciary funds at fair value on a quarterly basis. The fair value of these underlying assets are presented in the total investments in the above table for the fiscal years ended June 30, 2022 and 2021. See fiduciary fund statement of net position for additional information.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(5) **Investments:** (Continued)

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, 2022 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	\$ 19,143,686	\$ -	\$ 19,143,686	\$ -
Total	<u>\$ 19,143,686</u>	<u>\$ -</u>	<u>\$ 19,143,686</u>	<u>\$ -</u>

The future maturities of the securities held in domestic fixed income at June 30, 2021 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	\$ 71,737,005	\$ -	\$ 43,451,486	\$ 28,285,519
Total	<u>\$ 71,737,005</u>	<u>\$ -</u>	<u>\$ 43,451,486</u>	<u>\$ 28,285,519</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, 2022, 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>A+</u>	<u>BBB</u>
Domestic Fixed Income	\$ 19,143,686	\$ 19,143,686	\$ -
Total	<u>\$ 19,143,686</u>	<u>\$ 19,143,686</u>	<u>\$ -</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(5) **Investments:** (Continued)

At June 30, 2021, 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>A+</u>	<u>BBB</u>
Domestic Fixed Income	\$ 71,737,005	\$ 28,285,519	\$ 43,451,486
Total	<u>\$ 71,737,005</u>	<u>\$ 28,285,519</u>	<u>\$ 43,451,486</u>

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 that have been valued using this approach generally include investments in investee funds that have lock-ups that are greater than 12 months.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(5) **Investments:** (Continued)

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 that 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.

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, 2022:

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	\$ 150,209,610	\$ 150,209,610	\$ -	\$ -
Global equities	98,864,397	98,864,397	-	-
Real assets	12,475,993	12,475,993	-	-
Fixed income	19,143,686	19,143,686	-	-
Land held for investments	15,340,150	-	-	15,340,150
Total investments by fair value level	\$ 296,033,836	\$ 280,693,686	\$ -	\$ 15,340,150

Investments measured at the net asset value (NAV)¹

Fixed income	1,200
Hedge funds	10,973,854
Private investments	79,246,236
Total investments measured at NAV¹	90,221,290
Fiduciary fund equity interest	(11,215,537)
Total investments measured at fair value	\$ 375,039,589

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(5) **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, 2021:

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	\$ 155,970,071	\$ 155,970,071	\$ -	\$ -
Global equities	82,130,848	82,130,848	-	-
Fixed income	71,737,005	71,737,005	-	-
Land held for investments	1,411,550	-	-	1,411,550
Total investments by fair value level	\$ 311,249,474	\$ 309,837,924	\$ -	\$ 1,411,550
Investments measured at the net asset value (NAV)¹				
Global equities	15,665,557			
Fixed income	1,200			
Hedge funds	29,176,871			
Private investments	69,406,855			
Total investments measured at NAV¹	114,250,483			
Fiduciary fund equity interest	(12,759,008)			
Total investments measured at fair value	\$ 412,740,949			

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(5) **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, 2022:

Investments measured at NAV ¹	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income:				
Global bonds (b)	\$ 1,200	\$ -	Monthly	10 days
Hedge funds:				
Long/short equity (c)	10,798,100	-	Monthly - Every 3 Years ²	60 - 90 days
Event driven/open mandate (d)	175,754	-	Quarterly ²	90 days
Private investments:				
Private equity (e)	52,286,682	80,458,832	Illiquid	N/A
Venture capital (f)	26,959,554	1,305,000	Illiquid	N/A
Total investments measured at NAV¹	\$ 90,221,290	\$ 81,763,832		

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, 2021:

Investments measured at NAV ¹	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equities:				
Global equities (a)	\$ 15,665,557	\$ -	Monthly - Quarterly	6 - 60 days
Fixed income:				
Global bonds (b)	1,200	-	Monthly	10 days
Hedge funds:				
Long/short equity (c)	24,395,804	-	Monthly - Every 3 Years ²	30 - 180 days
Event driven/open mandate (d)	4,781,067	-	Quarterly - Annually ²	45 - 90 days
Private investments:				
Private equity (e)	38,591,286	30,588,501	Illiquid	N/A
Venture capital (f)	30,815,569	1,285,000	Illiquid	N/A
Total investments measured at NAV¹	\$ 114,250,483	\$ 31,873,501		

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(5) **Investments:** (Continued)

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

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

(c) **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 an absolute return. Management of hedge funds may opportunistically shift investments across sectors, geographies, and net market exposures.

(d) **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.

(e) **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.

(f) **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”).

