2008

Annual financial report for the fiscal year 2006-2007

Florida International University

AUDITOR GENERAL

DAVID W. MARTIN, CPA

FLORIDA INTERNATIONAL UNIVERSITY

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the University was Dr. Modesto A. Maidique. Members of the University's Board of Trustees who served during the audit period are listed below:

FLORIDA INTERNATIONAL UNIVERSITY

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EXECUTIVE SUMMARY

The audit of the financial statements of Florida International University for the fiscal year ended June 30, 2007, was conducted pursuant to Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the University, a component unit of the State of Florida, and a determination as to whether management has complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the University is included in our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2008-120.

The following provides a summary of the findings of our audit of the University's financial statements:

- **We found that the University's financial statements presented fairly, in all material respects, the financial positions of the University and its aggregate discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.**
- **No significant deficiencies are noted in our report on the University's internal control over financial reporting.**
- **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

This audit was coordinated by Delilah Almeda, CPA, and supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (http://www.myflorida.com/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida International University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2007, as shown on pages 14 through 45. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida International University and of its aggregate discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida International University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. 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* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

David W. Martin, CPA
March 11, 2008

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

We have audited the financial statements of Florida International University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to University management in our operational audit report No. 2008-120, dated March 2008.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,

David W. Martin, CPA
March 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2007, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities,* as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled $898.9 million at June 30, 2007. This balance reflects a $108.4 million, or 13.7 percent, increase from the 2005-06 fiscal year, resulting from an increase in net capital assets of $43.8 million, an increase in amounts due from State of $45.7 million, and an increase in cash and investments of $16.4 million. While assets grew, liabilities increased by $37.1 million, or 14.4 percent, totaling $294.7 million at June 30, 2007, compared to $257.6 million at June 30, 2006. As a result, the University's net assets increased by $71.3 million, reaching a year end balance of $604.2 million.

The University's operating revenues totaled $290.2 million for the 2006-07 fiscal year, representing a 14.4 percent increase over the 2005-06 fiscal year due mainly to increases in sales and services of auxiliary enterprise revenue of $15.5 million, net student tuition and fees of $13.8 million, and grants and contracts revenue of $4.9 million. Operating expenses totaled $525.7 million for the 2006-07 fiscal year, representing an increase of 5.7 percent over the 2005-06 fiscal year due mainly to an increase in compensation and employee benefits expense of $23.8 million.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- ***Florida International University Foundation, Inc.***

  The purpose of the Florida International University Foundation, Inc., is to encourage, solicit, receive, and administer gifts and bequests of property and funds for the advancement of Florida International University and its objectives.

- ***Florida International University Research Foundation, Inc.***

  The purposes of the Florida International University Research Foundation, Inc., include the promotion and encouragement of, and assistance to, the research and training activities of faculty, staff, and students of Florida International University through income from contracts, grants, and other sources, including, but not limited to, income derived from or related to the development and commercialization of University work products.

- ***FIU Athletics Finance Corporation***

  The purpose of the FIU Athletics Finance Corporation includes the support of the University in matters pertaining to the financing of the FIU football stadium and, subsequently, the managing and operating of the facility.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to the financial statements. This MD&A focuses on the University, excluding the component units.

THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, liabilities, and net assets at June 30:

Condensed Statement of Net Assets
(In Millions)

	2007	2006
Assets		
Current Assets	$ 288.8	$ 209.8
Capital Assets, Net	579.9	536.1
Other Noncurrent Assets	30.2	44.6
Total Assets	898.9	790.5
Liabilities		
Current Liabilities	134.7	99.5
Noncurrent Liabilities	160.0	158.1
Total Liabilities	294.7	257.6
Net Assets		
Invested in Capital Assets, Net of Related Debt	452.1	443.0
Restricted	43.6	13.0
Unrestricted	108.5	76.9
Total Net Assets	$ 604.2	$ 532.9

The statement of net assets reflects the University's growth, primarily its continued physical expansion to meet student and faculty needs. Current assets mainly depict cash and investments, amounts due from the State to fund approved construction and renovation projects and receivables from students, granting agencies, and others.

The current assets increase is in large part a result of the amounts due from the State growing by $45.7 million and cash and investments, not classified as restricted, increasing by $33.5 million.

The University's net capital assets increased by $43.8 million due mainly to an increase in completed buildings of $91.9 million and increases of furniture and equipment and library resources of $20 million offset by the change in accumulated depreciation of $27.8 million and the decrease in construction in progress of $37.1 million. The increase in buildings of $91.9 million is primarily comprised of the addition of the Lakeview Housing, Law School, and UP Central Utility Plant buildings of $40 million, $35.5 million, and $8.9 million, respectively. In addition, construction was completed on several other projects increasing net capital assets by approximately $7.5 million. The decrease in construction in progress is primarily attributable to the effect of capitalizing the buildings above and additional costs incurred for the Graduate School of Business building, the Patricia and Phillip Frost Art Museum, and the Wolfe University Center Renovation at $21 million, $14.5 million, and $4.8 million, respectively.

In summary, total assets increased $108.4 million, or 13.7 percent, while total liabilities increased by $37.1 million, or 14.4 percent. As a result, the net assets balance at June 30, 2007, had a favorable increase of $71.3 million to $604.2 million. This ending balance included $452.1 million invested in capital assets, net of related debt, $108.5 million in unrestricted funds, and $43.6 million in restricted funds.

For more detailed information see the statement of net assets.

