

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

*Consolidated Financial
Statements*

*April 30, 2013
and 2012*

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Florida Institute of Technology, Inc. (the "University") (a nonprofit organization), which comprise the consolidated statements of financial position as of April 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Institute of Technology, Inc. as of April 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance and schedule of expenditures for Florida student financial assistance programs, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Florida Auditor General*, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2013, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Melbourne, Florida
August 12, 2013

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FLORIDA INSTITUTE OF TECHNOLOGY, INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

ASSETS	4/30/2013	4/30/2012
Cash and cash equivalents	\$ 7,040,077	\$ 16,695,223
Accounts receivable, net	8,434,758	8,112,939
Pledges receivable, net	2,654,932	3,875,605
Prepaid expenses, inventories and other assets, net	7,597,922	6,495,824
Student loans receivable, net	4,952,111	5,128,620
Cash held with fiduciary	4,541,109	594,139
Investments	57,929,579	53,213,645
Long-lived assets, net	109,863,047	97,259,685
TOTAL ASSETS	\$ 203,013,535	\$ 191,375,680
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 17,562,979	\$ 18,356,478
Deposits and deferred revenue	8,784,345	7,982,652
Annuities payable	2,123,328	2,090,315
Interest rate swap liability	-	4,448,976
Refundable government loans	4,736,185	4,693,106
Capital lease obligations	12,490,266	11,423,353
Mortgage and note payable	164,393	2,391,732
Bonds payable, net	34,811,528	25,580,709
Total Liabilities	80,673,024	76,967,321
NET ASSETS		
Unrestricted	61,994,358	60,321,187
Temporarily restricted	11,455,958	6,908,341
Permanently restricted	48,890,195	47,178,831
Total Net Assets	122,340,511	114,408,359
TOTAL LIABILITIES AND NET ASSETS	\$ 203,013,535	\$ 191,375,680

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND SUPPORT:				
Tuition and fees	\$ 155,079,198	\$ -	\$ -	\$ 155,079,198
Student aid-tuition and fees	(38,287,318)	-	-	(38,287,318)
Government grants and contracts	8,422,936	-	-	8,422,936
Private gifts, grants and contracts	7,472,856	1,368,902	1,711,364	10,553,122
Auxiliary enterprises	24,843,588	-	-	24,843,588
Interest and dividends	106,895	1,046,545	-	1,153,440
Other	7,103,421	-	-	7,103,421
Net assets released from restrictions	2,676,313	(2,676,313)	-	-
Total revenues, gains, and support	<u>167,417,889</u>	<u>(260,866)</u>	<u>1,711,364</u>	<u>168,868,387</u>
EXPENSES:				
Instruction and departmental and public service	53,767,103	-	-	53,767,103
Sponsored research, training and other programs	15,207,290	-	-	15,207,290
Academic support	15,602,711	-	-	15,602,711
Institutional support	24,868,464	-	-	24,868,464
Student services	14,725,746	-	-	14,725,746
Auxiliary enterprises	41,568,035	-	-	41,568,035
Total expenses	<u>165,739,349</u>	<u>-</u>	<u>-</u>	<u>165,739,349</u>
Operating income/(loss)	1,678,540	(260,866)	1,711,364	3,129,038
Insurance recovery	13,285	-	-	13,285
Net realized and unrealized gain/(loss) on investments	17,370	4,808,483	-	4,825,853
Change in fair value of interest rate swap	(36,024)	-	-	(36,024)
CHANGE IN NET ASSETS	1,673,171	4,547,617	1,711,364	7,932,152
NET ASSETS - Beginning of year	<u>60,321,187</u>	<u>6,908,341</u>	<u>47,178,831</u>	<u>114,408,359</u>
NET ASSETS - End of year	<u>\$ 61,994,358</u>	<u>\$ 11,455,958</u>	<u>\$ 48,890,195</u>	<u>\$ 122,340,511</u>

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND SUPPORT:				
Tuition and fees	\$ 142,075,778	\$ -	\$ -	\$ 142,075,778
Student aid-tuition and fees	(33,215,007)	-	-	(33,215,007)
Government grants and contracts	7,840,843	-	-	7,840,843
Private gifts, grants and contracts	11,005,329	935,102	62,129	12,002,560
Auxiliary enterprises	26,531,145	-	-	26,531,145
Interest and dividends	110,588	1,328,193	-	1,438,781
Other	7,294,127	-	-	7,294,127
Net assets released from restrictions	2,862,420	(2,862,420)	-	-
Total revenues, gains, and support	<u>164,505,223</u>	<u>(599,125)</u>	<u>62,129</u>	<u>163,968,227</u>
EXPENSES:				
Instruction and departmental and public service	50,970,701	-	-	50,970,701
Sponsored research, training and other programs	18,715,274	-	-	18,715,274
Academic support	16,343,156	-	-	16,343,156
Institutional support	22,320,647	-	-	22,320,647
Student services	11,545,561	-	-	11,545,561
Auxiliary enterprises	34,683,084	-	-	34,683,084
Total expenses	<u>154,578,423</u>	<u>-</u>	<u>-</u>	<u>154,578,423</u>
Operating income/(loss)	9,926,800	(599,125)	62,129	9,389,804
Loss on disposition of assets	(13,845)	-	-	(13,845)
Insurance recovery	98,641	-	-	98,641
Net realized and unrealized gain/(loss) on investments	(34,385)	(813,870)	-	(848,255)
Change in fair value of interest rate swap	(2,104,571)	-	-	(2,104,571)
CHANGE IN NET ASSETS BEFORE ACQUISITION	7,872,640	(1,412,995)	62,129	6,521,774
Transfer of assets from the acquisition of FIT Museum of Art, Inc.	1,916,110	-	-	1,916,110
CHANGE IN NET ASSETS AFTER ACQUISITION	9,788,750	(1,412,995)	62,129	8,437,884
NET ASSETS - Beginning of year	<u>50,532,437</u>	<u>8,321,336</u>	<u>47,116,702</u>	<u>105,970,475</u>
NET ASSETS - End of year	<u>\$ 60,321,187</u>	<u>\$ 6,908,341</u>	<u>\$ 47,178,831</u>	<u>\$ 114,408,359</u>

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED

	<u>4/30/2013</u>	<u>4/30/2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 7,932,152	\$ 8,437,884
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Transfer of assets from the acquisition of FIT Museum of Art, Inc.	-	(1,916,110)
Depreciation	7,952,381	6,096,670
Imputed interest on note payable	2,397	8,713
Amortization of bond issuance costs	231,807	82,294
Change in fair value of interest rate swap	36,024	2,104,571
Net realized and unrealized (gain)/loss on investments	(4,825,853)	848,255
Change in bad debt allowance for accounts receivable	(564,082)	1,313,949
Change in bad debt allowance for student loans receivable	(8,886)	(7,993)
(Gain)/loss on disposition of assets	-	13,845
Change in assets and liabilities:		
Accounts receivable	242,263	(680,395)
Pledges receivable	1,220,673	633,633
Prepaid expenses, inventories and other assets	(1,333,905)	930,813
Student loans receivable	185,395	364,641
Accounts payable and accrued expenses	(793,499)	(1,271,400)
Deposits and deferred revenue	801,693	(4,773,416)
Refundable government loans	43,079	(19,701)
Net cash provided by operating activities	<u>11,121,639</u>	<u>12,166,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(43,709,698)	(47,161,064)
Proceeds from investments	50,599,193	48,544,039
Proceeds from disposition of assets	-	6,700
Cash transfer from the acquisition of FIT Museum of Art, Inc.	-	94,110
Purchase of long-lived assets	(23,216,159)	(5,321,523)
Cash paid for settlement of interest rate swap liability	(4,485,000)	-
Net cash used in investing activities	<u>(20,811,664)</u>	<u>(3,837,738)</u>

Continued on the next page

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED

As continued from previous page

	<u>4/30/2013</u>	<u>4/30/2012</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in actuarial liability for annuities payable, net	44,223	36,912
Payment of annuity obligations	(211,662)	(1,428,924)
Repayment of bonds, mortgage and note payable	(3,291,520)	(1,472,869)
Proceeds from annuities	200,453	-
Proceeds from 2013 bonds	10,295,000	-
Imputed interest forgiveness	(21,558)	(35,515)
Repayment of capital lease obligations	(3,033,087)	(676,948)
Net cash (used in)/provided by financing activities	<u>3,981,849</u>	<u>(3,577,344)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND CASH HELD WITH FIDUCIARY	(5,708,176)	4,751,171
CASH, CASH EQUIVALENTS AND CASH HELD WITH FIDUCIARY Beginning of year	<u>17,289,362</u>	<u>12,538,191</u>
CASH, CASH EQUIVALENTS AND CASH HELD WITH FIDUCIARY End of year	<u>\$ 11,581,186</u>	<u>\$ 17,289,362</u>
AS PRESENTED ON STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 7,040,077	\$ 16,695,223
Cash held with fiduciary	4,541,109	594,139
	<u>\$ 11,581,186</u>	<u>\$ 17,289,362</u>
SUPPLEMENTAL CASH FLOW INFORMATION - Interest Paid	<u>\$ 1,492,574</u>	<u>\$ 1,656,440</u>
Non-cash transfer of assets from the acquisition of FIT Museum of Art, Inc.	\$ -	\$ 1,822,000
Non-cash transfer of assets from the Center for Aeronautics and Innovation lease	4,100,000	-
Total	<u>\$ 4,100,000</u>	<u>\$ 1,822,000</u>

See notes to consolidated financial statements.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Unrestricted Net Assets

Unrestricted net assets represent the difference between assets and liabilities that are not restricted by donor-imposed stipulations. They are the net result of all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets are defined as net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received.

Permanently Restricted Net Assets

Permanently restricted net assets include gifts subject to donor-imposed stipulations that the corpus be maintained permanently by the University. Generally, the donors of these assets permit the University to use all, or part of, the earnings on related investments for general or specific purposes.

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

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Held With Fiduciary - Cash held with fiduciary represents funds on deposit for debt service and construction projects.

Concentration of Credit Risk - The University maintains its cash and cash equivalents and its cash held with fiduciary in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per depositor. At April 30, 2013, approximately \$11,916,000 of the University's balances were subject to custodial credit risk.

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

Pledges Receivable, net - Pledges are unconditional written promises to contribute to the University in the future. Pledges are recognized at estimated present value in the period the pledges are received. Management estimates an allowance for uncollectible pledges based upon their review of delinquent pledges and an assessment of the University's historical evidence of collections.

Prepaid Expenses, Inventories and Other Assets, net - Prepaid expenses are amounts that are paid in advance by the University to a vendor for goods and services. Prepaid financing costs included in prepaid expenses include costs incurred in connection with the issuance of bonds and are deferred and amortized on the straight-line basis over the term of the related debt. Inventories of supplies are stated at the lower of cost (weighted average) or market value. Other deposits include those on account with third parties.