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(6) **Capital Assets:**

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Buildings and improvements	\$ 22,710,073	\$ -	\$ (17,151,761)	\$ 5,558,312
Less: accumulated depreciation	(8,335,165)	(634,084)	7,598,751	(1,370,498)
Net buildings and improvements	<u>14,374,908</u>	<u>(634,084)</u>	<u>(9,553,010)</u>	<u>4,187,814</u>
Furniture and equipment	1,115,599	-	(252,724)	862,875
Less: accumulated depreciation	(723,013)	(100,770)	135,037	(688,746)
Net furniture and equipment	<u>392,586</u>	<u>(100,770)</u>	<u>(117,687)</u>	<u>174,129</u>
Nondepreciable capital assets	22,000	3,448,084	-	3,470,084
Total capital assets, net	<u>\$ 14,789,494</u>	<u>\$ 2,713,230</u>	<u>\$ (9,670,697)</u>	<u>\$ 7,832,027</u>

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Buildings and improvements	\$ 22,675,013	\$ 55,441	\$ (20,381)	\$ 22,710,073
Less: accumulated depreciation	(7,699,011)	(636,969)	815	(8,335,165)
Net buildings and improvements	<u>14,976,002</u>	<u>(581,528)</u>	<u>(19,566)</u>	<u>14,374,908</u>
Furniture and equipment	1,130,545	-	(14,946)	1,115,599
Less: accumulated depreciation	(629,490)	(108,469)	14,946	(723,013)
Net furniture and equipment	<u>501,055</u>	<u>(108,469)</u>	<u>-</u>	<u>392,586</u>
Nondepreciable capital assets	22,000	-	-	22,000
Total capital assets, net	<u>\$ 15,499,057</u>	<u>\$ (689,997)</u>	<u>\$ (19,566)</u>	<u>\$ 14,789,494</u>

Depreciation expense was \$734,854 and \$744,623 for the fiscal years ended June 30, 2022 and 2021, respectively.

(7) **Other Current Assets:**

Other current assets include the cash surrender value of life insurance policies in the amount of \$399,999 and \$373,853 at June 30, 2022 and 2021, respectively. The net benefit value of the underlying life insurance in force was \$9,991,343 and \$9,216,343 at June 30, 2022 and 2021. Various individuals have donated the policies, with the Foundation designated as beneficiary and owner.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(8) 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 14). 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 50% of the original issue, \$6,500,000, was synthetically fixed at 4.63% 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. The Foundation paid off the outstanding principal balance of \$1,075,000 as of June 30, 2022. For the fiscal years ended June 30, 2022 and 2021, total interest incurred and paid was \$11,198 and \$33,109, respectively.

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

The bonds were repurchased by the Trustee under the SunTrust Bank letter of credit due to the diminishing ability to remarket the variable rate demand bonds in the public marketplace. On July 30, 2010, the commercial bank converted the variable rate demand bonds into a five-year tax-exempt qualified loan. After the initial 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, 2022 and 2021, is 2.41% and 2.12%, respectively. The bond matured on May 1, 2022. 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.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(8) **Notes Payable:** (Continued)

The debt activity for the fiscal years ended June 30, 2022 and 2021 is as follows:

	Beginning Balance 7/1/2021	Additions	Reductions	Ending Balance 6/30/2022	Due Within One Year
Notes payable	\$ 1,075,000	\$ -	\$ (1,075,000)	\$ -	\$ -
	<u>\$ 1,075,000</u>	<u>\$ -</u>	<u>\$ (1,075,000)</u>	<u>\$ -</u>	<u>\$ -</u>

	Beginning Balance 7/1/2020	Additions	Reductions	Ending Balance 6/30/2021	Due Within One Year
Notes payable	\$ 2,035,000	\$ -	\$ (960,000)	\$ 1,075,000	\$ 1,075,000
	<u>\$ 2,035,000</u>	<u>\$ -</u>	<u>\$ (960,000)</u>	<u>\$ 1,075,000</u>	<u>\$ 1,075,000</u>

(9) **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 expressed 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; pay the 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% were used in calculating the present value of the anticipated distributions to be made to the donor.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(9) **Annuity Obligations:** (Continued)

Annuity obligations for the fiscal years ended June 30, 2022 and 2021 are as follows:

	Beginning Balance 7/1/2021	Additions	Reductions	Ending Balance 6/30/2022	Due Within One Year
Annuity obligations	\$ 637,677	\$ 31,857	\$ (84,000)	\$ 585,534	\$ 89,985
	<u>\$ 637,677</u>	<u>\$ 31,857</u>	<u>\$ (84,000)</u>	<u>\$ 585,534</u>	<u>\$ 89,985</u>