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

The statement of revenues, expenses, and changes in net assets presents the University'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 University's activity for the 2006-07 and 2005-06 fiscal years:

Condensed Statement of Revenue, Expenses, and Changes in Net Assets (In Millions)

	2006-07	2005-06
Operating Revenues	$ 290.2	$ 253.7
Operating Expenses	525.7	497.1
Operating Loss	(235.5)	(243.4)
Net Nonoperating Revenues	278.3	232.4
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	42.8	(11.0)
Other Revenues, Expenses, Gains, or Losses	28.5	55.6
Net Increase in Net Assets	71.3	44.6
Net Assets, Beginning of Year	532.9	488.3
Net Assets, End of Year	$ 604.2	$ 532.9

Revenues from both operating and nonoperating sources totaled $604.4 million for the 2006-07 fiscal year. This represents a 9.6 percent increase over the 2005-06 fiscal year, due mainly to increases in student tuition and fees, State appropriations, and auxiliary operations.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2006-07 and 2005-06 fiscal years:

Operating Revenues (In Millions)

	2006-07	2005-06
Net Tuition and Fees	$ 117.1	$ 103.2
Grants and Contracts	82.9	78.0
Sales and Services of Educational Departments	3.1	3.2
Sales and Services of Auxiliary Enterprises	74.2	58.7
Other	12.9	10.6
Total Operating Revenues	$ 290.2	$ 253.7

Operating revenues totaled $290.2 million for the 2006-07 fiscal year, representing a 14.4 percent increase over the 2005-06 fiscal year. This was primarily due to increases in sales and services of auxiliary operations, student tuition and fees, and grants and contracts revenue.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2006-07 and 2005-06 fiscal years:

Operating Expenses
(In Millions)

	2006-07	2005-06
Compensation and Employee Benefits	$ 322.5	$ 298.7
Services and Supplies	104.0	89.7
Utilities and Communications	18.4	15.9
Scholarships, Fellowships, and Waivers	47.3	45.4
Depreciation	33.5	47.4
Total Operating Expenses	$ 525.7	$ 497.1

Operating expenses totaled $525.7 million for the 2006-07 fiscal year. This represents a 5.7 percent increase over the 2005-06 fiscal year and was primarily due to Board of Trustee approved increases in salary, retirement and employee benefits, and increases in service and supplies expenses. These increases were offset by a reduction in depreciation expense from the prior year due mainly to $18.4 million of additional depreciation expense recorded in the 2005-06 fiscal year related to a change in the estimated useful lives of certain building components.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2006-07 and 2005-06 fiscal years:

Nonoperating Revenues (Expenses) (In Millions)	2006-07	2005-06
State Appropriations	$ 217.5	$ 191.5
Federal and State Student Financial Aid	54.0	47.8
Investment Income	12.8	2.6
Other Nonoperating Revenues	1.4	
Loss on Disposal of Capital Assets	(0.4)	
Interest on Capital Asset-Related Debt	(6.5)	(6.8)
Other Nonoperating Expenses	(0.5)	(2.7)
Net Nonoperating Revenues	$ 278.3	$ 232.4

Nonoperating revenues increased 19.8 percent from prior year due mainly to increases in State appropriations and investment income. Investment income increased by approximately $10.2 million, of which $5.8 million was the result of unrealized gains on investments.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, and donations. The following summarizes the University's other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

Other Revenues, Expenses, Gains, or Losses (In Millions)	2006-07	2005-06
Capital Appropriations	$ 25.3	$ 52.7
Capital Grants, Contracts, Donations, and Fees	3.2	2.9
Total	$ 28.5	$ 55.6

Other revenues, expenses, gains, or losses totaled $28.5 million for the 2006-07 fiscal year. This represents a 48.7 percent decrease over the 2005-06 fiscal year and was due mainly to a $27.4 million decrease in Capital Appropriations resulting from the completion of several construction projects in the 2006-07 fiscal year.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University'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 by the operating activities of the University. Cash flows from the capital financing activities include all plant funds and related long-term debt activities. Cash flows from the investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from the noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2006-07 and 2005-06 fiscal years:

Condensed Statement of Cash Flows
(In Millions)

	2006-07	2005-06
Cash Provided (Used) by:		
Operating Activities	$ (199.0)	$ (182.7)
Noncapital Financing Activities	267.8	236.1
Capital and Related Financing Activities	(65.2)	(16.0)
Investing Activities	(5.4)	(34.9)
Net Increase (Decrease) in Cash and Cash Equivalents	(1.8)	2.5
Cash and Cash Equivalents, Beginning of Year	6.4	3.9
Cash and Cash Equivalents, End of Year	$ 4.6	$ 6.4

Major sources of funds came from State appropriations ($217.5 million), net student tuition and fees ($115.6 million), grants and contracts ($85.7 million), and sales and services of auxiliary enterprises ($74.7 million).

Major uses of funds included payments to employees ($320.7 million), payments to suppliers of goods and services ($121.6 million), and payments to students for scholarships and fellowships ($47.3 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the University had $877.4 million in capital assets, less accumulated depreciation of $297.5 million, for net capital assets of $579.9 million. Depreciation charges for the current fiscal year totaled $33.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Millions)

	2007	2006
Land	$ 28.4	$ 28.4
Buildings	399.2	323.0
Construction in Progress	57.8	94.9
Infrastructure and Other Improvements	1.0	1.2
Furniture and Equipment	34.4	32.2
Library Resources	50.9	49.3
Property Under Capital Leases	4.4	3.7
Works of Art and Historical Treasures	3.1	2.9
Computer Software	0.7	0.5
Total Capital Assets, Net	$ 579.9	$ 536.1

Additional information about the University's capital assets is presented in the notes to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2007, were incurred on the following projects: The Graduate School of Business ($21 million), The Patricia and Phillip Frost Art Museum ($14.5 million), and the Wolfe University Center Addition ($4.8 million). A summary of the University's major capital commitments at June 30, 2007, is as follows:

	Amount
Total Commitment	$ 202,069,726
Completed to Date	(57,781,080)
Balance Committed	$ 144,288,646

Additional information about the University's capital commitments is presented in the notes to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2007, the University had $162.9 million in outstanding bonds, compensated absences, and capital leases, representing a decrease of $3.5 million, or 2.1 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30
(In Millions)

	2007	2006
Bonds	$ 132.4	$ 138.2
Compensated Absences	26.0	25.3
Capital Leases	4.5	2.9
Total	$ 162.9	$ 166.4

Additional information about the University's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University will continue strengthening its position as a top public urban research institution by focusing on increasing the quality of its academic and research programs and the services it provides to students and employees. Higher revenue is expected from student tuition and fees as the Board of Trustees approved 5 percent increases in tuition rates for resident undergraduate and graduate students. The budget as amended by the reductions made during the Special Legislative Session for the 2007-08 fiscal year, provided the University with a 6.6 percent increase in recurring State funds over the previous year, including over $5 million for the first planning year of the College of Medicine. The State's current revenue forecasts indicate that further budget reductions will be necessary for the current year and/or next year. While the Legislature did provide over $12 million in legislative line item funding, nearly $8 million of this funding was nonrecurring in nature and the State did not fund any salary increases for 2007-08 fiscal year. The University is grateful for the State's support and strong commitment to higher education especially given the declining tax revenue forecasts it faces. However, taking into account projected increases in operating costs and our mission to provide access to the highest quality education, the University's basic funding requirements continue to outpace allocated State funds. As a result, the University remains dedicated to increasing its self sufficiency and continues to explore ways to increase revenue-generating capability, specifically through auxiliary operations, community partnerships and fundraising.