Student Loans Receivable, net - Student loans receivable result from lending activity to students utilizing University resources designated for that purpose. Management estimates an allowance for uncollectible student loans based upon their review of delinquent student loans and an assessment of the University's historical evidence of collections. It is the University's policy to charge off uncollectible student loans receivable when management determines the receivable will not be collected.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - The University's investments in securities are reported at fair value based on quoted market prices. Contributed investments in securities are initially recorded at their fair value on the date of the gift. The University also has investments in managed futures to reduce the overall volatility of the equity fund performance. The fair value of this investment is based on third-party valuations which are not available in a quoted exchange. The University maintains its investments in securities with five brokerage firms that are members of the Securities Investor Protection Corporation ("SIPC"). At times, the brokerage firm accounts may also include cash balances. Cash and securities held at a member brokerage firm are insured by the SIPC up to \$500,000 per customer, including a maximum of \$250,000 for cash. The amount of cash in the investment account subject to custodial credit risk at April 30, 2013 was approximately \$1,634,000.

Long-Lived Assets, net - Long-lived assets are recorded at cost if purchased or at estimated fair value if received by gift. The University's policy is to capitalize assets acquired through purchase greater than \$1,500 and acquired by gifts greater than \$5,000 having a useful life greater than one year. Depreciation of long-lived assets is recorded on the straight-line method over their estimated useful lives ranging from 4 to 50 years.

<u>Description</u>	<u>Estimated useful life</u>
Building and land improvements	7 to 50 years
Buildings	50 years
Equipment	4 to 10 years
Vehicles and boats	5 to 10 years
Aircraft	5 to 12 years
Software	5 years
Library materials	12 years

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

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

Collections - The University's collections consist of art objects that are held for educational and curatorial purposes. In conformity with accounting principles generally accepted in the United States of America, the University has elected to exclude the value of the collections from the consolidated statements of financial position, and gifts of art objects are excluded from revenue in the consolidated statements of activities. All art objects are received as donations to the University.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

However, the University does engage in activities that may give rise to unrelated business income tax. As such, the University files an unrelated business income tax return that includes its limited liability corporation and other activities subject to unrelated business income tax.

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

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

The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The University believes it is no longer subject to income tax examinations for fiscal years prior to 2009.

Advertising - The University expenses advertising costs when incurred. Advertising expense was \$2,708,416 and \$2,726,334 for the years ended April 30, 2013 and 2012, respectively.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reclassifications - Certain amounts for the year ended April 30, 2012 have been reclassified in these comparative consolidated financial statements to conform to their 2013 classification. These reclassifications had no effect on change in net assets.

2. ACCOUNTS RECEIVABLE, NET

Accounts receivable consisted of the following at April 30:

	2013	2012
Students	\$ 7,269,457	\$ 6,552,457
Sponsored research and similar agreements	3,711,846	1,726,666
Aviation	135,389	3,138,023
Other	440,392	382,201
Total	11,557,084	11,799,347
Less: allowance for doubtful accounts	(3,122,326)	(3,686,408)
Net accounts receivable	<u>\$ 8,434,758</u>	<u>\$ 8,112,939</u>

For the years ended April 30, 2013 and 2012, student accounts receivable of \$782,131 and \$2,118,994, respectively, were charged to the allowance for doubtful accounts.

3. PLEDGES RECEIVABLE, NET

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

	2013	2012
Due:		
Less than one year	\$ 1,019,954	\$ 1,423,287
One year to five years	1,690,466	2,542,167
More than five years	166,304	251,243
Total	2,876,724	4,216,697
Less: discount	(221,792)	(341,092)
Net pledges receivable	<u>\$ 2,654,932</u>	<u>\$ 3,875,605</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED APRIL 30, 2013 and 2012**

3. PLEDGES RECEIVABLE, NET (continued)

Major components of the gross pledges receivable at April 30, 2013 are \$829,000 from various Football Founders, \$527,000 from the Harris Corporation and \$700,000 from The Bisk Family Foundation, Inc.

As of April 30, 2013 and 2012, management considered its pledges receivable to be fully collectible. Accordingly, no allowance for doubtful pledges has been recorded in the accompanying consolidated statements of financial position.

4. PREPAID EXPENSES, INVENTORIES AND OTHER ASSETS, NET

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

	<u>2013</u>	<u>2012</u>
Prepaid insurance	\$ 1,603,349	\$ 1,383,993
Prepaid rent	1,545,833	1,604,167
Prepaid expenses	2,746,061	2,009,555
Inventories	955,256	822,818
Other	747,423	675,291
Net prepaid expenses, inventories, and other assets	<u>\$ 7,597,922</u>	<u>\$ 6,495,824</u>

5. STUDENT LOANS RECEIVABLE, NET

Student loans receivable consisted of the following at April 30:

	<u>2013</u>	<u>2012</u>
Perkins	\$ 4,632,447	\$ 4,727,298
Merit	406,814	495,913
Frueauff	4,950	6,395
Total	<u>5,044,211</u>	<u>5,229,606</u>
Less: allowance for doubtful accounts	<u>(92,100)</u>	<u>(100,986)</u>
Net loans receivable	<u>\$ 4,952,111</u>	<u>\$ 5,128,620</u>

Loans to students include participation in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government of \$4,736,185 and \$4,693,106 at April 30, 2013 and 2012, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED APRIL 30, 2013 and 2012**

6. INVESTMENTS

Investments consisted of the following at April 30:

	<u>2013</u>	<u>2012</u>
Short term investments	1,908,080	2,340,154
Debt mutual funds	11,074,159	4,829,965
Managed futures	1,261,852	1,296,394
Certificates of deposit	-	153,883
US government notes and bonds	743,524	1,507,409
Federal agency securities	-	75,915
Corporate bonds	4,351,019	4,290,311
Mortgage/asset backed securities	6,181,493	4,532,727
Municipal bonds	1,009,464	934,342
Equity mutual funds	10,639,813	9,233,517
Common stocks	20,760,175	24,019,028
Total investments	<u>\$ 57,929,579</u>	<u>\$ 53,213,645</u>

Net realized and unrealized gains and losses on investments consisted of the following at April 30:

	<u>2013</u>	<u>2012</u>
Unrestricted		
Stock:		
Realized gain/(loss)	\$ (3,429)	\$ (21,151)
Bonds:		
Unrealized gain/(loss)	20,799	(13,234)
Subtotal	<u>17,370</u>	<u>(34,385)</u>
Temporarily restricted		
Endowments:		
Realized/unrealized gain/(loss)	4,621,159	(749,558)
Annuity contracts & charitable remainder trusts:		
Realized gain/(loss)	187,324	(64,312)
Subtotal	<u>4,808,483</u>	<u>(813,870)</u>
Total realized and unrealized gains and (losses), net	<u>\$ 4,825,853</u>	<u>\$ (848,255)</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED APRIL 30, 2013 and 2012**

6. INVESTMENTS (continued)

Concentrations of market risk included the following at April 30:

	2013		2012	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
EuroPacific growth fund	\$ 9,730,941	17%	\$ 8,277,502	16%

Deferred Compensation

The University had a nonqualified deferred compensation plan for certain executive-level employees that was funded through an annual payment to self-directed individual investment accounts held by a third-party trustee. There were no contributions to the plan for the years ended April 30, 2013 and 2012. The total assets included with investments as of April 30, 2012 were approximately \$113,000. The plan was terminated during the year ended April 30, 2013 and the proceeds were remitted according to plan documents.

7. LONG-LIVED ASSETS, NET

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

	2013	2012
Land	\$ 6,484,405	\$ 4,512,182
Building and land improvements	18,363,543	15,220,591
Buildings	104,224,973	91,983,082
Equipment - Siemens energy project	10,117,341	10,023,231
Equipment	9,757,585	8,971,022
Vehicles and boats	1,109,351	887,120
Aircraft	7,185,419	7,152,965
Software	1,043,620	90,987
Library materials	1,924,697	3,295,940
Construction in progress	992,164	2,658,845
Total	<u>161,203,098</u>	<u>144,795,965</u>
Less: accumulated depreciation	<u>(51,340,051)</u>	<u>(47,536,280)</u>
Net long-lived assets	<u>\$ 109,863,047</u>	<u>\$ 97,259,685</u>

Depreciation expense was \$7,952,381 and \$6,096,670 for the years ended April 30, 2013 and 2012, respectively.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2013</u>	<u>2012</u>
Accounts payable	\$ 662,072	\$ 1,222,108
Accrued expenses		
Accrued salaries and wages	3,604,557	2,152,160
Accrued vacation	3,420,189	3,142,337
Due to Bisk Education	5,027,822	6,272,203
Other accrued expenses	4,848,339	5,567,670
Total accounts payable and accrued expenses	<u>\$ 17,562,979</u>	<u>\$ 18,356,478</u>

9. DEPOSITS AND DEFERRED REVENUE

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

	<u>2013</u>	<u>2012</u>
Bisk Education start-up costs (see note 20)	\$ 628,292	\$ 928,292
Deposits	2,737,418	1,528,046
Deferred revenue/tuition	5,418,635	5,526,314
Total deposits and deferred revenue	<u>\$ 8,784,345</u>	<u>\$ 7,982,652</u>

10. ANNUITIES PAYABLE

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

During the term of the agreement, funds are invested with the objective of providing income to fund periodic payments to beneficiaries and provide some growth through appreciation for the remainder interest. At April 30, 2013 and 2012, the University was a party to the following types of split-interest agreements:

- Annuity contracts
- Charitable remainder trusts

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

10. ANNUITIES PAYABLE (continued)

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

	<u>2013</u>	<u>2012</u>
Charitable remainder trusts	\$ 1,897,083	\$ 1,739,426
Annuities payable	<u>226,245</u>	<u>350,889</u>
Total actuarial liability	<u>\$ 2,123,328</u>	<u>\$ 2,090,315</u>

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

11. INTEREST RATE SWAP AGREEMENT

In conjunction with the issuance of the Series 2002 variable rate bonds, the University entered into an Interest Rate Swap Agreement ("Swap") through July 1, 2032, which resulted in synthetically fixing the interest rate. The effective interest rate, including letter of credit and other fees, since inception of the agreement has ranged from 5.31% to 5.89%.

When the Series 2002 bonds were refinanced on February 1, 2013, the Swap liability of \$4,485,000 was paid in full and terminated.

Under the terms of the interest rate swap, the University received variable interest rate payments based on 67% of LIBOR and made fixed interest payments; thereby creating the equivalent of fixed-rate debt.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

11. INTEREST RATE SWAP AGREEMENT (continued)

The contract/notional amount and estimated fair value of the University's derivative financial instruments were as follows at April 30:

2013		2012	
Contract/Notional Amount	Fair Value	Contract/Notional Amount	Fair Value
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,705,000</u>	<u>\$ (4,448,976)</u>

As a condition of the Swap agreement, the University was required to post collateral. These funds were returned to the University when the Swap was terminated.