	Beginning Balance 7/1/2020	Additions	Reductions	Ending Balance 6/30/2021	Due Within One Year
Annuity obligations	\$ 639,381	\$ 84,000	\$ (85,704)	\$ 637,677	\$ 89,985
	<u>\$ 639,381</u>	<u>\$ 84,000</u>	<u>\$ (85,704)</u>	<u>\$ 637,677</u>	<u>\$ 89,985</u>

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	<u>\$ 2,100,000</u>	<u>\$ 486,055</u>	<u>\$ 1,613,945</u>

The Foundation has received, as of June 30, 2022 and 2021, \$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 \$99,478 and \$94,767 at June 30, 2022 and 2021, respectively.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(10) **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,	
	2022	2021
MARC Building		
Building and improvements, net	\$ -	\$ 10,045,948
Furniture and equipment, net	174,129	392,586
Artwork	22,000	22,000
Notes payable	-	(1,075,000)
FEH I		
Building, net	1,509,375	1,561,875
Annuity obligation	(486,055)	(542,910)
FEH II		
Building, net	2,678,439	2,767,085
FEH VI		
Land	3,448,084	-
Net investment in capital assets	\$ 7,345,972	\$ 13,171,584

(11) **Restricted Net Position:**

At June 30, 2022 and 2021, the restricted nonexpendable endowments net position of \$198,540,065 and \$191,376,258, 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, 2022 and 2021 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, 2022 and 2021, the restricted expendable net position of \$145,013,261 and \$183,178,127 includes \$85,752,345 and \$85,033,786, 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.

(12) **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.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(12) **Contributions to University Building Program:** (Continued)

During the fiscal years ended June 30, 2022 and 2021, the Foundation received \$5,191,054 and \$5,331,777, respectively, from donors to support numerous construction projects, as follows:

	<u>2022</u>	<u>2021</u>
The Trish and Dan Bell Chapel	\$ 2,282,800	\$ 25,000
CasaCuba Building Fund	1,095,375	3,441,700
Maurice A. Ferré Institute for Civic Leadership	625,000	-
The Herbert and Nicole Wertheim School of Music and Performing Arts Atrium	500,000	-
FIU Athletics Women's Facility Campaign	347,847	-
Tennis Center	138,005	150,000
Wolfsonian Capital Projects	56,300	15,000
Engineering Building	45,000	-
ICTB Research and Education Center at the Kampong	30,000	300,000
Alumni Center Building	22,107	48,276
Soccer Field Renovation	22,000	-
Josh Richardson Memorial Groundbreaking Plaza at FIU	20,000	-
Law Student Lounge Renovation	5,300	-
SIPA Bricks and Mortar Building	530	260
Stocker Astrophysics Center Building	333	216
The Ruth K. and Shepard Broad Auditorium	208	210
Founders Park	135	130
CBA Building Complex	114	985
Knight Foundation School of Computing and Information Sciences Building Fund	-	1,000,000
World Center for Tropical Botany	-	350,000
Total contributions received in support of University building programs	<u>\$ 5,191,054</u>	<u>\$ 5,331,777</u>

(13) **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, 2022 and 2021 was \$37,990 and \$174,567, respectively. As of June 30, 2022 and 2021, there have been six and two loan defaults totaling \$9,092 and \$5,035, respectively.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(13) **Commitments and Contingencies:** (Continued)

Doral Property

In October of 2017, FEH V purchased the Doral Property, which required environmental remediation. FEH V received 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 filed the Certificate of Completion (COC) for the CAP requirements with DERM on October 26, 2020. DERM approved the COC with conditions to conduct groundwater and surface water monitoring for at least one year. The environmental consultant was further engaged to collect the water quality data and submit reports to DERM on a quarterly basis.

As a result of the unfavorable water quality data, DERM is requiring that the stockpiles of screened soil be removed from the site and properly disposed. A competitive solicitation process is underway to select and hire a construction firm to complete the work. The environmental consultant will again be engaged to provide construction oversight, monitoring, and reporting to DERM. The anticipated expense related to the removal and disposal of screened soil is approximately \$1,240,000, which is reflected as accounts payable and accrued expenses in the statements of net position as of June 30, 2022.

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, 2022, the Foundation has not used any of the available balance in the letter of credit.

(14) **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 Building was built, as described in Note 8. The consideration required to be paid by the Foundation is \$10 annually. The lease will expire on the latter of December 31, 2024, or the final payment date under the letter of credit agreement, as described in Note 8. The final payment on the letter of credit agreement was made in May 2022. Total amounts paid to the Foundation under this agreement were \$1,935,233 and \$1,834,138 for the fiscal years ended June 30, 2022 and 2021, respectively.