To accommodate our growth and strengthen our research and academic excellence, the University is continuing its plan to improve and enhance infrastructure by expanding research capabilities and adding student support services such as additional housing, parking, dining, and advising. Capital improvements and new construction is the centerpiece of this strategy.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the CFO & Senior Vice-President for Finance and Administration, Vivian A. Sanchez, at Florida International University, 11200 Southwest 8th Street, Miami, Florida 33199.

FINANCIAL SECTION

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2007

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,672,698	$ 4,364,229
Investments	146,343,327	50,536,493
Accounts Receivable, Net	23,764,936	19,446,529
Loans and Notes Receivable, Net	366,215	
Due from State	111,064,884	
Due from Component Units	3,837,538	
Inventories	312,889	
Other Current Assets	419,980	592,707
Total Current Assets	288,782,467	74,939,958
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,907,653	17,474,529
Restricted Investments	25,732,308	96,791,850
Loans and Notes Receivable, Net	1,657,019	
Depreciable Capital Assets, Net	490,630,561	11,589,121
Nondepreciable Capital Assets	89,319,234	702,500
Due from University		5,955,000
Other Noncurrent Assets	870,285	672,061
Total Noncurrent Assets	610,117,060	133,185,061
TOTAL ASSETS	898,899,527	208,125,019
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,206,533	467,129
Construction Contracts Payable	10,845,426	
Salaries and Wages Payable	12,494,366	
Deposits Payable	9,935,473	
Due to State	266,182	
Due to University		3,837,538
Deferred Revenue	88,141,556	528,134
Other Current Liabilities		471,503
Long-Term Liabilities - Current Portion:		
Bonds Payable	6,193,169	
Notes Payable		2,405,000
Capital Leases Payable	1,319,846	
Compensated Absences Payable	1,304,271	
Total Current Liabilities	134,706,822	7,709,304

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2007

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	$ 126,162,492	$ 35,000,000
Notes Payable		14,295,000
Capital Leases Payable	3,208,781	
Compensated Absences Payable	24,711,195	
Due to Component Units	5,955,000	
Other Long-Term Liabilities		330,898
Total Noncurrent Liabilities	160,037,468	49,625,898
TOTAL LIABILITIES	294,744,290	57,335,202
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	452,116,582	
Restricted for Nonexpendable:		
Endowment		87,183,688
Restricted for Expendable:		
Debt Service	178,042	
Loans	3,462,912	
Capital Projects	21,822,180	
Other	18,158,120	32,991,568
Unrestricted	108,417,401	30,614,561
TOTAL NET ASSETS	604,155,237	150,789,817
TOTAL LIABILITIES AND NET ASSETS	$ 898,899,527	$ 208,125,019

The accompanying notes to financial statements are an integral part of this statement.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $45,788,373	$ 117,028,323	$
Federal Grants and Contracts	66,117,191	301,071
State and Local Grants and Contracts	9,217,416	
Nongovernmental Grants and Contracts	7,581,528	
Sales and Services of Educational Departments	3,085,789	
Sales and Services of Auxiliary Enterprises	74,214,825	
Gifts and Donations		11,999,843
Interest on Loans and Notes Receivable	84,512	
Other Operating Revenues	12,829,382	4,990,922
Total Operating Revenues	290,158,966	17,291,836
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	322,508,913	
Services and Supplies	104,035,027	
Utilities and Communications	18,339,310	
Scholarships, Fellowships, and Waivers	47,274,767	
Depreciation	33,497,243	
Other Operating Expenses		17,660,608
Total Operating Expenses	525,655,260	17,660,608
Operating Loss	(235,496,294)	(368,772)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	217,506,580	
Federal and State Student Financial Aid	54,030,296	
Investment Income	12,762,352	18,966,070
Other Nonoperating Revenues	1,457,814	620,135
Loss on Disposal of Capital Assets	(419,404)	
Interest on Capital Asset-Related Debt	(6,524,275)	(304,113)
Other Nonoperating Expenses	(535,444)	(234,861)
Net Nonoperating Revenues	278,277,919	19,047,231
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	42,781,625	18,678,459
Capital Appropriations	25,321,244	
Capital Grants, Contracts, Donations, and Fees	3,154,530	
Increase in Net Assets	71,257,399	18,678,459
Net Assets, Beginning of Year	532,897,838	132,111,358
Net Assets, End of Year	$ 604,155,237	$ 150,789,817

The accompanying notes to financial statements are an integral part of this statement.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 115,605,404
Grants and Contracts	85,716,975
Sales and Services of Educational Departments	3,085,789
Sales and Services of Auxiliary Enterprises	74,690,632
Interest on Loans and Notes Receivable	81,063
Other Operating Receipts	10,353,078
Payments to Employees	(320,684,448)
Payments to Suppliers for Goods and Services	(121,627,769)
Payments to Students for Scholarships and Fellowships	(47,274,767)
Net Loans Issued to Students	1,026,482
Net Cash Used by Operating Activities	(199,027,561)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	217,506,580
Operating Subsidies and Transfers	(5,605,283)
Net Change in Funds Held for Others	1,138,653
Federal and State Student Financial Aid	54,030,296
Other Nonoperating Receipts	997,898
Other Nonoperating Expenses	(319,067)
Net Cash Provided by Noncapital Financing Activities	267,749,077
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	1,761,075
Capital Appropriations	64,024,868
Capital Grants, Contracts, Donations, and Fees	2,124,885
Capital Subsidies and Transfers	(45,700,896)
Proceeds from Sale of Capital Assets	459,915
Purchase or Construction of Capital Assets	(73,752,596)
Principal Paid on Capital Debt and Leases	(7,499,752)
Interest Paid on Capital Debt and Leases	(6,620,647)
Net Cash Used by Capital and Related Financing Activities	(65,203,148)
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Investments, Net	(12,488,739)
Investment Income	7,120,976
Net Cash Used by Investing Activities	(5,367,763)
Net Decrease in Cash and Cash Equivalents	(1,849,395)
Cash and Cash Equivalents, Beginning of Year	6,429,746
Cash and Cash Equivalents, End of Year	$ 4,580,351