For the year ended April 30, 2013, the valuation of the Swap resulted in a net loss (realized) of \$36,024 as compared to a net loss (unrealized) of \$2,104,571 for the year ended April 30, 2012.

12. CAPITAL LEASE OBLIGATIONS

Siemens Performance Contract

On September 24, 2009, the University entered into an agreement with Siemens Public, Inc. to lease various types of equipment under a performance contract agreement with Siemens Building Technologies. The Siemens energy project is included as a capital lease obligation at 5.77% and was completed in September 2011. Principal payments commenced on September 24, 2010 and will continue for a period of ten years. The University received approximately \$9,000,000 of proceeds upon execution of the contract to support the Siemens energy project. As of April 30, 2013, all funds had been expended.

The Center for Aeronautics and Innovation

On April 17, 2013, the University entered into an agreement with the City of Melbourne Airport Authority to lease the property now known as the Center for Aeronautics and Innovation. The agreement is a 40-year lease with monthly payments beginning January 1, 2014. It contains both a capital lease component for the building and an operating lease component for the land. The University has the option to extend the lease for two additional terms of five years. The initial rent is based on 31,000 square feet of floor space and includes a building lease rate of \$6.26 per square foot. As of April 30, 2013, the total capital lease obligation is \$4,100,000.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

12. CAPITAL LEASE OBLIGATIONS (continued)

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

	<u>2013</u>	<u>2012</u>
Equipment	\$ -	\$ 229,029
Vehicles	48,610	40,586
Aircraft	-	4,100,624
Building	4,100,000	-
Siemens energy project	10,023,231	10,023,231
Subtotal	14,171,841	14,393,470
Less: accumulated depreciation	<u>(1,197,602)</u>	<u>(1,950,269)</u>
Total assets held under capital lease	<u>\$ 12,974,239</u>	<u>\$ 12,443,201</u>

The interest rates on the lease obligations range from 3% to 5.77%, and mature from 2015 through 2053.

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

2014	\$ 839,469
2015	968,836
2016	964,804
2017	955,915
2018	955,915
Thereafter	<u>14,540,221</u>
Total minimum lease payments	19,225,160
Less amounts representing interest	<u>(6,734,894)</u>
Present value of net minimum lease payments	<u>\$ 12,490,266</u>

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

FLORIDA INSTITUTE OF TECHNOLOGY, INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED APRIL 30, 2013 and 2012**

13. LINE OF CREDIT

The line of credit as of April 30, 2013 and 2012 consists of a promissory note agreement with a commercial bank, under which the University may borrow up to \$15,000,000 for working capital purposes. On November 12, 2008, the University entered into an office lease agreement with Brookhill Properties, LLC for the Florida Tech Commons building. A portion of the Line of Credit was used to secure an Irrevocable Letter of Credit for \$3,032,000 to be used as a security deposit for this lease as required by the second amendment to this lease dated December 13, 2010. The remaining available line of credit balance of \$11,968,000 is payable on demand and is subject to certain restrictions. At April 30, 2013 and 2012, the University had no outstanding balances under this agreement. The interest rate is based on the three month LIBOR plus 2.5% (2.78% at April 30, 2013). In addition, a quarterly fee is charged to the University based on the unused balance. The University has pledged tuition and fees and unrestricted revenues as collateral for the line of credit.

14. BONDS, MORTGAGE AND NOTE PAYABLE, NET

Bonds, mortgage and note payable consisted of the following at April 30:

	<u>2013</u>	<u>2012</u>
10 year mortgage with a commercial bank. Mortgage was paid in full in February 2013	\$ -	\$ 1,583,038
Unsecured revolving line of credit of \$1,500,000. Payments are due in 24 monthly installments which began August 2011 (See Note 20)	164,393	808,694
Mortgage and note payable	<u>\$ 164,393</u>	<u>\$ 2,391,732</u>
2002 Series Brevard County revenue bonds, variable interest rate 0.5% as of April 2012. Refinanced in February 2013. This bond is associated with the interest rate SWAP agreement detailed in Note 11, which resulted in an effective interest rate which ranged from 5.31% to 5.89%.	\$ -	\$ 25,705,000
2013 Series A Brevard County bonds, fixed interest rate 2.45%, maturing July 1, 2032. Collateral for these bonds is tuition and fee revenue	24,556,428	-
2013 Series B Brevard County bonds, fixed interest rate 2.45%, maturing February 1, 2043. Collateral for these bonds is tuition and fee revenue	10,255,100	-
Less: discount on bonds payable	-	(124,291)
Bonds payable, net	<u>\$ 34,811,528</u>	<u>\$ 25,580,709</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

14. BONDS, MORTGAGE AND NOTE PAYABLE, NET(continued)

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

2014	\$ 1,290,893
2015	1,330,978
2016	1,386,379
2017	1,443,223
2018	1,494,585
Thereafter	<u>28,029,863</u>
Total	<u>\$ 34,975,921</u>

The carrying value of bonds, mortgage and note payable approximates fair value. These financial instruments bear rates that approximate current market rates for debt of similar credit quality and maturities.

Interest expense and debt services fees for all debt obligations for the years ended April 30, 2013 and 2012 totaled \$2,021,650 and \$2,078,702, respectively.

The bonds contain certain financial covenants with respect to cash flow and debt ratios for which the University was in compliance at April 30, 2013 and 2012.

15. OTHER REVENUE

	<u>2013</u>	<u>2012</u>
Designated spending	\$ 2,244,090	\$ 1,997,771
Indirect cost recovery - contracts	1,734,514	1,952,431
Admission applications, late registration, parking fees and fines	1,207,466	1,121,126
Other	977,058	1,131,984
Fees for services	684,073	789,267
Student organizations revenue	<u>256,220</u>	<u>301,548</u>
Total other revenue	<u>\$ 7,103,421</u>	<u>\$ 7,294,127</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

16. RESTRICTIONS ON NET ASSETS

Restricted net assets consisted of the following at April 30:

	<u>2013</u>	<u>2012</u>
Temporarily restricted net assets:		
Programs and passage of time	\$ 3,495,067	\$ 2,635,605
Annuity and similar funds	7,960,891	4,272,736
Total temporarily restricted net assets	<u>\$ 11,455,958</u>	<u>\$ 6,908,341</u>
Permanently restricted net assets:		
General endowments	\$ 8,019,200	\$ 7,997,128
Scholarship endowments	16,141,255	15,090,001
Departmental endowments	24,014,740	22,851,703
Endowed pledges	715,000	1,239,999
Total permanently restricted net assets	<u>\$ 48,890,195</u>	<u>\$ 47,178,831</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, principally for construction, instruction, research, and departmental support or by the passage of time.

17. ENDOWMENT

Spending Policy

The University has a spending policy that governs the rate at which funds are transferred from the endowment to the operating fund. The annual allocation to the operating fund is calculated as a percentage of the endowment fair value. The policy allows for a transfer of 5% of the fair value during the subsequent fiscal year by using a moving average, computed on the last three calendar years of endowment fair values. Transfers were made in accordance with the aforementioned spending policy, and amounted to \$2,034,227 and \$1,848,963 for the years ended April 30, 2013 and 2012, respectively.

Investment Policy

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

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

17. ENDOWMENT (continued)

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

18. FUNDRAISING

Fundraising expenses consisted of the following at April 30:

	<u>2013</u>	<u>2012</u>
General	\$ 3,951,635	\$ 3,343,481
WFIT Radio Station	474,322	354,128
Athletics	361,833	708,613
Total fundraising expenses	<u>\$ 4,787,790</u>	<u>\$ 4,406,222</u>

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

19. EMPLOYEE BENEFIT PLAN

The University maintains a defined contribution plan. An employee is eligible to contribute to the plan on date of hire. After 30 days of continued service, if an employee elects to contribute to the plan, the University will match this contribution up to 5% of the employee's salary. Pension contributions for the years ended April 30, 2013 and 2012, were \$2,077,321 and \$712,729, respectively. The University temporarily suspended the defined contribution plan match from May 1, 2011 through December 31, 2011.

20. RELATED PARTY TRANSACTIONS

The University has a liability at April 30, 2013 and 2012, of \$226,245 and \$237,846, respectively, to a former University president. The liability is a lifetime annuity, payable monthly.

The University has a liability at April 30, 2013, of approximately \$61,000, to the current University president. The liability is a lifetime annuity, payable quarterly.

The University has a lease agreement with a board member for 5,000 square feet of storage space at a base rent of \$6.50 per square foot plus common area maintenance of \$1.98 per square foot. This lease was originally signed March 25, 2008 and is valid through March 31, 2015. The lease has an annual cost of living index escalator determined in accordance with the U.S. Department of Labor Cost of Living Index. Total rent payments to the board member were \$32,500 for the years ended April 30, 2013 and 2012. Additional office space was rented from this board member during the renovation of the Keuper building in 2012.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

20. RELATED PARTY TRANSACTIONS (continued)

Rent payments associated with the additional space were \$6,000 and \$24,500 for each of the years ended April 30, 2013 and 2012, respectively.

A board member has provided the University with a revolving line of credit of \$1,500,000 with an interest rate of 3%. Principal and interest are due in 24 equal monthly installments which began two years after the first advance on the note (August 2011). As of April 30, 2013, the principal balance remaining was \$161,996 and the board member has forgiven all interest through December 31, 2012.

The University has an agreement with Bisk Education, Inc. (“Bisk”) to develop various online degree programs and to market and recruit students for those programs. Bisk advanced program start-up costs of \$1,528,292 to the University which will be repaid to Bisk from future revenues. However, the University received a pledge from a board member who is the Chief Executive Officer of Bisk and the President of the Bisk Family Foundation, Inc. to forgive the start-up cost liability over a period of five years beginning with the year ended April 30, 2011. As of April 30, 2013, a total of \$900,000 of start-up costs has been forgiven (See Note 9).

21. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the University is involved in litigation matters which, in the opinion of management, are not expected to have a materially adverse effect on the University’s consolidated financial statements.

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant adverse effect on the consolidated financial position of the University.

Bisk Education, Inc.

The University entered into a 20-year agreement with Bisk Education, Inc. (“Bisk”) for collaboration of development and marketing of the University’s for-credit distance learning programs starting January 13, 2006. Bisk and the University will comply with accreditation standards of The Southern Association of Colleges and Schools, and any accrediting body that the University elects to join. The first 16 years of this agreement is non-cancelable, and once the 20 year term expires, Bisk may extend this agreement in increments of 5 years. The payment terms to the University are based on gross revenue from each respective program with an escalation after year 5 and year 10.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

21. COMMITMENTS AND CONTINGENCIES (continued)

SunGard Higher Education

On November 10, 2011, the University renewed its agreement with SunGard Higher Education (now known as Ellucian), to provide onsite technology management services and software licensing for computer system support. The renewal is effective until December 31, 2016. Total fees paid to SunGard Higher Education for the years ended April 30, 2013 and 2012 were \$1,629,344 and \$1,698,333, respectively.