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

On December 1, 1999, the Foundation also entered into an operating lease with the Board of Regents on behalf of the University to lease the 75,000 square foot MARC Building to the University. The financing of the payments under the letter of credit agreement and the loan agreement, as described in Note 8, 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 Building, in addition to amounts necessary to pay any unanticipated and extraordinary costs. The lease commenced during August 2002 when the MARC Building became operational.

On May 1, 2022, the Foundation made the final payment on the letter of credit. As per the terms of the ground lease, the Foundation completed the transfer of the MARC Building to the University, at carrying value, on June 30, 2022. The carrying value of the building, improvements, and furniture and fixtures is reflected as \$9,670,696 of nonoperating expenses in the current year. The MARC Building has an estimated replacement cost of approximately \$34 million.

The Foundation's mission is to raise funds for the benefit of the University and donations are generally restricted for the benefit of the University. As a result, the Foundation receives support for personnel services from the University in order to carry out its administrative and fundraising functions. The University directly funded salaries and benefits of \$7,899,821 and \$9,700,747 for University employees that perform functions for the benefit of the Foundation for the fiscal years ended June 30, 2022 and 2021, respectively. This amount is included in Support from Florida International University on the statements of revenues, expenses, and changes in net position.

(15) **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, 2022 AND 2021

(15) **Endowments:** (Continued)

Included within the disclosures of restricted expendable net position below are amounts totaling (\$1,543,471) and \$2,774,096 for the fiscal years ended June 30, 2022 and 2021, respectively, which are related to the market appreciation/(depreciation) of the term endowment held on behalf of the University. The balance of the corpus and the appreciation/(depreciation) is reflected within the Statements of Revenues, Expenses, and Changes in Fiduciary Net Position.

As of June 30, 2022, restricted net position consisted of the following:

	Restricted Expendable*	Restricted: Nonependable Endowments	Total
Restricted net position, beginning of year 7/1/2021	\$ 85,033,786	\$ 191,376,258	\$ 276,410,044
Endowment investment earnings (losses):			
Interest, dividends and realized gains	16,491,113	-	16,491,113
Unrealized losses	(40,612,618)	-	(40,612,618)
Total endowment investment earnings (losses)	(24,121,505)	-	(24,121,505)
Contributions and other revenues	9,563	7,050,497	7,060,060
Appropriation of endowment assets for expenditure	(9,883,301)	-	(9,883,301)
Appropriation for administrative fee 2%	(3,286,198)	-	(3,286,198)
Donor directed release of restriction	-	113,310	113,310
Board designated quasi-endowment	38,000,000	-	38,000,000
Restricted net position, end of year 6/30/2022	<u>\$ 85,752,345</u>	<u>\$ 198,540,065</u>	<u>\$ 284,292,410</u>

As of June 30, 2021, restricted net position consisted of the following:

	Restricted Expendable*	Restricted: Nonependable Endowments	Total
Restricted net position, beginning of year 7/1/2020	\$ 33,674,990	\$ 185,009,260	\$ 218,684,250
Endowment investment earnings:			
Interest, dividends and realized gains	40,639,344	-	40,639,344
Unrealized gains	22,419,877	-	22,419,877
Total endowment investment earnings	63,059,221	-	63,059,221
Contributions and other revenues	10,988	6,254,386	6,265,374
Appropriation of endowment assets for expenditure	(8,784,457)	-	(8,784,457)
Appropriation for administrative fee 2%	(2,924,685)	-	(2,924,685)
Donor directed changes in restriction	(2,271)	112,612	110,341
Restricted net position, end of year 6/30/2021	<u>\$ 85,033,786</u>	<u>\$ 191,376,258</u>	<u>\$ 276,410,044</u>

FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(15) **Endowments:** (Continued)

- * 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.

As a result of market declines, the fair value of certain donor-restricted endowments was less than the historical costs value (corpus), and, therefore, the endowments are considered to be underwater. The fair value deficiencies of underwater endowments were \$5,326,817 at June 30, 2022. There were no underwater endowments at June 30, 2021.

Return Objectives and Risk Parameters

The Foundation has adopted investment policies and spending policies 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.

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 12 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 objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term and to provide additional real growth through new gifts and investment return. As of June 30, 2022 and 2021, the amount included in the endowment's temporarily restricted balance and approved for future spending on program support was \$9,883,301 and \$8,784,457, respectively.

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, 2022, 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 21, 2022.

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.

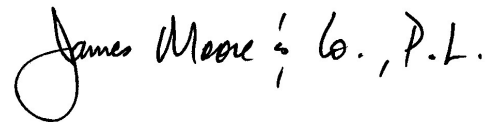
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not 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 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 21, 2022