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2007

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (235,496,294)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	33,497,243
Change in Assets and Liabilities:	
Receivables, Net	1,246,572
Inventories	(75,964)
Other Assets	231,131
Accounts Payable	582,401
Salaries and Wages Payable	1,113,143
Deposits Payable	(17,501)
Compensated Absences Payable	711,323
Deferred Revenue	(819,615)
NET CASH USED BY OPERATING ACTIVITIES	$ (199,027,561)

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITY
The University acquired data processing equipment totaling $1,542,999 through capital leases.

The accompanying notes to financial statements are an integral part of this statement.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, and is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the State's Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with Florida law, State Board of Education rules, and Board of Governors regulations. The Trustees select the University President and the State Board of Education ratifies the candidate selected. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida International University Foundation, Inc. – Encourages, solicits, receives, and administers gifts and bequests of property and funds for the advancement of the University and its objectives.
- Florida International University Research Foundation, Inc. – Promotes encourages, and assists research and training activities of faculty, staff, and students of the University through income from

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

contracts, grants, and other sources, including, but not limited to, income derived from or related to the development and commercialization of University work products.

- FIU Athletics Finance Corporation – Supports the University in matters pertaining to the financing of the University's football stadium and subsequent managing and operating of the facility.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual audit reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
- Notes to Financial Statements

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

The University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred. The Florida International University Foundation, Inc., follows FASB standards of accounting and financial reporting for not-for-profit organizations. The Florida International University Research Foundation, Inc., and the FIU Athletics Finance Corporation follow the GASB standards of accounting and financial reporting because they meet the criteria regarding the popular election of officers or appointment of a controlling majority of the members of the organization's governing body by one or more State of local governments.

The University follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal, and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

Capital Assets. University capital assets consist of land, buildings, construction in progress, infrastructure and other improvements, furniture and equipment, library resources, computer software, property under capital leases; and works of art and historical treasures. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. 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. The University has a capitalization threshold of $1,000 for tangible personal property and $50,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 15 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Computer Software – 5 years
- Property Under Capital Leases – 5 years

Depreciable assets of the Florida International University Foundation, Inc., are stated at cost and are net of accumulated depreciation of $1,654,514. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds and revenue certificates payable, capital leases payable, and compensated absences payable that are not scheduled to be paid within the next fiscal year. Bonds and revenue certificates payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds and revenue certificates using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance cost paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds and revenue certificates using the straight-line method.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists primarily of cash on hand and cash in demand accounts. University cash deposits are held in domestic and foreign banks. The domestic banks qualified as public depositories under

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. As of June 30, 2007, deposits held in foreign banks totaled $56,471. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Concentrations of Credit Risk – Component Units

Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the component unit's deposits may not be returned to it. Foreign exchange risk for deposits is the risk that, in the event of an adverse movement in foreign exchange rates, the component unit's deposits may not be returned to it.

At June 30, 2007, the Florida International University Foundation, Inc., and the FIU Athletics Finance Corporation had approximately $1,828,000 and $3,431,963, respectively, in financial institutions that were in excess of the Federal Depository Insurance Company (FDIC) limits.

At June 30, 2007, the Florida International University Research Foundation, Inc., had $486,412 in financial institutions that were in excess of FDIC insured limits. In addition, this component unit maintains a deposit balance in Colombia, South America, to manage its operations pertaining to grant activities in that country. The balance in this account of $200,000 as of June 30, 2007, was not FDIC insured and subject to foreign exchange risk.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2007, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$ 58,286,806
State Board of Administration Local Government	30,865,929
Equity Mutual Funds	42,738,458
Fixed Income and Bond Mutual Funds	40,031,442
State Board of Administration Debt Service Accounts	153,000
Total University Investments	$ 172,075,635

External Investment Pools

The University reported investments at fair value totaling $58,286,806 at June 30, 2007, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

The University reported investments at fair value totaling $30,865,929 at June 30, 2007, in the Local Government Surplus Funds Trust Fund administered by State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The University's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a-7 like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the actual underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

Fixed Income and Bond Mutual Funds

The University invested in various mutual funds in accordance with the University's investment policy. The following risks apply to the University's fixed income and bond mutual fund investments:

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

- *Interest Rate Risk*: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. The future maturities of the securities held in the fixed income and bond mutual funds at June 30, 2007, are as follows:

University Debt Investment Maturities

Type of Investment	Investment Maturities (In Years) Fair Market Value	Less Than 1	1-5	6-10	More Than 10
Fixed Income Mutual Funds	$31,522,964	$ 551,652	$14,853,621	$14,434,365	$1,683,326
Bond Mutual Fund	8,508,478	1,559,102	2,497,964	4,057,489	393,923
Total	$40,031,442	$2,110,754	$17,351,585	$18,491,854	$2,077,249

- *Credit Risk*: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2007, the securities held in the bond mutual fund had credit quality ratings by a nationally-recognized rating agency (i.e., Standard and Poor's), as follows:

University Debt Investment Credit Quality Ratings

Type of Investment	Fair Value	AAA	AA	A	BBB to Not Rated
Bond Mutual Fund	$ 8,508,478	$ 553,450	$ 17,016	$ 8,508	$ 7,929,504

- *Concentration of Credit Risk*: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's investment policy addresses the issue of concentration of credit risk by establishing the following restrictions:
  - Maximum position in an individual security (excluding Government securities) must not exceed five percent of the account market value.
  - Maximum position in any one issuer (excluding Government securities) must not exceed five percent of the account market value.

State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling $153,000 at June 30, 2007, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of more than three months. The University relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Component Units Investments

The Florida International University Foundation, Inc., maintains investment accounts with financial institutions, which are not insured by FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (SIPC), subject to various limitations. Investments at June 30, 2007, are reported at fair value as follows:

Investment Type	Amount
Common Stock	$ 98,414,241
U.S. Government and Municipal Securities	7,168,271
Corporate Bonds	5,937,977
Short-Term Investments	1,046,025
Accrued Interest	187,049
Total	$ 112,753,563

External Investment Pools

The FIU Athletics Finance Corporation reported investments at fair value totaling $34,574,780 at June 30, 2007, in the Local Government Surplus Funds Trust Fund administered by State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes.

The FIU Athletics Finance Corporation investments are in accordance with the trust indenture dated April 1, 2007. This Corporation participates in the SBA investment pool in accordance with the provisions of Section 17.61 and Section 215.49, Florida Statutes. The investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a-7 like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the actual underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition deferments, various student services provided by the University to students and third parties, contract and grant reimbursements due from third parties, interest accrued on investments, and loans receivable. These receivables, net of an allowance for uncollectible accounts, are summarized in the following table:

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Description	Amount
Contracts and Grants	$13,570,300
Student Tuition and Fees	9,957,952
Other	236,684
Total Accounts Receivable, Net	$23,764,936

Loans and Notes Receivable. Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of $12,504,377 and $1,075,922, respectively, at June 30, 2007.

No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

5. DUE FROM STATE

This amount consists of Public Education Capital Outlay, Alec P. Courtelis Capital Facility Matching Trust Fund, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

6. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The $3,837,538 reported as due from component units represents grants totaling $337,538 owed to the University by the Florida International University Research Foundation, Inc., and $3,500,000 due from the FIU Athletics Finance Corporation to fund a reserve account for the issuance of the bonds (see note 13).

The $5,955,000 reported as due to component units consists of amounts owed by the University to the Florida International Research Foundation, Inc. (Research Foundation), to fund a promissory note issued by the Research Foundation to assist the University with a settlement agreement involving various Federal agencies (see note 12).

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

7. INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net assets.
- Merchandise Inventory – Those inventories maintained by the University's telephone systems department, duplicating center, and postal services are not expensed at the time of purchase. These inventories are reported on the statement of net assets, and are valued at cost using the first-in, first-out, method.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 28,389,550	$	$	$ 28,389,550
Works of Art and Historical Treasures	2,921,498	227,106		3,148,604
Construction in Progress	94,862,560	55,757,276	92,838,756	57,781,080
Total Nondepreciable Capital Assets	$ 126,173,608	$ 55,984,382	$ 92,838,756	$ 89,319,234
Depreciable Capital Assets:				
Buildings	$ 447,050,417	$ 91,883,859	$	$ 538,934,276
Infrastructure and Other Improvements	10,077,528	60,229		10,137,757
Furniture and Equipment	125,346,227	18,299,054	4,724,528	138,920,753
Library Resources	83,185,210	6,412,667	1,125	89,596,752
Computer Software	2,152,614	375,606	76,097	2,452,123
Property Under Capital Leases	11,765,224	3,304,075	6,977,177	8,092,122
Total Depreciable Capital Assets	679,577,220	120,335,490	11,778,927	788,133,783
Less, Accumulated Depreciation:				
Buildings	124,091,083	15,615,576		139,706,659
Infrastructure and Other Improvements (1)	8,897,538	242,957		9,140,495
Furniture and Equipment (1)	93,180,879	11,476,678	225,723	104,431,834
Library Resources	33,806,460	4,898,233		38,704,693
Computer Software (1)	1,630,208	219,996	70,401	1,779,803
Property Under Capital Leases	8,059,127	1,302,930	5,622,319	3,739,738
Total Accumulated Depreciation	269,665,295	33,756,370	5,918,443	297,503,222
Total Depreciable Capital Assets, Net	$ 409,911,925	$ 86,579,120	$ 5,860,484	$ 490,630,561

Note: (1) Additions to accumulated depreciation include adjustments of $50, $248,232, and $10,845 for infrastructure and other improvements, furniture and equipment, and computer software, respectively.

FLORIDA INTERNATIONAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

9. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay and Alec P. Courtelis Matching Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2007, to spend the funds, contracts and grants payments received in advance, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2007, the University reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	$ 82,551,523
Contracts and Grants	5,511,319
Student Tuition and Fees	78,714
Total Deferred Revenue	$ 88,141,556

10. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2007, include bonds, capital leases, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 138,238,918	$	$ 5,883,257	$ 132,355,661	$ 6,193,169
Capital Leases Payable	2,937,420	3,304,073	1,712,866	4,528,627	1,319,846
Compensated Absences Payable	25,304,141	2,668,296	1,956,971	26,015,466	1,304,271
Total Long-Term Liabilities	$ 166,480,479	$ 5,972,369	$ 9,553,094	$ 162,899,754	$ 8,817,286

Bonds Payable. Auxiliary revenue bonds were issued to construct student parking garages and housing facilities. Auxiliary revenue bonds outstanding, which include both term and serial bonds, are secured by a pledge of traffic and parking fees, housing rental revenues, and an assessed transportation fee based on credit hours. State University System bonds were issued to acquire and construct various University facilities. These bonds are secured by and payable from the capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

The University had the following bonds payable outstanding at June 30, 2007:

FLORIDA INTERNATIONAL UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Bonds:				
1995	$ 7,780,000	$ 4,479,990	5.00 – 5.375	2016
1998	26,525,000	22,689,622	4.30 – 6.30	2028
1999	7,530,000	5,446,570	4.80 – 5.625	2019
2000	14,605,000	12,507,166	4.50 – 5.75	2025
2002	22,915,000	18,938,897	2.75 – 4.60	2022
2004A	53,915,000	50,655,448	4.00 – 5.00	2034
Total Auxiliary Revenue Bonds	133,270,000	114,717,693		
State University System Revenue Bonds:				
1997A Series	4,360,924	3,578,591	4.40 – 5.00	2016
1998 Series	5,643,367	4,205,818	4.10 – 5.00	2023
2001 Series	5,566,922	4,710,765	4.00 – 5.00	2026
2003A Series	5,049,124	3,068,529	5.00	2013
2005A Series	2,257,296	2,074,265	3.625 – 4.125	2022
Total State University System Revenue Bonds	22,877,633	17,637,968		
Total	$156,147,633	$ 132,355,661		

Note: (1) Amount outstanding includes unamortized bond discounts and premiums, and deferred losses on refunding issues.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	$ 6,052,532	$ 6,115,173	$ 12,167,705
2009	6,338,874	5,835,758	12,174,632
2010	6,620,109	5,547,342	12,167,451
2011	6,934,134	5,245,578	12,179,712
2012	7,245,103	4,928,186	12,173,289
2013-2017	36,238,285	19,291,225	55,529,510
2018-2022	28,324,789	11,720,446	40,045,235
2023-2027	19,158,617	5,822,305	24,980,922
2028-2032	10,580,000	2,250,225	12,830,225
2033-2034	4,160,000	282,825	4,442,825
Subtotal	131,652,443	67,039,063	198,691,506
Plus: Net Bond Discounts, Premiums, and Losses on Bond Refundings	703,218		703,218
Total	$ 132,355,661	$ 67,039,063	$ 199,394,724

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Capital Leases Payable. Data processing, telecommunication, laboratory, and food service equipment in the amount of $8,092,122 are being acquired under capital lease agreements. The stated interest rates range from 2.84 to 5.45 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	Amount
2008	$ 1,488,420
2009	1,233,149
2010	1,038,961
2011	793,110
2012	404,458
Total Minimum Payments	4,958,098
Less, Amount Representing Interest	(429,471)
Present Value of Minimum Payments	$ 4,528,627

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Regulation 6C-5.920 and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $26,015,466. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

11. NOTES PAYABLE – FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.

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 Florida International University Foundation, Inc. (Foundation), and the Authority. The Foundation will finance the payments to the Authority under the loan

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agreement with lease payments received from the University under an operating lease (see note 18). The $13,000,000 principal amount was issued under a variable rate structure with a final maturity date of May 1, 2022. The variable rate on 50 percent of the original issue, $6,500,000, has been synthetically fixed at 4.63 percent through February 1, 2015, by way of an interest rate swap agreement with a commercial bank (see note 14). The bond proceeds are being used to acquire, construct, and equip a multi-function support complex located on the University Park campus and to pay issuance costs. As of June 30, 2007, the outstanding principal balance due under this note payable was $10,275,000.

The bonds are also payable from an irrevocable letter of credit. On December 1, 1999, the Foundation entered into a letter of credit agreement with a commercial bank that permitted the Foundation to borrow up to $13,000,000 through December 15, 2004, bearing interest at the prime rate plus 2 percent. On November 29, 2004, this agreement was extended, with the same terms and conditions, through December 15, 2009. The Foundation must pay an annual commitment fee of .45 percent on the unused portion of the commitment. Borrowings under the financing agreement mature 90 days after the date of the borrowing.

Under the letter of credit agreement and loan agreement noted above, the Foundation is obligated under debt covenants to which they are in compliance with.

The aggregate maturities of the notes payable, as of June 30, 2007, are shown in the following table:

Fiscal Year Ending June 30	Amount
2008	$ 495,000
2009	525,000
2010	550,000
2011	575,000
2012	605,000
Thereafter	7,525,000
Total	$ 10,275,000

12. NOTES PAYABLE – FLORIDA INTERNATIONAL UNIVERSITY RESEARCH FOUNDATION, INC. – RELATED PARTY TRANSACTION

The Florida International University Research Foundation, Inc. (Research Foundation), issued the following promissory note on June 30, 2005, to assist the University with a settlement agreement involving various Federal agencies, relating to the Hemispheric Center for Environmental Technology. The University is obligated to provide funds to the Research Foundation to pay the principal and interest on the note as follows:

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- $7,955,000, Florida International University Research Foundation, Inc., Tax-Exempt Note, Series 2005; interest at 65 percent of three–month London Interbank Offered Rate plus 39.23 basis points; interest and principal payable on a quarterly basis with principal ranging from $135,000 on July 1, 2006, to a final payment of $515,000 on July 1, 2010.

Principal and interest requirements on the note payable outstanding as of June 30, 2007, are presented in the following table:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	$ 1,910,000	$ 183,024	$ 2,093,024
2009	1,970,000	120,869	2,090,869
2010	2,030,000	57,235	2,087,235
2011	515,000	4,100	519,100
Total	$ 6,425,000	$ 365,228	$ 6,790,228

13. BONDS PAYABLE – FIU ATHLETICS FINANCE CORPORATION

On April 20, 2007, the FIU Athletics Finance Corporation issued $28,000,000 of Capital Improvement Revenue Bonds, Series 2007A, and $7,000,000 of Capital Improvement Revenue Bonds, Series 2007B. These bonds were issued and secured under and pursuant to a trust indenture, dated April 1, 2007, between the FIU Athletics Finance Corporation and a commercial bank, as trustee, and shall be payable from pledged revenues. The bond proceeds will be used to finance certain football stadium improvements, fund capitalized interest through March 1, 2009, fund a deposit to a debt service reserve fund, and pay costs related to the issuance of the bonds. The bonds are secured by operating and nonoperating revenues of the facility and University athletic fees.

The interest rate on these bonds are both fixed and variable and are subject to a hedge agreement that was entered into to reduce the exposure to market risks from changing interest rates (see note 14).

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

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Fiscal Year Ending June 30	Principal	Interest	Total
2008	$	$ 1,631,165	$ 1,631,165
2009		1,724,069	1,724,069
2010	730,000	1,713,848	2,443,848
2011	775,000	1,666,571	2,441,571
2012	825,000	1,618,779	2,443,779
2013-2017	5,020,000	7,204,440	12,224,440
2018-2022	6,595,000	5,664,882	12,259,882
2023-2027	8,280,000	3,989,136	12,269,136
2028-2032	10,390,000	1,885,810	12,275,810
2033	2,385,000	79,246	2,464,246
Total	$ 35,000,000	$ 27,177,946	$ 62,177,946

14. DERIVATIVE FINANCIAL INSTRUMENTS – COMPONENT UNITS

The Florida International University Foundation, Inc., the Florida International University Research Foundation, Inc., and the FIU Athletics Finance Corporation all entered into derivative instruments (i.e., interest rate swap agreements) to reduce their exposure to market risks from changing interest rates. For interest rate swap agreements, the differential to be paid or received is accrued and recognized as interest expense and may change as market interest rates change. These interest rate swap agreements, and a related Letter of Credit agreement entered into by the FIU Athletics Finance Corporation, are discussed below.

Florida International University Foundation, Inc. (Foundation)

On February 1, 2000, the Foundation entered into an interest swap agreement (swap agreement) with a commercial bank on a notional amount of $6,500,000, which represents 50 percent of the principal amount of the bond issue, as described in note 11. Under the original swap agreement, the Foundation agreed to pay a fixed rate of 5.03 percent per annum and receive variable rates based on 67 percent of the U.S. Dollar London Interbank Offered Rate (LIBOR). Effective October 1, 2005, the Foundation renegotiated the swap agreement reducing the interest rate swap to 4.63 percent per annum. The renegotiated swap agreement expires on February 1, 2015.

Florida International University Research Foundation, Inc. (Research Foundation)

On May 5, 2005, the Research Foundation entered into an interest rate swap agreement with a commercial bank on a notional amount of $7,955,000, which represents the notes payable described in note 12. Under the swap agreement, the Research Foundation agrees to pay a fixed rate of 3.15 percent per annum and receive a variable rate based on 65 percent of the three-month LIBOR plus .3923 percent. As of June 30, 2007, the Research Foundation reported a derivative asset of $74,281 in the statement of net assets and an

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unrealized gain of $74,281 in the statement of revenue, expenses, and changes in net assets. The swap agreement has a maturity date of July 1, 2010.

FIU Athletics Finance Corporation (Finance Corporation)

On May 30, 2007, the Finance Corporation entered into an interest rate swap agreement with a commercial bank on a notional amount of $21,000,000, which represents the fixed portion of the bonds payable described in note 13. Under the swap agreement, the Finance Corporation agrees to pay a fixed rate of 4.1451 percent per annum and receive a variable rate based on the Bond Market Association (BMA) index (current yields for high yield variable demand bonds maintained by the BMA). As of June 30, 2007, the Finance Corporation reported a derivative asset of $90,174 in the statement of net assets and an unrealized gain on derivative instrument of $90,174 in the statement of revenues, expenses, and changes in net assets. The swap agreement has a maturity date of March 1, 2033.

On April 1, 2007, Regions Bank, as Trustee for the $35,000,000 Series 2007A and 2007B Bonds for the construction of the University's football stadium, issued a letter of credit to serve as security for the payments of the bonds. The Letter of Credit will be in effect until April 15, 2012, and will automatically extend equal to the remaining balance of the bonds payable for a period of one year, but not to extend beyond April 15, 2033. Should a drawing against the Letter of Credit be necessary, the Finance Corporation must repay the draw plus annual interest equal to the three-month LIBOR plus two percent.

15. RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the University are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled $5,423,372, $5,872,754, and $7,358,824, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There

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were 233 University participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled $890,791.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 1,454 University participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled $12,903,080, including $4,843,630 from employee contributions.

16. POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2006-07 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in note 15.

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Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2006-07 fiscal year, participants received an extra $5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than $150 or less than $30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

17. CONSTRUCTION COMMITMENTS

The University's major construction commitments at June 30, 2007, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Stadium Expansion	$ 32,819,024	$ 330,483	$ 32,488,541
Social Science Building	22,849,971	126,225	22,723,746
Molecular Biology Building	20,468,243	125,000	20,343,243
Graduate Classroom Building	18,619,835		18,619,835
Graduate School of Business Building	30,395,883	21,043,830	9,352,053
Science Classroom Complex	9,000,000		9,000,000
Football Field House and Coaches Offices	4,100,000	18,140	4,081,860
Utilities/Infrastructure/Capital Renewals/Roofs	4,400,000	848,330	3,551,670
Public Safety Building, University Park Campus	3,131,025	77,085	3,053,940
Subtotal	145,783,981	22,569,093	123,214,888
Projects with Balance Committed Under $3 Million	56,285,745	35,211,987	21,073,758
Total	$ 202,069,726	$ 57,781,080	$ 144,288,646

18. OPERATING LEASE COMMITMENTS WITH FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC. – RELATED PARTY TRANSACTION

On December 1, 1999, the former Board of Regents of the State University System of the State of Florida for and on behalf of the University entered into a ground lease agreement with the Florida International University Foundation, Inc. (Foundation). Under this agreement, the Foundation leases from the University the grounds on which a multi-function support complex facility was built on the University Park campus. The consideration required to be paid by the Foundation is $10 annually. The ground lease will expire on December 31, 2024, or on the date the Foundation makes its final payment under a letter of credit agreement related to the financing of the facility. On December 1, 1999, the former Board of Regents on behalf of the University also entered into a 20-year operating lease agreement with the Foundation for the multi-function support complex facility. Under the terms of the operating lease, the University will pay the Foundation rent in the amount equal to all amounts due and payable by the Foundation under the letter of

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credit agreement, if any, and loan agreement related to the financing of the facility. The payments also include any costs of operating and maintaining the facility. The lease will terminate on May 1, 2022, which is the date of maturity of the loan agreement.

The facility under the above operating lease is not recorded as an asset on the statement of net assets; however, the operational lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net assets when paid or incurred. The following schedule by years presents management's best estimate of future minimum rental payments for this noncancelable operating lease as of June 30, 2007:

Fiscal Year Ending June 30	Amount
2008	$ 1,260,000
2009	1,260,000
2010	1,260,000
2011	1,260,000
2012	1,260,000
Thereafter	12,600,000
Total Minimum Payments Required	$ 18,900,000

19. GIFT AGREEMENT – FLORIDA INTERNATIONAL UNIVERSITY FOUNDATION, INC.

The Wolfsonian, Inc. (Wolfsonian), 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 Wolfsonian has been loaned the Mitchell Wolfson, Jr., collection of nearly 27,000 objects of art and rare books dating from the late nineteenth to the mid-twentieth century. It encompasses furniture, sculpture, 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 promotes public education and awareness of the social, historical, technological, political, economic, and artistic material culture of Europe and America in the 1885-1945 period.

On July 1, 1997, the Foundation entered into a gift agreement (Agreement) with Mitchell Wolfson, Jr., the Wolfsonian, 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 to the Foundation, subject to a loan agreement made and entered into by the Wolfsonian and Mr. Wolfson, Jr., dated July 29, 1991. The loan agreement was extended in July 2001 for ten years to July 2011.

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The Foundation has elected to exercise the option of not capitalizing the items that meet the definition of "collection" 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 consolidated financial statements. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

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

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. As a result of the Agreement, the University and Foundation have assumed all administrative functions and operating costs of the Wolfsonian.

The most significant of the obligations under the Agreement is for the University to provide the Wolfsonian with the same financial support from its general budget, as provided to other departments, to continue the museum and educational activities and operations of the Wolfsonian. The University provided support of $2.2 million during the 2006-07 fiscal year for Wolfsonian expenses which included salaries, equipment, administrative expenses, insurance premium for the art collection, and building security. In addition, the University provided support of approximately $270,000 during the 2006-07 fiscal year for utilities, repairs, and maintenance expenses for buildings used by the Wolfsonian.

20. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2006-07 fiscal year, the State retained the first $2 million of losses for each occurrence with an annual aggregate retention of $40 million for wind and flood and $5 million for perils other than wind and flood. After the

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annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for wind, $50 million for flood, and $200 million for perils other than wind and flood; and losses exceeding those amounts were retained by the State. Payments on tort claims are limited to $100,000 per person and $200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

21. LITIGATION

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

22. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

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Functional Classification	Amount
Instruction	$ 123,724,082
Research	71,854,913
Public Service	4,819,074
Academic Support	71,142,610
Student Services	19,709,699
Institutional Support	55,820,817
Operation and Maintenance of Plant	33,990,218
Scholarships and Fellowships	28,321,421
Depreciation	33,497,243
Auxiliary Enterprises	82,730,194
Loan Operations	44,989
Total Operating Expenses	$ 525,655,260

23. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Housing and Parking facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Assets

	Housing Revenue Bonds	Parking Revenue Bonds
Assets		
Current Assets	$ 9,761,532	$ 10,370,589
Capital Assets, Net	94,447,403	40,849,957
Other Noncurrent Assets	913,621	402,311
Total Assets	105,122,556	51,622,857
Liabilities		
Current Liabilities	3,743,225	1,781,657
Noncurrent Liabilities	83,218,487	27,336,385
Total Liabilities	86,961,712	29,118,042
Net Assets		
Invested in Capital Assets, Net of Related Debt	8,387,468	12,307,759
Restricted - Expendable	3,068,936	103,693
Unrestricted	6,704,440	10,093,363
Total Net Assets	$ 18,160,844	$ 22,504,815

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Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Housing Revenue Bonds	Parking Revenue Bonds
Operating Revenues	$ 19,577,253	$ 7,998,866
Depreciation Expense	(3,705,747)	(1,068,100)
Other Operating Expenses	(10,504,303)	(2,875,675)
Operating Income	5,367,203	4,055,091
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	2,293,543	450,699
Interest Expense	(4,080,290)	(1,361,765)
Other Nonoperating Expense		(14,199)
Net Nonoperating Expenses	(1,786,747)	(925,265)
Income Before Transfers	3,580,456	3,129,826
Net Transfers	(3,509,809)	(935,389)
Increase in Net Assets	70,647	2,194,437
Net Assets, Beginning of Year	18,090,197	20,310,378
Net Assets, End of Year	$ 18,160,844	$ 22,504,815

Condensed Statement of Cash Flows

	Housing Revenue Bonds	Parking Revenue Bonds
Net Cash Provided (Used) by:		
Operating Activities	$ 8,901,713	$ 4,888,118
Noncapital Financing Activities		
Capital and Related Financing Activities	(18,551,279)	(4,034,688)
Investing Activities	8,404,774	(886,142)
Net Decrease in Cash and Cash Equivalents	(1,244,792)	(32,712)
Cash and Cash Equivalents, Beginning of Year	1,432,409	230,608
Cash and Cash Equivalents, End of Year	$ 187,617	$ 197,896

24. COMPONENT UNITS

The University has three component units as discussed in note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

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	Florida International University Foundation, Inc.	Florida International University Research Foundation, Inc.	FIU Athletics Finance Corporation	Total
Condensed Statement of Net Assets				
Assets:				
Current Assets	$ 73,687,880	$ 1,161,764	$ 90,314	$ 74,939,958
Capital Assets, Net	12,291,621			12,291,621
Other Noncurrent Assets	76,278,660	5,955,000	38,659,780	120,893,440
Total Assets	162,258,161	7,116,764	38,750,094	208,125,019
Liabilities:				
Current Liabilities	1,512,048	2,473,585	3,723,671	7,709,304
Noncurrent Liabilities	10,110,898	4,515,000	35,000,000	49,625,898
Total Liabilities	11,622,946	6,988,585	38,723,671	57,335,202
Net Assets:				
Restricted	120,175,256			120,175,256
Unrestricted	30,459,959	128,179	26,423	30,614,561
Total Net Assets	$ 150,635,215	$ 128,179	$ 26,423	$ 150,789,817
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	$ 16,990,765	$ 301,071	$	$ 17,291,836
Operating Expenses	17,344,782	315,766	60	17,660,608
Operating Loss	(354,017)	(14,695)	(60)	(368,772)
Net Nonoperating Revenues	18,919,218	101,530	26,483	19,047,231
Increase in Net Assets	18,565,201	86,835	26,423	18,678,459
Net Assets, Beginning of Year	132,070,014	41,344		132,111,358
Net Assets, End of Year	$ 150,635,215	$ 128,179	$ 26,423	$ 150,789,817

25. SUBSEQUENT EVENT

As discussed in note 3, at June 30, 2007, the University and the FIU Athletics Finance Corporation (Corporation) had $30,865,929 and $34,574,780, respectively, invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the University and the State Board of Administration. On December 6, 2007, the University withdrew all but $64,357, invested at that date from

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the Pool, and had $64,690 invested in the Pool as of March 11, 2008. The Corporation withdrew $8,057,669 from the Pool on December 6, 2007, and had $18,218,487 invested in the Pool as of March 11, 2008.