WFIT Building Contingency

On January 13, 2011, WFIT entered an agreement with the Florida Department of Education (“FDOE”) to construct and furnish a new radio station. Construction was completed during the year ended April 30, 2013 at a total cost of \$1,574,820 for the building. The station also spent \$380,855 for improvements to connect the new building to existing structures. Upon completion, the FDOE leased the new building to the Station for 20 years at \$1 per year with four successive renewal options of five years each, for a total of 40 years, at the end of which title to the building transfers to the Station. Due to the bargain rent and title transfer, and upon completion of the building and start of the lease, this transaction was considered to be the contribution of a building with an estimated fair value equal to its total cost that is temporarily restricted for use as a radio station over the extended lease term, which also coincides with the building's estimated useful life. This temporarily restricted contribution is being released from restriction as the building is depreciated on a straight-line basis over 40 years.

Leases

TUFF Florida Tech LLC

The University entered into a 30-year operating and ground lease with TUFF Florida Tech LLC for residence halls, a dining facility, a parking garage, an aquatic facility and a research laboratory. The University will retain ownership of the land, and act as lessor on the ground lease. All facilities were completed from 2008 to 2011. The lease expires October, 2039. The average annual rent for all five facilities over the life of the lease is \$4,930,000.

Melbourne Airport Authority

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

Additionally, the University entered into an improved land lease March 1, 2009. The rent is based upon the Melbourne Airport Authority's construction expenses, amortized over a 35-year period at the rate of one-year LIBOR (0.73% at April 30, 2013) plus 200 basis points.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

21. COMMITMENTS AND CONTINGENCIES (continued)

Melbourne Airport Authority (continued)

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

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

As described in Note 12, on April 17, 2013, the University entered into a 40 year land lease with the Melbourne Airport Authority for the Center for Aeronautics and Innovation. The land lease for 3.2 acres is based on the 31,000 square feet of building space at a rate of \$2.45 per square foot. The lease includes an incremental escalation every five years, equal to the percentage increase in the Consumer Price Index. The increase will not be less than 2% or more than 5% per year.

Florida Tech Commons

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

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

FY14	\$	6,525,000
FY15		6,576,000
FY16		6,576,000
FY17		6,576,000
FY18		6,576,000
Thereafter		<u>124,415,000</u>
Total lease payments	\$	<u>157,244,000</u>

The University also has other leasing obligations with monthly payments ranging from \$80 to \$15,000. The lease terms range from one to five years. Total facilities rent expense recognized for the years ended April 30, 2013 and 2012 was \$6,988,124 and \$5,120,427, respectively.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

22. INSURANCE POOL

The University is a member of the Florida Independent Colleges and Universities Risk Management Association, Inc. (“FICURMA”) insurance pool which includes, but is not limited to, coverage of property, general and auto liability, workers’ compensation, and excess crime. FICURMA was formed to assist universities in the state of Florida in controlling insurance costs. There is a risk that additional assessments could be incurred by the University as the result of this insurance pool. The University held an 11% ownership in the pool with a prepaid insurance reserve of \$66,344 at April 30, 2013 and 11% and \$231,949 at April 30, 2012.

23. FAIR VALUE MEASUREMENTS

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

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

Level 2 Inputs to the valuation methodology include

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

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

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

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

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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23. FAIR VALUE MEASUREMENTS (continued)

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

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the University at year-end. The fair values of common stock, corporate bonds, U.S. government securities, and other investments are based on quoted market prices.

Level 2 Fair Value Measurements

Managed Futures – Represents a privately-managed fund which is structured as closed-end, commitment-based investment funds where the entity commits a specified amount of capital. Such funds generally do not provide redemption options for investors, and subsequent to final closing, do not permit subscriptions by new or existing investors. The funds invest in assets which are traded on an open market and therefore both observable and unobservables inputs are used to determine the net asset value (“NAV”) of the managed futures, which can be used as a practical expedient to fair value in accordance with FASB ASC 820.

Additional disclosures for the University’s Managed Futures are as follows as of April 30:

	<u>2013</u>	<u>2012</u>
Fair Value	\$ 1,261,852	\$ 1,296,394
Objective	{a}	{a}
Unfunded Commitments	\$ -	\$ -
Redemption Frequency (if currently eligible)	Monthly	Monthly
Redemption Notice Period	65 days	65 days

{a} - the fund seeks to maximize returns through several investment objectives, which are defined independently by the individual funds in which the assets are invested.

Level 3 Fair Value Measurements

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

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

23. FAIR VALUE MEASUREMENTS (continued)

Interest rate swap agreement - Represents a derivative financial instrument whereby the fair value is estimated based on the valuation of the instrument provided by the counterparty. The valuation is determined based on the market risk associated with the interest rate and the maturity date.

The following table summarizes the relevant valuation information used to calculate the fair value of level 3 assets as of April 30, 2013 and 2012:

<u>Type</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Inputs</u>	<u>Rate or Range of rates</u>
			Discount rate	9%
Surplus Notes	\$ 640,000	Discounted expected futures cash flows	Expected rate of return	10%

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

The following table sets forth by level, within the fair value hierarchy, the University's investments at fair value as of April 30, 2013.

<u>Description</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments				
Short-term investments	\$ 1,908,080	\$ 1,908,080	\$ -	\$ -
Debt mutual funds	11,074,159	11,074,159	-	-
Managed Futures	1,261,852	-	1,261,852	-
US government notes and bonds	743,524	743,524	-	-
Corporate bonds	4,351,019	4,351,019	-	-
Mortgage/asset backed securities	6,181,493	6,181,493	-	-
Municipal bonds	1,009,464	1,009,464	-	-
Equity mutual funds	10,639,813	10,639,813	-	-
Common stocks	20,120,175	20,120,175	-	-
Surplus notes	640,000	-	-	640,000
Total Investments	<u>\$ 57,929,579</u>	<u>\$ 56,027,727</u>	<u>\$ 1,261,852</u>	<u>\$ 640,000</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

23. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the University's investments and interest rate swap liability at fair value as of April 30, 2012.

<u>Description</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments				
Short-term investments	\$ 2,340,154	\$ 2,340,154	\$ -	\$ -
Debt mutual funds	4,829,965	4,829,965	-	-
Managed Futures	1,296,394	-	1,296,394 *	-
Certificates of deposit	153,883	153,883	-	-
US government notes and bonds	1,507,409	1,507,409	-	-
Federal agency securities	75,915	75,915	-	-
Corporate bonds	4,290,311	4,290,311	-	-
Mortgage/asset backed securities	4,532,727	4,532,727	-	-
Municipal bonds	934,342	934,342	-	-
Equity mutual funds	9,233,517	9,233,517	-	-
Common stocks	23,379,028	23,379,028	-	-
Surplus notes	640,000	-	-	640,000
Total Investments	<u>\$ 53,213,645</u>	<u>\$ 51,277,251</u>	<u>\$ 1,296,394</u>	<u>\$ 640,000</u>
<hr/>				
Interest rate swap liability	<u>\$ (4,448,976)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,448,976)</u>

* Based on additional information available during 2013, the University was able to determine that the valuation inputs used for this investment are Level 2 inputs; the investment has been reclassified in the current year to reflect the correct input level.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

23. FAIR VALUE MEASUREMENTS (continued)

Changes in investments and interest rate swap liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Surplus Note</u>	<u>Interest Rate Swap</u>
Balance, May 1, 2011	\$ 640,000	\$ (2,344,405)
Change in fair value of interest rate swap	-	(2,104,571)
Balance, April 30, 2012	640,000	(4,448,976)
Change in fair value of interest rate swap	-	(36,024)
Settlement of interest rate swap	-	4,485,000
Balance, April 30, 2013	<u>\$ 640,000</u>	<u>\$ -</u>

24. OPERATING LEASE COMMITMENTS

The University leases University Plaza to tenants under non-cancelable operating leases with varying terms through 2016. The majority of the leases range from 6 months to 3 years with annual rentals that range from approximately \$11,500 to \$28,000.

For the years ended April 30, 2013 and 2012, the University recognized approximately \$200,000 and \$210,000 of rental revenue.

25. DEFERRED INCOME TAXES

The University has unrelated business income which is not exempt from federal income taxes, including the activities of its wholly owned subsidiary, FIT Aviation, LLC. For the years ended April 30, 2013 and 2012, there was no provision for federal income taxes because all of these activities experienced losses and the benefit derived therefrom has been offset by a valuation allowance.

The University's deferred tax asset is based on operating loss carryforwards and the allowance for doubtful account receivables. A deferred income tax valuation allowance has been provided for the years ended April 30, 2013 and 2012. The valuation allowance reduces the deferred tax asset to an amount that represents management's best estimate of the amount of such deferred tax asset that will actually be realized.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

25. DEFERRED INCOME TAXES (continued)

As of April 30, 2013, the University had federal net operating loss carryforwards of approximately \$9,400,000, which includes a net operating loss of approximately \$4,400,000 for the year ended April 30, 2013.

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

	<u>2013</u>	<u>2012</u>
Deferred tax assets:		
Non-current:		
Net operating loss carryforwards	\$ 3,533,000	\$ 1,838,000
Allowance for doubtful accounts receivable	(295,900)	415,500
	<u>3,237,100</u>	<u>2,253,500</u>
Valuation allowance for net non-current deferred tax assets	<u>(3,237,100)</u>	<u>(2,253,500)</u>
	<u>\$ -</u>	<u>\$ -</u>

26. ACQUISITION OF NON-PROFIT ENTITY

On July 1, 2011, the University acquired all of the assets of the Brevard Art Museum, Inc. and subsequently changed the name of the organization to the FIT Museum of Art, Inc. (also known as Foosaner Art Museum). No consideration was transferred to Brevard Art Museum as a result of the acquisition.

The Foosaner Art Museum is organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986. The purpose of this corporation shall be to operate a museum exhibiting art work and conducting art-related programs for the public benefit as an extension of the University's current educational efforts.

The assets were transferred at fair value as of the date of the acquisition and recognized on the statement of activities as follows:

Cash	\$ 94,110
Fixed Asset - Land	485,000
Fixed Asset - Building	1,335,000
Inventory	<u>2,000</u>
Total transfer of assets	<u>\$ 1,916,110</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED APRIL 30, 2013 and 2012

26. ACQUISITION OF NON-PROFIT ENTITY (continued)

Consistent with the University's accounting policy, the value of the art collection contained in the museum is excluded from the consolidated statement of financial position.

27. SUBSEQUENT EVENTS

The University's management has evaluated subsequent events through August 12, 2013, the date the consolidated financial statements were available to be issued, and has determined that no subsequent events have occurred.

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED APRIL 30, 2013

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	ARRA Expenditures	Federal / State Expenditures
<u>FEDERAL</u>				
RESEARCH AND DEVELOPMENT CLUSTER:				
<u>U.S. DEPARTMENT OF COMMERCE</u>				
<u>Florida Sea Grant Programs:</u>				
<i>FSG</i> , Development of Test-Based Data	11.417	NA06OAR4170079	\$	28,977
Subtotal, U.S. Department of Commerce:				28,977
<u>NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION</u>				
<i>TNC</i> , Florida Reef Resilience Program Data Synthesis	11.419	TF053909		599
Florida Reef Resilience Program Data Synthesis and Spatial An	11.419	Keys-032812		12,913
<i>PENN</i> , Advanced Regional and Decadal Prediction	11.431	NA11OAR4310101		82,749
<i>PAB</i> , Windspeed Probability Tool Analysis	11.467	FA2521-11-P-0152		3,953
<i>UCAR</i> , Ensemble Prediction of Estuary Set-up and Set-down	11.467	Z12-98077		12,338
<i>UCAR</i> , Ensemble Prediction of Estuary Set-up and Set-down	11.467	Z12-98078		10,725
<i>Univ. of Hawaii</i> , Neural Classification of Volcano Infrasound	11.468	Z988060		9,754
<i>S.C. Sea Grant Consortium</i> , Implementation of Regional Integrated	11.473	NA05NOS4730409		5,317
<i>USF</i> , Benthic Monitoring in The Florida Keys National	11.478	4710-1048-01-C		3,794
<i>IM Systems Group</i> , National Mesonet Metadata Database	N/A	DG133W-10-CN-0111		198,341
<i>Univ. of Utah</i> , NOAA NWS National Mesonet Expansion	N/A	SA11-UOU01		34,985
Subtotal, National Oceanic and Atmospheric Administration:				375,468
<u>NATIONAL DEFENSE UNIVERSITY</u>				
<i>Mainstream Engineering</i> , Reactant Film Cooling Strategy	N/A	FA8650-11-M-2163		1,952
<i>UM</i> , High Efficiency JP - 8 Fuel Refrigeration Cycles	N/A	N00014-11-C0205		11,425
Subtotal, National Defense University:				13,377
<u>U.S. DEPARTMENT OF DEFENSE</u>				
<u>Office of Naval Research:</u>				
<i>IHMC</i> , Airborne Network Emulation	12.300	FA8750-11-1-0263-01		25,062
<i>NDSU</i> , Marine Coatings Optimization	12.300	N00014-11-1-0032		(5,360)
<i>WHOI</i> , ONR MURI (Integrated Modeling)	12.300	N00014-11-1-0701		125,491
High-Resolution, Nonhydrostatic Simulations	12.300	N00014-09-1-0261		18,562
High-Resolution, Nonhydrostatic Simulations	12.300	N00014-09-1-0261		1,900
Phased Antenna-coupled Detector Arrays	12.300	N00014-09-1-1002		93,145
Sponsorship of ONR Marine Biofouling Conference	12.300	N00014-10-1-0134		19,065
Advanced Nontoxic Anti-Fouling Coatings Research	12.300	N00014-10-1-0919		356,646
Increasing the Efficiency of the Nonhydrostatic Pressure	12.300	N00014-11-1-0170		18,737
Acoustic Properties in the Presence of Shoaling	12.300	N00014-11-1-0643		56,230
Large Scale Seawater Facility for Development of Hullbug	12.300	N00014-11-1-0915		415,294
Controlling Electronic, Desolvation and Cooperative Effects	12.300	N00173-10-1-G025		182,552
<i>TechNova</i> , Advanced Flame Resistant System for Carbon Fiber	N/A	N00014-11-M-0332		11,822
<i>TechNova</i> , Advanced Flame Resistant System for Carbon Fiber	N/A	N00014-11-M-0332		20,010
<i>TechNova, STTR</i> : Advanced Flame Resistant System for Carbon	N/A	N00014-12-C-0432		5,199
<u>Other Department of Defense Programs:</u>				
<i>DARPA / UF</i> , Lightning Initiation and Propagation	12.910	UF-EIES-1005012-FIT		171,573
<i>DARPA / UF</i> , Lightning Initiation and Propagation	12.910	UF-EIES-1205015-FIT		296,192
<i>PAB</i> , The Human Ground Truth in Virtual Worlds	N/A	FA2521-10-P-0182		13,323
<i>PAB</i> , Cross-cultural Competence and Diversity Management	N/A	FA2521-11-P-0147		33,522
<i>PAB</i> , Cross-cultural Competence Support Defense Equal Opportunity	N/A	FA2521-12-P-0166		13,144
<i>Lockheed Martin</i> , Mobility Air Force Airborne Networking	N/A	7217126		3,963
<i>Raytheon BBN/ AFRL</i> , SAFIM: Survivability Assessment Framework	N/A	FA8750-10-C-0247		125,569
<i>AFRL</i> , A Systems Behavior Approach to Integrated Moving Target	N/A	FA8750-13-2-0064		70,318
<u>Federal Supplemental Educational:</u>				
VA Chapter 33	64.028	N/A		6,677,821
Subtotal, U.S. Department of Defense:				8,749,780

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
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YEAR ENDED APRIL 30, 2013

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	ARRA Expenditures	Federal / State Expenditures
<u>U.S. DEPARTMENT OF ENERGY</u>				
<u>US CMS Project:</u>				
<i>Fermi Lab</i> , US CMS Project - M & O	N/A	553916		4,282
<i>Fermi Lab</i> , CMS 2013 LPC Fellowship	N/A	609712		5,823
<i>BNL</i> , Development of Large Area GEM Detectors	N/A	DE-AC02-98CH10886		19,099
<i>SIEMENS</i> , Siemens Laser Project - DOE H2	N/A	DE-FC26-05NT42644-ARRA	24,871	
<i>SIEMENS</i> , Siemens Laser Project - DOE H2	N/A	DE-FC26-05NT42644-ARRA	23,304	
<i>SIEMENS</i> , Siemens Laser Project - DOE H2	N/A	DE-FC26-05NT42644-ARRA	26,073	
<i>SIEMENS</i> , H2 Gas Turbine Blade Snubber Design	N/A	DE-FC26-05NT42644		24,274
<i>SIEMENS</i> , Siemens Laser Project - DOE H2	N/A	DE-FC26-05NT42644-ARRA	33,291	
<u>Other Department of Energy Programs:</u>				
Experimental Investigation of Hadron Collisions	81.049	DE-FG02-03ER41264		32,013
Experimental Investigation of Hadron Collisions	81.049	DE-FG02-03ER41264		382
Experimental Investigation of Hadron Collisions	81.049	DE-FG02-03ER41264	150	
Experimental High Energy Physics Research	81.049	DE-FG02-12ER41824		109,495
Experimental High Energy Physics Research	81.049	DE-FG02-12ER41824		61,000
Collaborative Research: A Model of Partially Ionized Plasma Flows	81.049	DE-SC0008721		11,900
<i>UCF</i> , To Develop An Interdisciplinary Hydrogen And Fuel Cell	81.070	DE-FC36-04GO14225		3,531
<i>UCF</i> , To Develop An Interdisciplinary Hydrogen And Fuel Cell	81.087	DE-FC36-04GO14225		204,082
<i>IHMC</i> , Adaptive Supervisory Control and Data Acquisition (SCADA)	81.122	DE-OE0000511-001 FIT		4,415
Subtotal, U.S. Department of Energy:			107,689	480,296
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<u>National Institutes of Health:</u>				
<i>LBNL</i> , Molecular Imaging of Cardiac Hypertrophy	93.286	5R01EB007219-04		26,530
<i>LBNL</i> , Dynamic Imaging Data Storage and Processing	93.286	5R01EB007219-04		27,114
Cell Cycle Assembly of Nucleoprotein Complexes	93.859	R01GM54042-12A2		259,140
<u>National Heart, Lung and Blood Institute:</u>				
Biochemical Pathways of 12- HETE & 12-KETE	97.701	2R01HL081873-16	(24)	
Subtotal, U.S. Department of Health and Human Services:			(24)	312,784
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>Morgan State University</i> , SARA REU Site Program	N/A	N/A		255
Subtotal, U.S. Department of Homeland Security:				255
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>EAI</i> , Development of Tactile Awareness Prompting Systems	N/A	H133S12003		1,010
Subtotal, U.S. Department of Education:				1,010
<u>STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION</u>				
<i>FAA</i> , Air Transportation Center of Excellence	20.109	10-C-CST-FIT-002		79,156
<i>FAA</i> , Air Transportation Center of Excellence	20.109	10-C-CST-FIT-009		19,367
<i>FAA</i> , Determination of Nextgen Human Factor Issues	N/A	11-G-017		59,612
Improving the Properties of Reclaimed Asphalt Pavement	20.205	BDK81-Task Order # 977-02		12,516
Improving the Properties of Reclaimed Asphalt Pavement	20.205	BDK81-Task Order # 977-03		730
Ground Tire Rubber As a stabilizer for sub grade soils	20.205	BDK81-Task Order # 977-03		61,131
Ground Tire Rubber As a stabilizer for sub grade soils	20.205	BDK81-Task Order # 977-04		33,277
Subtotal, State of Florida Department of Transportation:				265,789
<u>DEPARTMENT OF THE INTERIOR</u>				
<u>United States Minerals Management Service:</u>				
<i>UCF (NPS)</i> , Create Climate-Change Sensitive Model	N/A	24036072-01		9,327
<i>Univ. of Texas at Austin</i> , Chukchi Seas Offshore Monitoring	N/A	UTA09-000283		36,458
<i>Univ. of Texas at Austin</i> , Chukchi Seas Offshore Monitoring	15.423	M11AC00007		143,609
Subtotal, U.S. Department of the Interior:				189,394

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
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Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	ARRA Expenditures	Federal / State Expenditures
<u>DEPARTMENT OF LABOR</u>				
<u>Employment Training Administration</u>				
<i>Florida Manufacturing Extension</i> , H1B Technical Skills Training	17.268	HG225971260A12		17,814
Subtotal, Department of Labor:				17,814
<u>U.S. SMALL BUSINESS ADMINISTRATION</u>				
Center for Plasma Advanced Coatings & Sprayed Sensor Manu.	59.000	SBAHQ-10-1-0319		63,932
Activity Based Total Accountability	59.000	SBAHQ-11-I-0045		47,629
Women's Business Center Sustainability Pilot Program	59.043	SBAHQ-11-W-0100		87,408
Women's Business Center Sustainability Pilot Program	59.043	SBAHQ-11-W-0100		51,194
Subtotal, U.S. Small Business Administration:				250,163
<u>NATIONAL SCIENCE FOUNDATION</u>				
IPA Program Director for the Division of Computer	TBD	CNS-1209063		236,596
IPA Program Director for the Integrative Graduate Education	TBD	DGE-1255346		99,453
I-CORPS: Wake-up-word Speech Recognition Software Toolkit	TBD	IIP-1312718		33,324
GOAL: Fully Superconducting Electrical Machines	47.041	ECCS-1028621		35,730
Design of Impedance Matched Infrared Antennas Using Optical	47.041	20120250-02-FIT		33,160
Collaborative Research on Oxidative Elimination of Cyanotoxins	47.041	CBET-1236331		10,210
Materials World Network: Collaborative Res.	47.049	DMR-0710484		181
Materials World Network: Collaborative Res.	47.049	DMR-0710484		200
An Investigation of Post Main Sequence Mass Loss	47.049	AST-0807919		4,299
The SARA REU Site Program	47.049	1004872		137,387
Astrophysical Plasmas: Observation, Detector Development	47.049	AST-0736479		3,483
Mapping the Milky Way: Data-miners, Modelers, Observers	47.049	AST-1008784		27,031
The Local White Dwarf Population and the Vast New Domain	47.049	1008845		18,040
Kepler Field Cataclysmic Variables and the Nature	47.049	AST-1109332		11,389
Scanning Tunneling Microscopy Barrier Height	47.049	CHE-1058427		28,197
Scanning Tunneling Microscopy Barrier Height	47.049	CHE-1058427		50,446
Scanning Tunneling Microscopy Barrier Height	47.049	CHE-1058427		24,949
QuarkNet FY2012 Summer Workshop	47.049	PHY-0715396		16,240
<i>Univ. of California</i> , Analysis of Terrestrial Gamma - Ray Flasher	47.050	ATM-0846609		22,338
Lightning Initiation by Streamer Emission	47.050	ATM-0838867		38,375
Central American Climates of the Last Interglacial	47.050	EAR-0902864		54,371
Career: The Plasmochemistry and Photochemistry of Upper	47.050	AGS-0955379		74,355
Collaborative Research - COSEE Florida - Water as Habitat	47.050	OCE-1038998		26,086
SHINE: Injection, Acceleration and Transport of Solar Energetic	47.050	AGS-1156056		39,316
EAGER: Are Coral Diseases Contagious?	47.050	OCE-1219804		137,731
GEM: Electromagnetic Ion Cyclotron Waves in a Coupled System	47.050	AGS-1203516		27,528
Learning Units on Law and Ethics in Software Engineering	47.070	IIS-0629454		74,259
REU Sites: Collaborative Research	47.070	IIS-0647018		7,500
MRI: Acquisition of a Computational Science	47.070	CNS-0923050		8,814
Crawling Government Websites	47.070	CCF-1216028		3,774
Collaborative Research: Pre-Columbian Human Impacts	47.074	DEB-0742301		61,435
Collaborative Research: Pre-Columbian Human Impacts	47.074	DEB-0742301		1,122
Collaborative Research: Pre-Columbian Human Impacts	47.074	DEB-0742301		615
Behavioral Correlates of Extremely High-Sensitivity Thermal	47.074	IOS-1052200		80,018
Development of App and Web Interface for Automated Anuran	47.074	1152306		63,528
Development of App and Web Interface for Automated Anuran (REU)	47.074	1152306		9,803
Development of App and Web Interface for Automated Anuran (REU)	47.074	DBI-1152306		4,500
Investigating the Timing and Consequences of Pleistocene Megafaunal	47.074	DEB-1260983		2,617
Shifted Baselines: Quantifying Past Human Influences	47.075	BCS-0926973		17,410
Shifted Baselines: Quantifying Past Human Influences	47.075	BCS-0926973		625
InSTEP II: Expansion of the Integrate Science Teaching	47.076	DGE-0638702		158,158
Adaptation & Implementation of an Activity-based Online	47.076	DUE-0717613		91,926
Graduate Research Fellowship Program	47.076	DGE-0948368		586
Introducing Research-Inspired Modules in the General Chemistry Lab	47.076	DUE-0942180		3,513
Introducing Research-Inspired Modules in the General Chemistry Lab	47.076	DUE-0942180		9,384

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<u>NATIONAL SCIENCE FOUNDATION (continued)</u>				
Collaborative Research: RET in Engineering and Computer Science Site	47.076	CNS-1200552		2,500
Evaluating Students' Learning and Attitudes in a Virtual Chemistry Lab	47.076	DUE-1140841		15,807
Collaborative Research: Climate Change and Predatory Invasion of	47.078	1141877		17,475
US-Taiwan Planning Meeting - Innovations in Advanced Mfr.	47.079	OISE-1132629		3,883
CAREER: Micro and Nano Methods to Reveal Cell	47.082	ECCS-0845954	77,835	
Collaborative Research: Climate Change	47.082	ANT-0838846	73,711	
NUE: Creating A Hands-on Nanscience and Technology Minor	47.082	EEC-0939355	621	
NUE: Creating A Hands-on Nanscience and Technology Minor	47.082	EEC-0939355	833	
NUE: Creating A Hands-on Nanscience and Technology Minor	47.082	EEC-0939355	87	
Collaborative Proposal: Resolved MID-IR Observations	47.082	AST-0904896	50,808	
Subtotal, National Science Foundation:			203,895	1,829,667
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> <u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</u>				
<u>Florida Space Grant:</u>				
<i>UNH</i> , Analysis and Detection of Amazonian Black Earth Sites	43.000	NNX10AM14G		19,448
<i>FSG</i> , Exoplanetary Transits	43.001	UCF01-0000206186		2,007
<i>FSG</i> , Doctoral Fellowship: Identification and Analysis	43.001	NNX10AM01H		4,432
<i>GSFC</i> , Locating the Blazar Emission Site With Fermi Variability	43.001	NNX12AF63G		9,885
GSRP - Accurate and Efficient Rocket Plume Radioactive Heat	43.007	NNX11AN44H		18,401
<i>FSG</i> , Physics and Chemistry of Astrobiology	43.999	UCF01-0000231688		12,500
<i>FSG</i> , 2012 Hybrid Rocket Competition	43.999	UCF01-0000234406		1,078
<i>FSG</i> , Governor's School Curriculum Development	43.999	UCF01-0000248355		8,980
<i>FSG</i> , Doctoral Fellowship: Identification and Analysis of Dynamic	43.999	UCF01-0000255408		15,543
<i>FSG</i> , 2012 - 2013 Hybrid Rocket Competition	43.999	UCF01-0000259045		54
<i>FSG</i> , NASA Lunabotic Competition	43.999	UCF01-0000262768		2,008
<i>FSG</i> , Modeling of Solid Rocket Motor Plume Radiation	N/A	UCF01-0000210056		8,747
<i>FSG</i> , Payload Development for 1st Unesco Satellite	N/A	UCF01-0000210057		1,407
<i>FSG</i> , Payload Development for 1st Unesco Satellite	N/A	UCF01-0000210057		5,213
<i>FSG</i> , Atomic Force Microscopy for Space Alliance	N/A	UCF01-0000242593		16,259
<i>FSG</i> , Understanding Bone Loss in Microgravity through Nanoscale	N/A	UCF01-0000259041		2,876
<u>NASA Shared Services Center:</u>				
<u>NASA Goddard SpaceFlight Center:</u>				
An Investigation of Solar Energetic Particles	N/A	NNX08AP1G		63,612
An Investigation of Cosmic Ray Modulation and Acceleration	N/A	NNX09AB24G		84,904
A Module of Particle Acceleration for Calculation of ENA Emission	N/A	NNX09AG29G		49,130
Ground Based Observations of the 2010 July 11 Total Solar Eclipse	N/A	NNX10AK19A		1,887
GSRP - Source Mechanisms of Terrestrial Gamma-Ray Flashes	N/A	NNX09AJ16H		8,695
GSRP - X-Ray and Gamma-Ray Observations	N/A	NNX09AA407H		19,348
Simulation of Solar Energetic Particle Propagation in 3-D	N/A	NNX10AM73H		30,180
Modeling Terrestrial Gamma-ray Flashes Observed by Fermi	N/A	NNX12A091G		644
<u>Space Telescope Science Institute (STSCI):</u>				
Dynamical Hypermassive Black Hole Masses	N/A	HST-GO-11606.07-A		20,487
The Multi-faceted X-ray Activity of Low-redshift Active Galaxies	N/A	HST-GO-11835.01-A		3,428
The Importance Warm Outflows in the Most Rapidly Evolving	N/A	HST-GO-12934.01-A		5,744
<u>Other NASA Programs:</u>				
<i>Marshall</i> , Rocket Plume Cratering of Lunar Regolith	N/A	NNX08AX10G		25,826
<i>ANALEX</i> , Miniver Aeroheating Code Enhancement Phase II	N/A	NAS10-02026		(33,082)
<i>ANALEX</i> , Flexible Body Control Demonstration Using Fiber	N/A	NAS10-02026		(3,827)
<i>ANALEX</i> , Acquisition of Long-duration, Low-gravity Slosh	N/A	NAS10-02026		4,175
<i>SAO</i> , Variability and Particle Acceleration in the Jet of Pictor A	N/A	NAS8-131313B		1,367
<i>SAO</i> , 3C 111: An Ideal Galaxy For Revealing Jet Physics	N/A	NAS8-03060		146
<i>InoMedic Health Applications</i> , Colloidal Aggregation of Proteins	N/A	NNK08OQ01C		56,977
<i>InoMedic Health Applications</i> , Southern Beach Mouse Genetics	N/A	NNK08OQ01C		10,000
<i>InoMedic Health Applications</i> , Support for Long Range Planning	N/A	NNK08OQ01C		832
<i>JPL</i> , Model Based System Engineering Development of Cube	N/A	1444169		17,369
<i>JPL</i> , Reverberation mapping of the size of the Dusty Tori	N/A	1439426		3,369

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED APRIL 30, 2013

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	ARRA Expenditures	Federal / State Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<u>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (continued)</u>				
<i>QNA, Support to Non-spherical Microcapsules</i>	N/A	NNK11EA08C		32,399
<i>Gordon Nelson & Assoc., New Flexible FR Polyurethane Foams</i>	N/A	NNX12CG27P		47,726
<i>A.I. Solutions, Flexible Body Control Demonstration Using Fiber</i>	N/A	NNK13LA12C		45,270
<i>A.I. Solutions, Miniver Aeroheating Code Enhancement Phase II</i>	N/A	NNK12LA12C		42,050
<i>A.I. Solutions, Acquisition of Long-duration, Low-gravity Slosh Data</i>	N/A	NNK12LA12C		358,216
<i>A.I. Solutions, Fluid/structure Coupling Damper Analysis Support</i>	N/A	NNK12LA12C		20,170
<i>Investigation of the Radio Signatures Produced by Cosmic-ray</i>	N/A	NNK12A002H		1,236
Subtotal, National Aeronautics and Space Administration:				1,047,116
<u>U.S. FISH AND WILDLIFE SERVICE</u>				
Florida's State Wildlife Grants Programs:				
<i>Bok Tower Gardens, Karyotyping and Population Genetics Analysis</i>	N/A	N/A		6,723
Subtotal, U.S. Fish and Wildlife Service:				6,723
<u>U.S. ARMY</u>				
<i>EAI, Development of a Fieldable Brain Trauma Analyzer</i>	N/A	N/W911NF-11-C-0057		17,163
<i>Banyan Biomarkers, Molecular Signatures and Diagnostic Biomarkers</i>	N/A	PT090589		52,745
<i>Quantifying the Stable Boundary Layer Structure</i>	12.431	W911NF-09-1-0441		55,527
Subtotal, U.S. Army:				125,435
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Raytheon, Electronic Modeling and Design</i>	N/A	NNL08AA49C		844
<i>Raytheon, Electronic Modeling and Design</i>	N/A	4200262588		768
<i>Office of the Attorney General, Victims of Crime Act (VOCA)</i>	16.575	V10046		(9,519)
<i>Office of the Attorney General, Victims of Crime Act (VOCA)</i>	16.575	V11046		24,314
<i>Office of the Attorney General, Victims of Crime Act (VOCA)</i>	16.575	V12046		21,320
Subtotal, U.S. Department of Justice:				37,727
<u>UNITED NATIONS, COMPREHENSIVE NUCLEAR-TEST-BAN TREATY ORGANIZATION</u>				
<i>General Dynamics, GDAIS RASA</i>	N/A	W9113M-08-C-0173		4,250
<i>General Dynamics, GDAIS RASA</i>	N/A	W9113M-08-C-0173		5,742
Subtotal, United Nations, Comprehensive Nuclear-Test-Ban Treaty Org:				9,992
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
<i>SJWMD, Seas Mobile Lab Support and Seas Weather Stations</i>	N/A	P044240		336
Subtotal, Environmental Protection Agency:				336
<u>HARRIS CORPORATION</u>				
Government Communications Systems Division:				
<i>Thermal Performance Assessment of the Hybrid</i>	N/A	A0000139004		2,546
<i>Development of Antifouling Strategies for Radome Deployment</i>	N/A	A000174580		3,688
Subtotal, Harris Corporation:				6,234
<u>OTHER</u>				
<i>IHMC, Moving Target-A Bio-inspired Network</i>	N/A	H98230-11-C-0290-01		91,786
Subtotal, Other:				91,786
<u>CORPORATION FOR PUBLIC BROADCASTING</u>				
<i>Corporation for Public Broadcasting</i>	N/A	N/A		81,382
Subtotal, Corporation for Public Broadcasting:				81,382
Subtotal, Research and Development Cluster:			\$ 311,560	\$ 13,921,505

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED APRIL 30, 2013

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	ARRA Expenditures	Federal / State Expenditures
<u>FLORIDA DEPARTMENT OF EDUCATION</u>				
Race To the Top: STEM Teacher Preparation Programs	84.395A	857-RG511-2C002	\$ 44,899	\$ -
Race To the Top: STEM Teacher Preparation Programs	84.395A	857-RG511-3P002	493,190	-
Subtotal, Florida Department of Education:			538,089	-
STUDENT FINANCIAL AID CLUSTER:				
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<u>Federal Supplemental Educational:</u>				
Opportunity Grant Program	84.007	N/A		645,768
Federal Work Study Program	84.033	N/A		449,038
JLD 11-12	84.033	N/A		60,884
Federal Perkins Loan Program	84.038	N/A		825,525
Federal Pell Grant Program	84.063	N/A		10,825,090
Subsidized Direct Lending	84.268	N/A		17,369,198
Unsubsidized Direct Lending	84.268	N/A		39,196,822
Plus Direct Lending	84.268	N/A		9,361,967
Grad Plus Direct Lending	84.268	N/A		1,625,045
CWS-Community Service	N/A	N/A		2,908
Subtotal, Student Financial Aid Cluster:				80,362,245
TOTAL FEDERAL EXPENDITURES			\$ 849,649	\$ 94,283,750
<u>STATE</u>				
<u>State Research and Development Cluster:</u>				
FIU - Public Hurricane Loss Model	N/A	N/A		\$ 94,871
FL DEP - Preliminary Septic Tank Ground Water Study	N/A	WM952		8,078
ADP - Special Appropriations Contract Award	N/A	WCX03		95,901
POR - Effects of OA Embryonic Development & Larval Morphology	76.069	POR-2011-27		11,887
University of Arizona - Retinal Synthesis	N/A	41682		4,628
University of Arizona - Retinal Synthesis	N/A	56749		683
Subtotal, State Research and Development Cluster:				216,048
<u>Florida Department of Health:</u>				
Family Learning Program 2012	64.006	CSABV		15,106
Family Learning Program 2013	64.006	CSABV		6,847
Subtotal, Florida Department of Health:				21,953
<u>Florida Department of Education:</u>				
Governor's School for Space Science & Technology	48.040	857-98680-3QS01		7,754
Governor's School for Space Science & Technology	48.040	857-98680-3QS01		5,652
WFIT-FM PECO Grant	48.056	857-94840-OPF01		35,029
Subtotal, Florida Department of Education:				48,435
<u>Florida Department of Environmental Protection:</u>				
<i>South FL Water Mngmt Dist.</i> The Collection of Fertilizer Nutrient	37.039	4600002803		792
Subtotal, Florida Department of Environmental Protection:				792
<u>Florida Department of Transportation:</u>				
FDOT Training: FRP Composites Short Course	N/A	N/A		880
Subtotal, Florida Department of Transportation:				880
<u>Florida Department of Highway Safety and Motor Vehicles:</u>				
Specialty License Plate	76.049	N/A		35,488
Subtotal, Florida Department of Highway Safety and Motor Vehicles:				35,488

FLORIDA INSTITUTE OF TECHNOLOGY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED APRIL 30, 2013

Federal Grantor / <i>Pass-through Grantor</i> / Program Title	Federal CFDA State CSFA Numbers	Agency Contract/Grant Number	ARRA Expenditures	Federal / State Expenditures
<u>STATE (continued)</u>				
<u>Student Financial Assistance:</u>				
Florida State Department of Education:				
Florida Resident Access Grant	48.064	N/A		2,136,024
Scholarships for Children of Deceased or Disabled Veterans	48.055	N/A		29,856
Florida Private Student Assistance Grant	48.054	N/A		314,731
Florida State Stem Scholarship	N/A	N/A		1,000,000
Penn State Grant	N/A	N/A		10,610
Vermont State Grant	N/A	N/A		5,325
Delaware State Grant	N/A	N/A		1,600
Rhode Island State Grant	N/A	N/A		1,300
Subtotal, Student Financial Assistance:				<u>3,499,446</u>
FL College Work Experience (FWEP08)	N/A	N/A		31,684
Subtotal, FL College Work Experience:				<u>31,684</u>
<u>Bright Futures:</u>				
Florida Challenger Scholarship (Bright Futures)	48.059	N/A		2,795
Florida Vocational Gold Seal Award (Bright Futures)	48.059	N/A		4,425
Florida Academic Scholars (Bright Futures)	48.059	N/A		492,398
Florida Merit Scholars (Bright Futures)	48.059	N/A		695,409
Subtotal, Bright Futures:				<u>1,195,027</u>
Total Student Financial Assistance:				<u>4,726,157</u>
TOTAL STATE, FINANCIAL ASSISTANCE AND BRIGHT FUTURES EXPENDITURES:			\$ -	<u>\$ 5,049,753</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

SUPPLEMENTAL SCHEDULE OF EXPENDITURES FOR FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS YEAR ENDED APRIL 30, 2013

Florida Resident Access Grant:	
Disbursements	\$ 2,136,024
Refunds	-
	<u>\$ 2,136,024</u>
Scholarships for Children of Deceased or Disabled Veterans:	
Disbursements	\$ 29,856
Refunds	-
	<u>\$ 29,856</u>
Florida Private Student Assistance Grant:	
Disbursements	\$ 314,731
Refunds	-
	<u>\$ 314,731</u>
Florida State STEM Scholarship	
Disbursements	\$ 1,000,000
Refunds	-
	<u>\$ 1,000,000</u>
Delaware State Grant:	
Disbursements	\$ 1,600
Refunds	-
	<u>\$ 1,600</u>
Penn State Grant:	
Disbursements	\$ 10,610
Refunds	-
	<u>\$ 10,610</u>
Vermont State Grant:	
Disbursements	\$ 5,325
Refunds	-
	<u>\$ 5,325</u>
Rhode Island State Grant:	
Disbursements	\$ 1,300
Refunds	-
	<u>\$ 1,300</u>
Florida College Work Experience:	
Disbursements	\$ 31,684
Refunds	-
	<u>\$ 31,684</u>
Florida Bright Futures Scholarship Program:	
Disbursements	\$ 1,195,027
Refunds	-
	<u>\$ 1,195,027</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AND SUPPLEMENTAL SCHEDULE OF EXPENDITURES FOR FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS

YEAR ENDED APRIL 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the expenditures incurred under all federal and state awards received by Florida Institute of Technology, Inc. (the "University") for the year ended April 30, 2013. For purposes of this schedule, federal awards and state projects include all grants, contracts, loans, and loan guarantee agreements entered into directly between the University and agencies and departments of the federal and state government and federal and state awards passed through other agencies. Expenditures for federal and state awards programs are recognized on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

2. PROGRAM CLUSTERS

OMB Circular A-133 and the Florida State Single Audit Act define a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, we have determined the Student Financial Assistance Programs and Research and Development Programs to be clusters of programs.

3. LOANS OUTSTANDING

The University had the following loan balances due to the federal government at April 30, 2013:

<u>Cluster/Program Title</u>	<u>Number</u>	<u>Outstanding</u>
Federal Perkins Loan Program	84.038	<u>\$ 4,736,185</u>

4. GUARANTEED STUDENT LOAN PROGRAMS

During the year ended April 30, 2013, the University processed new loans under the following Guaranteed Student Loan Programs:

	<u>Loans to Students</u>
Stafford Loans	\$ 56,463,504
Parents' Loans for Undergraduate and Graduate Students	11,006,154
Total Guaranteed Student Loan Program	<u>\$ 67,469,658</u>

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AND SUPPLEMENTAL SCHEDULE OF EXPENDITURES FOR FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS

YEAR ENDED APRIL 30, 2013

5. CONTINGENCY

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

6. SUMMARY OF FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS

The accompanying Supplemental Schedule of Expenditures for Florida Student Financial Assistance Programs has been prepared to present, in summary form, student financial assistance activities of Florida Institute of Technology, Inc. for the year ended April 30, 2013 which have been financed by the State of Florida Department of Education.

A summary of significant features and applicable statutes and rules relevant to the administration of the Florida student financial assistance programs at Florida Institute of Technology, Inc. follows:

Florida Resident Access Grant (“FRAG”) - FRAG provides certain qualified, full-time undergraduate students with financial assistance in paying for tuition and fees; it is available only to students who have been Florida residents for the preceding year and who are attending eligible private nonprofit colleges and universities located in Florida. FRAG is authorized by Section 1009.89, Florida Statutes and principally administered through Rule 6A-20.007, Florida Administrative Code.

Scholarships for Children of Deceased or Disabled Veterans -The State of Florida provides scholarships for dependent children of Florida veterans or service members who died as a result of service-connected injuries, diseases, or disabilities sustained while on active duty or have been verified by the Florida Department of Veterans’ Affairs as having service-connected 100% total and permanent disabilities. It is authorized by Florida Statute 295.01 and principally administered through State Board of Education Rule 6A-20.019.

Florida Private Student Assistance Grant (“FSAG”) - FSAG provides a fixed dollar amount in financial assistance per academic year to certain qualified, full-time students who have been Florida residents for the preceding year and who are attending a qualified postsecondary educational institution in Florida. FSAG is authorized by Section 1009.50 - 1009.52, Florida Statutes and principally administered through Rule 6A-20.031 - 6A-20.033, Florida Administrative Code.

Florida State STEM Scholarship - Funds are allocated by the Department of Education for a BS in Engineering Education administered by the 2005 General Appropriations Act (GAA).

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE AND SUPPLEMENTAL SCHEDULE OF EXPENDITURES FOR FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS

YEAR ENDED APRIL 30, 2013

6. SUMMARY OF FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS (continued)

Penn State Grant - Out-of-State grant for Penn State residents who are attending Florida Institute of Technology, Inc. in Florida.

Vermont State Grant - Out-of-State grant for Vermont State residents who are attending Florida Institute of Technology, Inc. in Florida.

Rhode Island State Grant - Out-of-State grant for Rhode Island State residents who are attending Florida Institute of Technology, Inc. in Florida.

Delaware State Grant - Out-of-State grant for Delaware State residents who are attending Florida Institute of Technology, Inc. in Florida.

Florida College Work Experience - The Florida Work Experience Program (“FWEP”) is a need-based program providing eligible Florida students work experiences to complement and reinforce their educational and career goals. FWEP is authorized by Section 1009.77, Florida Statutes and principally administered through Rule 6A-20.038, Florida Administrative Code.

Florida Bright Futures Scholarship Program (“FBFSP”) - The FBFSP established a lottery-funded scholarship program to reward any Florida high school graduate who merits recognition of high academic achievement and who enrolls in an eligible Florida public or private postsecondary education institution within three years of graduation from high school. The FBFSP consists of three types of awards: the Florida Academic Scholars Award, the Florida Medallion Scholars Award, and the Florida Gold Seal Vocational Scholars Award. The FBFSP also includes the Florida Top Scholars Award, which is given in each school district to the Florida Academic Scholar with the highest academic ranking. The student shall receive an additional award of \$1,500 for college-related expenses. The FBFSP is authorized by Section 1009.53 - 1009.538, Florida Statutes and principally administered through Rule 6A-20.028, Florida Administrative Code.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida Institute of Technology, Inc. ("the University" a nonprofit organization), which comprise the statement of financial position as of April 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 management of the University in a separate letter dated August 12, 2013.

Purpose of this Report

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

Melbourne, Florida
August 12, 2013

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Florida Institute of Technology, Inc.'s (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended April 30, 2013. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2013.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Melbourne, FL
August 12, 2013

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

SCHEDULE OF POPULATIONS, SAMPLES TESTED, AND QUESTIONED COSTS FOR FLORIDA STUDENT FINANCIAL ASSISTANCE PROGRAMS
YEAR ENDED APRIL 30, 2013

		Award Population		Award Sample				Questioned Costs			
		Amount	Recipients	Amount	% of Population Amount	Recipients	% of Population Recipients	Amount	% of Sample Amount	Recipients	% of Sample Recipients
Florida Academic Scholars Award	FLAS	\$ 250,523	168	\$ 63,000	25%	42	25%	\$ -	0%	-	0%
Florida Medallion Scholars Award	FLMS	371,760	343	55,200	15%	50	15%	-	0%	-	0%
Florida Gold Seal Vocational Scholars Award	FVGS	2,175	3	2,175	100%	3	100%	-	0%	-	0%
Florida Top Scholars Award	CHAL	2,795	4	2,795	100%	4	100%	-	0%	-	0%
Florida Resident Access Grant	FRAG	1,211,524	1127	53,750	4%	50	4%	-	0%	-	0%
Florida Student Assistance Grant	FSAG	181,231	344	26,400	15%	50	15%	-	0%	-	0%
Florida STEM Scholarship	FLSTEM	532,558	170	140,320	26%	43	25%	-	0%	-	0%
Scholarship for Children of Veterans	CDDV	14,928	6	14,928	100%	6	100%	-	0%	-	0%
		<u>\$ 2,567,494</u>	<u>2165</u>	<u>\$ 358,568</u>	14%	<u>248</u>	11%	<u>\$ -</u>		<u>-</u>	

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED APRIL 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|---|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| 3. Noncompliance material to the consolidated financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | No |
| 2. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(a)? | No |

4. Identification of major federal award programs:

CFDA Number

Name of Federal Program

Various

Student Financial Aid Programs
Cluster

- | | |
|---|-------------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$2,858,237 |
| 6. Auditee qualified as a low-risk auditee? | No |

FLORIDA INSTITUTE OF TECHNOLOGY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED APRIL 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS (continued)

State Financial Assistance

- | | | |
|----|---|------------|
| 1. | Internal control over major projects: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | No |
| 2. | Type of auditors' report issued on compliance for major projects: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported under Rule 10.654(1)(h)4? | No |
| 4. | Identification of major state financial assistance projects: | |

CSFA Number

Name of State Project

48.054

Florida Private Student Assistance Grant

48.064

Florida Resident Access Grant Scholarships for Children of

48.055

Deceased or Disabled Veterans

N/A

Florida State STEM Scholarship

48.059

The Florida Bright Futures Scholarship Programs

- | | | |
|----|--|-----------|
| 5. | Dollar threshold used to distinguish between type A and type B projects: | \$300,000 |
|----|--|-----------|

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported

MANAGEMENT LETTER

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

We have audited the financial statements of the Florida Institute of Technology, Inc. as of and for the fiscal year ended April 30, 2013, and have issued our report thereon dated August 12, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.650, Rules of the Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Chapter 10.650 Rules of the Florida Auditor General, and Schedule of Findings and Questioned costs. Disclosures in those reports and schedule, which are dated August 12, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General, which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have an effect on the financial statements or State project amounts that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or State project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, the following matters are required to be disclosed:

Current year findings and recommendations:

13-01 Reconciliation of other liabilities

Criteria: The University has a multi-year contractual agreement with a third party for marketing and online delivery of service.

Condition: While there exists a formal term reconciliation initiated by the third party, there remains an outstanding difference in the University's other liability balance.

Cause: The complexity of the accounting transactions related to this relationship provides many challenges in the reconciliation process.

Effect: An outstanding difference in the University's other liability balance exists.

Recommendation: We recommend the University reevaluate the details of reconciling this liability on a term by term basis. We suggest that the University coordinate with the third party to document the entries reported on their reconciliation. Lastly, we suggest the University and the third party mutually agree to establish a process to officially close out each term once an appropriate amount of time has passed to incorporate prior period adjustments, and document, in writing, that each party agrees to the final reconciliation.

13-02 Lease Recording

Criteria: The University entered into a lease agreement on April 17, 2013 for the use of a building and land on government property.

Condition: The lease agreement had both a land and a building component. The land portion is considered an operating lease. However, the building portion qualifies as a capital lease and the capital asset and obligation under capital lease were excluded from the financial statements of the University since management initially thought the lease agreement was signed subsequent to year end.

Cause: Preliminary communications with management indicated that the lease agreement did not take place until subsequent to April 30, 2013. While reviewing the notes to the financial statements and its disclosure as a subsequent event, it was identified that the lease was executed on April 17, 2013 and should have been recorded in the current fiscal year.

Effect: An adjustment of approximately \$4 million was required to record an additional asset and liability for the capital lease obligation. There was no effect on net income for the year ended April 30, 2013.

Recommendation: We recommend the University place additional emphasis on the review of significant transactions that occur near fiscal year end to ensure they are recorded in the appropriate period.

Prior year findings and recommendations:

12-01 Improve billing and collection efforts for contract receivables (FIT Aviation, LLC)

Criteria: Billing should be done on a timely basis to ensure collectability and adequate cash flows. In addition, accounts receivable should be evaluated for collectability to ensure that credit is not overextended to certain customers.

Condition: During our audit, we noted two issues related to contract receivables: 1) Certain services were not appropriately tracked and billed in a timely manner when contract provisions allowed for additional billings, 2) a significant balance of contract receivables were past due because of isolated collection issues took place during the current fiscal year which resulted in large allowances for doubtful accounts. All services related to these revenues were derived from contracts with third parties for flight instruction.

Cause: Timely billing and collection efforts were not consistent throughout the fiscal year.

Effect: Cash flow issues can result if billings are not done timely and accurately.

Recommendations: Collection efforts should be evaluated to ensure that credit is not overextended to customers when payment cycles are not consistent with contract terms. We understand that management has taken appropriate action for both the billing and collection efforts with respect to these contracts.

Management's Response: We agree with the recommendation above and will implement during the current fiscal year.

Status as of April 30, 2013: This issue has been resolved.

12-02 Adjusting journal entry control process for FIT Aviation, LLC

Criteria: The manual journal entry process for recording and approving transactions does not appear adequate.

Condition: During our testing of the manual journal entries for FIT Aviation, LLC, it was noted that the controls surrounding the manual journal entry process were not being reviewed until each month end. Therefore, there is a significant time lag from the posting of the transaction until it is reviewed and approved.

Cause: Approval of journal entries are not being performed on a timely basis.

Effect: Inadequate approval process over manual journal entries could result in posting errors to the general ledger.

Recommendation: Manual journal entries should be approved prior to posting the transaction to the accounting records to ensure adequate controls over general ledger

activity. We understand that management has taken appropriate action for many operational issues that took place during the previous fiscal year at FIT Aviation, LLC.

Management's Response: We agree with the recommendation above and will implement during the current fiscal year.

Status as of April 30, 2013: This issue has been resolved.

12-03 Evaluation of Patents

Criteria: Under generally accepted accounting principles, the costs of acquiring a patent should be capitalized and the costs of developing the patent should be expensed.

Condition: During the audit, we identified that both the acquisition and development cost of patents are currently expensed.

Cause: There is no formal policy for tracking and recording patent activity for the University due to the low volume of patent filings.

Effect: Without an established policy, it could be difficult to track various patents that the University may have. Certain patents may provide revenue sources for the University and as the University continues to grow, other non-financial benefits could result.

Recommendation: We recommend the University implement a policy for tracking and assessing patents to comply with current accounting standards.

Management's Response: We agree with the recommendation above and will implement during the current fiscal year.

Status as of April 30, 2013: This issue has been resolved.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

August 12, 2013
Melbourne, FL

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP