
**Financial Statements
and Reports**

**For the Year Ended
June 30, 2020**



**FLORIDA STATE UNIVERSITY
REAL ESTATE FOUNDATION**

(A Discrete Component Unit of Florida State University)

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Financial Statements and Reports
For the Years Ended June 30, 2020 and 2019

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Report of Independent Auditors

The Board of Directors
Florida State University Real Estate Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Florida State University Real Estate Foundation, Inc. (the Real Estate Foundation) which comprise the statements of net position as of June 30, 2020 and 2019, the related statements of revenues, expenses, and changes in net position 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.

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Opinion

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of the Real Estate Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Real Estate Foundation's 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 Real Estate Foundation's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tallahassee, Florida
September 10, 2020

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Management's Discussion and Analysis (Unaudited)

The management's discussion and analysis provides an overview of the financial position and activities of the Florida State University Real Estate Foundation, Inc. (Real Estate Foundation) for the years ended June 30, 2020, 2019, and 2018, respectively. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. It should be read in conjunction with the financial statements and notes to financial statements for the Real Estate Foundation which follow this section.

The Real Estate Foundation is presented as a discrete component unit of Florida State University (University or FSU) and is a direct support organization (DSO) of the University pursuant to Section 1004.28, Florida Statutes, and Regulation 9.011, Board of Governors. The primary purpose of the Real Estate Foundation is to aid in the advancement of the University through oversight and advisory of the University's real estate initiatives which include administering real estate gift acceptance, strategic land acquisitions, project leadership development and long term real estate planning.

OVERVIEW OF FINANCIAL STATEMENTS

The Real Estate Foundation's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with generally accepted accounting principles promulgated by the GASB. The financial statements focus on the financial condition of the Real Estate Foundation, the results of operations, and cash flows of the Real Estate Foundation as a whole. The accrual basis of accounting is used for presentation which is similar to most private-sector companies. See the notes to the financial statements for a summary of the Real Estate Foundation's significant accounting policies.

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the Real Estate Foundation as of a specific date and includes all of the assets, liabilities and deferred inflows of resources of the Real Estate Foundation. The change in net position – the difference between assets less liabilities and deferred inflows of resources – is one indicator of the current financial position of the Real Estate Foundation; however, other non-financial factors, such as the national and international economy must also be considered when assessing the overall health of the Real Estate Foundation. The differences in net position that occur over time indicate whether the overall financial condition of the Real Estate Foundation has improved or deteriorated. Assets and liabilities are reported at cost, approximating fair value, with the exception of investments, which are reported at fair value, and capital assets, which are stated at the historical cost less accumulated depreciation. Restricted net position is comprised of expendable assets and consists of assets that have constraints placed upon their use either by external donors or creditors or through laws or regulations imposed through constitutional provisions or enabling legislature. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Unrestricted net position consists of those assets that do not meet the definition of restricted or net investment in capital assets.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

STATEMENT OF NET POSITION (continued)

The following schedule is a summary of the Real Estate Foundation's statements of net position as of June 30, 2020 and the two preceding fiscal years:

Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets			
Current assets	\$639,038	\$131,331	\$389,008
Noncurrent assets	<u>1,643,646</u>	<u>196,075</u>	<u>195,804</u>
Total assets	<u>2,282,684</u>	<u>327,406</u>	<u>584,812</u>
Liabilities			
Current liabilities	<u>8,391</u>	<u>8,613</u>	<u>241,886</u>
Total liabilities	<u>8,391</u>	<u>8,613</u>	<u>241,886</u>
Deferred inflows of resources	<u>1,785,979</u>	<u>2,979</u>	<u>-</u>
Net position			
Net investment in capital assets	190,667	193,096	195,804
Restricted – expendable	239,057	71,864	23,293
Unrestricted	<u>58,590</u>	<u>50,854</u>	<u>123,829</u>
Total net position	<u>\$488,314</u>	<u>\$315,814</u>	<u>\$342,926</u>

The Real Estate Foundation's assets totaled \$2,282,684 as of June 30, 2020. This balance reflects an increase of \$1,955,278, or 597%, compared to June 30, 2019. Current assets increased \$507,707 which is primarily contributed to an increase in investments and remainder interest trusts related to donations of real estate. Noncurrent assets increased \$1,445,571 in the area of investments as a result of the donation of a property through a life estate agreement, compared to June 30, 2019.

Total assets were \$327,406 as of June 30, 2019. This balance reflects a decrease of \$257,406, or 44%, compared to June 30, 2018. Current assets decreased \$257,677 due to the distribution of cash proceeds related to the sales of properties. The properties were sold prior to June 30, 2018, and the proceeds were held in cash as of June 30, 2018. The proceeds were subsequently transferred to the benefit of the Florida State University Foundation (FSU Foundation). Noncurrent assets increased slightly by \$271, compared to June 30, 2018.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

STATEMENT OF NET POSITION (continued)

Total liabilities for the Real Estate Foundation totaled \$8,391 as of June 30, 2020. This balance reflects a decrease of \$222, or 3%, compared to June 30, 2019. The Real Estate Foundation's liabilities were \$8,613 as of June 30, 2019. This balance reflects a decrease of \$233,273, or 96%, compared to June 30, 2018. Amounts owed to the Foundation for a property that was sold during fiscal year 2018 and subsequently transferred in fiscal year 2019 contributed to this decline.

The Real Estate Foundation's deferred inflows of resources totaled \$1,785,979 as of June 30, 2020. This balance reflects an increase of \$1,783,000 pertaining to gifts of real estate related to remainder interest trust agreements for a life estate and a charitable remainder unitrust. Deferred inflows of resources totaled \$2,979 as of June 30, 2019. This balance reflects an increase of \$2,979 compared to June 30, 2018 and was attributed to a deferred gift of life insurance.

Changes in assets, liabilities and deferred inflows of resources as of June 30, 2020 resulted in an overall increase in net position of \$172,500, or 55%, compared to June 30, 2019. This increase is primarily due to a gift of real estate. Total ending net position as of June 30, 2019 decreased \$27,112, or 8%, for a balance of \$315,814 compared to \$342,926 as of June 30, 2018.

The following summarizes capital assets for the fiscal year ended June 30, 2020 and the two preceding fiscal years:

Capital Assets

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Buildings and improvements – net	\$47,667	\$49,833	\$52,000
Furniture and equipment – net	-	263	804
Nondepreciable assets	<u>143,000</u>	<u>143,000</u>	<u>143,000</u>
Total capital assets	<u>\$190,667</u>	<u>\$193,096</u>	<u>\$195,804</u>

The Real Estate Foundation's capital assets were \$190,667 as of June 30, 2020. This balance reflects a decrease of \$2,429 compared to June 30, 2019 and consists of a building and two parcels of land. See Note 5 for more details. Capital assets totaled \$193,096 as of June 30, 2019. This balance reflects a decrease of \$2,708 compared to June 30, 2018. The decrease in capital assets for both fiscal years 2020 and 2019 is attributed to depreciation expense incurred.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the revenue and expense activity for the Real Estate Foundation, categorized as operating and non-operating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The GASB allows financial reporting entities to report expenses using either a natural or functional classification. The Real Estate Foundation has chosen to report the expenses by their functional classifications on the statement of revenues, expenses and changes in net position. Additional information on the natural classification of expenses for the Real Estate Foundation can be found in the notes to financial statements or the supplementary information, both of which follow this section.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

The following table summarizes the Real Estate Foundation's changes in net position for the fiscal year ended June 30, 2020 and the two preceding fiscal years:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$729,785	\$642,184	\$788,529
Operating expenses	<u>546,696</u>	<u>659,369</u>	<u>2,064,842</u>
Net operating income (loss)	183,089	(17,185)	(1,276,313)
Net non-operating (loss) income	<u>(10,589)</u>	<u>(9,927)</u>	<u>266,584</u>
 Change in net position	 172,500	 (27,112)	 (1,009,729)
Net position – beginning of year	<u>315,814</u>	<u>342,926</u>	<u>1,352,655</u>
Net position – end of year	<u>\$488,314</u>	<u>\$315,814</u>	<u>\$342,926</u>

The Real Estate Foundation's operating revenues includes support from the University, transfers from related organizations, restricted-expendable contributions and other miscellaneous operating activity. Operating revenues totaled \$729,785 for the fiscal year ended June 30, 2020, an increase of \$87,601, or 14%, as compared to fiscal year 2019. University support and transfers from related organizations comprise most of operating revenues representing \$511,041, or 70%. The Real Estate Foundation's operating revenues were \$642,184 for the fiscal year ended June 30, 2019, a decrease of \$146,345, or 19%, as compared to fiscal year 2018. Contributions increased significantly; however, the increase was offset by the decrease in support from the University related to staff vacancies and reductions in support for consulting expenditures.

The Real Estate Foundation's operating expenses include administrative expenses for operations, property carrying costs and transfers to related organizations pertaining to the sale of real estate. Operating expenses totaled \$546,696 for the year ended June 30, 2020, a decrease of \$112,673, or 17%, as compared to fiscal year 2019. While administrative and property carrying costs increased slightly, the decline in total operating expenses is primarily due to a decrease in transfers to related organizations from the distribution of sales proceeds. The Real Estate Foundation's operating expenses were \$659,369 for the year ended June 30, 2019, a decrease of \$1,405,473, or 68%, as compared to fiscal year 2018. Transfers to related organizations decreased significantly as a result of the distribution of sales proceeds in the prior year.

The Real Estate Foundation's net non-operating (loss) income consists of realized and unrealized gains or losses on real estate. Unrealized losses of \$2,500 were recorded for the year ended June 30, 2020, as compared to \$1,500 in gains for fiscal year 2019. Realized losses totaled \$8,089 for the year ended June 30, 2020, as compared to \$11,427 during fiscal year 2019. The Real Estate Foundation recognized realized gains of \$266,584 for the year ended June 30, 2018.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Management's Discussion and Analysis (Unaudited)

ECONOMIC CONDITIONS AND OUTLOOK

The economic outlook of the Real Estate Foundation is affected by several factors, including support received from the University and the FSU Foundation as well as the state of the real estate market and the impact that has on donations of real estate. Florida's economy affects state appropriations to the University which could impact the amount of support the Real Estate Foundation receives during the next year; however, it is expected that the University and the FSU Foundation will continue to support the Real Estate Foundation at levels consistent with the current year. While it is still unclear as to what impact the coronavirus pandemic may have on the economy as a whole, it should be noted that it may play a factor in influencing the economic state of the Real Estate Foundation as it relates to its ability to acquire gifts of real estate and dispose of them. Aside from these considerations, management is not aware of any other factors within management's control that would have a significant impact on future periods.

REQUESTS FOR INFORMATION

Questions concerning information provided in the management's discussion and analysis or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Florida State University Real Estate Foundation, 325 West College Avenue, Tallahassee, Florida 32301.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statements of Net Position

June 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$20,439	\$39,599
Accounts receivable	138	-
Due from FSU and related entities	3,175	7,919
Prepaid expenses	9,786	8,813
Investments	272,500	75,000
Remainder interest trust	333,000	-
Total current assets	<u>639,038</u>	<u>131,331</u>
Noncurrent assets:		
Due from FSU and related entities	2,979	2,979
Capital assets - net	190,667	193,096
Investments	1,450,000	-
Total noncurrent assets	<u>1,643,646</u>	<u>196,075</u>
TOTAL ASSETS	<u>2,282,684</u>	<u>327,406</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	567	8,181
Due to FSU and related entities	7,824	432
Total current liabilities	<u>8,391</u>	<u>8,613</u>
TOTAL LIABILITIES	<u>8,391</u>	<u>8,613</u>
DEFERRED INFLOWS OF RESOURCES		
Life insurance policy	2,979	2,979
Life estate	1,450,000	-
Remainder interest trust	333,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,785,979</u>	<u>2,979</u>
NET POSITION		
Net investment in capital assets	190,667	193,096
Restricted:		
Expendable	239,057	71,864
Unrestricted	58,590	50,854
TOTAL NET POSITION	<u>\$488,314</u>	<u>\$315,814</u>

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

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Contributions	\$210,000	\$222,500
Transfers from related organizations	511,041	410,694
Rental income	8,700	8,700
Other revenue	44	290
TOTAL OPERATING REVENUES	<u>729,785</u>	<u>642,184</u>
OPERATING EXPENSES		
Administrative	498,906	478,914
Property carrying costs	38,526	23,815
Transfers to related organizations	9,264	156,640
TOTAL OPERATING EXPENSES	<u>546,696</u>	<u>659,369</u>
OPERATING INCOME (LOSS)	<u>183,089</u>	<u>(17,185)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment losses	(10,589)	(9,927)
NET NON-OPERATING LOSSES	<u>(10,589)</u>	<u>(9,927)</u>
Change in net position	<u>172,500</u>	<u>(27,112)</u>
Net position - beginning of year	315,814	342,926
NET POSITION - END OF YEAR	<u><u>\$488,314</u></u>	<u><u>\$315,814</u></u>

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

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Amounts received from others	\$8,744	\$9,139
Transfers from FSU and related organizations	116,953	67,847
Transfers to FSU and related organizations	(1,872)	(387,011)
Cash paid for property carrying costs	(29,673)	(17,951)
Cash paid for administrative expenses	(115,223)	(136,315)
Net cash used in operating activities	<u>(21,071)</u>	<u>(464,291)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of real estate held for resale	1,911	163,314
Net cash provided by investing activities	<u>1,911</u>	<u>163,314</u>
Net change in cash and cash equivalents	(19,160)	(300,977)
Cash and cash equivalents - beginning of year	39,599	340,576
Cash and cash equivalents - end of year	<u><u>\$20,439</u></u>	<u><u>\$39,599</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$183,089	(\$17,185)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Noncash contributions	(210,000)	(225,241)
Depreciation expense	2,429	2,708
Change in assets and liabilities:		
Accounts receivable	(138)	-
Due from related organizations	4,744	6,029
Prepaid expenses	(973)	(308)
Accounts payable	(7,614)	(968)
Due to related organizations	7,392	(232,305)
Deferred gift - life insurance	-	2,979
NET CASH USED IN OPERATING ACTIVITIES	<u><u>(\$21,071)</u></u>	<u><u>(\$464,291)</u></u>

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

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Real Estate Foundation (Real Estate Foundation) is a direct support organization (DSO) of Florida State University (University or FSU) established in 2011 pursuant to section 1004.28, Florida Statutes and regulations thereunder at 6C.9011 of the Florida Administrative Code to aid the advancement of the University and its objectives and purposes. The Real Estate Foundation's primary function is to receive gifts of real estate to hold, manage, lease, mortgage, develop, administer or sell in order to contribute or distribute all or a portion of the net proceeds from such activity to the University, the Florida State University Foundation (FSU Foundation), or such other entity as the Board may determine appropriate. The Real Estate Foundation is a non-profit Florida corporation exempt from tax under code section 501(c)(3) of the Internal Revenue Code.

Reporting Entity – In defining the Real Estate Foundation for financial reporting purposes, management has applied the requirements of Governmental Accounting Standards Board (GASB) No. 14, *the Financial Reporting Entity* and GASB No. 61, *the Financial Reporting Entity, Omnibus*. These statements establish the basis for the reporting entity and whether it is considered a component unit of another entity. The Real Estate Foundation would be a component unit of another entity if it is financially accountable to that unit. Financial accountability occurs when an entity appoints a voting majority of the board of the potential component unit and (1) is able to impose its will on the potential component unit and/or (2) is fiscally dependent and is in a relationship of financial benefit or burden with the potential component unit. An entity would also be considered financially accountable if the potential component unit is fiscally dependent and there is a financial benefit or burden relationship, regardless of whether the entity appoints the voting majority of the potential component unit's board. The Real Estate Foundation is a direct support organization of the University and has met all of the financial accountability criteria necessary to be considered a component unit of the University.

Change in Basis of Accounting – The Florida legislature passed and the governor signed into law Chapter 2018-004, Laws of Florida, a provision that changed Section 1004.28, Florida Statutes, which addresses university direct support organizations. With this change, the University board of trustees will have to approve all DSO board members. Under current accounting guidance, a key determinate in determining whether a DSO should report under the Financial Accounting Standards Board (FASB), the current basis of accounting, versus GASB is board control. With the change in the statute, the University has control of the board of the DSO and the FASB reporting model is no longer appropriate. The Real Estate Foundation converted to the GASB reporting model effective July 1, 2018. Management has evaluated the change and determined there was no impact to the overall net position as a result of the change in accounting standard.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A summary of the Real Estate Foundation's significant accounting policies follows:

Basis of Presentation – As a discretely presented component unit of the University, the Real Estate Foundation prepares its financial statements according to the provisions of GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. This Statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

These standards require public institutions to present management's discussion and analysis (MD&A), basic financial statements, notes to the financial statements, and required supplementary information other than MD&A.

Basis of Accounting – The Real Estate Foundation prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for government business-type activities. Accordingly, revenues are recognized when earned and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows. The Real Estate Foundation follows the principles of fund accounting whereby separate accounts are maintained for each fund in the general ledger to ensure compliance with donor restrictions. For financial reporting purposes, these funds are combined into one column.

Net position of the Real Estate Foundation is reported in three categories and defined as follows:

Net investment in capital assets – This category of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets net of any related unspent debt proceeds.

Restricted net position – This category represents the net position of the Real Estate Foundation which is restricted by constraints placed on the use by either externally imposed creditors, grantors, contributors or laws or regulations of other governments or imposed by law through enabling legislation. The Real Estate Foundation does not administer endowments on behalf of the University so restricted net position balances are expendable and represents funds that are subject to donor, grantor or other outside party restrictions to use for the benefit of various programs of the University.

Unrestricted net position – This category of net position represents funds that are available without restriction for carrying out the Real Estate Foundation's objectives that do not meet the definition of "net investment in capital assets" or "restricted".

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Real Estate Foundation's policy is to apply restricted resources before unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available for use.

Fund Accounting – To help ensure that the restrictions placed on the use of resources and gifts complies with donor intent, the amounts of the Real Estate Foundation are maintained in accordance with the principals of funds accounting. This is the procedure by which resources for various restrictions are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund in the general ledger. For reporting purposes, these funds are combined into one column.

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

Income Taxes – The Real Estate Foundation is a non-profit corporation exempt from Federal income taxes under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3), with the exception of any unrelated business income. The Real Estate Foundation is classified as a Type I supporting organization under section 509(a)(3). The Real Estate Foundation has reviewed its tax status and related filings and determined that there are no tax positions for which an obligation needs to be recorded.

Revenue Recognition – The Real Estate Foundation's policy is to recognize gifts of long-lived assets at fair value in the year received rather than over the useful lives of the assets. Intentions to give, such as bequests, are not included in the financial statements.

Operating Revenues and Expenses – Operating revenues and expenses represent ongoing activities of the Real Estate Foundation, as well as ongoing activities that are in support of the University's programs. Contributions relate to the Real Estate Foundation's principal function, which is to receive gifts of real estate to hold, manage, lease, mortgage, develop, administer or sell for the benefit of the University. Operating revenues also include rental revenue from the leasing of facilities. Operating expenses include administrative costs such as salaries and related benefits, property carrying costs and transfers to related organizations associated with carrying out the Real Estate Foundation's mission.

Cash and Cash Equivalents – Cash consists of deposits held by financial institutions. The Real Estate Foundation maintains its accounts with a financial institution that qualifies as a public depository pursuant to Chapter 280, Florida Statutes. There were no uninsured amounts as of June 30, 2020 and 2019, respectively. The Real Estate Foundation considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Due from Related Organizations – Due from related organizations consists of amounts owed from the University or related entities. These balances are primarily related to property carrying costs and future life insurance distributions. These amounts are fully collectible and as such, no allowance is recorded.

Investments – The Real Estate Foundation's real estate investments are reported at fair value using quoted market prices or other fair value techniques as required by GASB Statement No. 72, *Fair Value Measurement and Application*.

Capital Assets – Capital assets with a cost equal to or greater than \$5,000 are carried at cost or, if donated, at acquisition value as of the date of contribution. The Real Estate Foundation depreciates buildings and equipment using the straight-line method over the estimated useful lives of the assets. The useful life can range from five to thirty years. Items with a cost less than \$5,000 are expensed.

Impairment of Capital Assets – The Real Estate Foundation reviews its capital assets and considers impairment whenever events or changes in circumstance indicate such value may not be recoverable. As a result of any impairments, property with a permanent decrease in value is stated at the lower of carrying value or fair value. Pursuant to these guidelines, no impairments have been recognized for the years ended June 30, 2020 and 2019.

Prepaid Expenses and Other Assets – Prepaid expenses and other assets include prepaid costs and accounts receivable. Prepaid expenses are expenses paid in advance of actually incurring them. Accounts receivable are carried at their estimated collectible amounts.

Split Interest Agreements – The Real Estate Foundation accepts gifts subject to split interest agreements. These gifts may be in the form of charitable remainder trusts and life estates. At the time of receipt, a contribution is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities are recorded when the Real Estate Foundation serves as the trustee, and are calculated as the present value of projected future distributions for the Real Estate Foundation's obligations related to the split interest agreements. The Real Estate Foundation's estimated remainder interests in split interest agreements are classified as restricted net position based upon donor designations.

Deferred Inflow of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period. The Foundation offsets activity associated with irrevocable split-interest agreements as deferred inflows of resources. These amounts will be recognized as revenue upon the termination of the trust.

Unearned Revenue – Unearned revenue consists of cash received before eligibility requirements are met, excluding time requirements. Resources received before time requirements are met but after all other eligibility requirements are met are recorded as deferred inflows of resources until such time restrictions have elapsed.

Contributions – Donations of gifts and real estate, including pledges, are recorded as revenue when all eligibility requirements are met. Amounts are recorded at fair value at the date of the gift.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind Contributions – The Real Estate Foundation was provided for the use of office space by the University. Contributions with reasonably determinable fair values have been included in revenues as in-kind contributions.

Rental Income – In accordance with guidance related to accounting for leases, income on leases is recognized on a straight-line basis.

Management and Administrative Fees – The Real Estate Foundation assesses two fees pertaining to the appraised value of the asset at the time of gift acceptance, the administrative fee that is collected at the time of sale and the management fee that is collected annually and varies based on the effort required to manage and maintain the asset.

Budget – As set forth in the bylaws of the articles of incorporation, the Real Estate Foundation adopts an annual budget for all revenues and expenses which the Board of Directors approves. This budget must then be approved by the President of the University and sent to the University Board of Trustees for review and final approval.

Recent Accounting Pronouncements – In June 2016, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The new guidance was effective for fiscal years beginning after December 15, 2019; however, early adoption is permitted. In response to the coronavirus pandemic, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended this effective date by 18 months. The Real Estate Foundation is currently evaluating the impact of the adoption of Statement No. 87 on its financial statements.

The GASB has issued other new accounting guidance or modifications to, or interpretations of, existing accounting guidance. The Real Estate Foundation has considered the new un-adopted guidance and does not believe that any other new or modified guidance will have a material impact on the Real Estate Foundation's reported financial position or activities in the near term.

Reclassification – Certain 2019 amounts in the financial statements have been reclassified to conform to the 2020 financial statement presentation.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS

Deposits

The bank balance of the Real Estate Foundation's deposits, consisting of cash held in non-interest bearing checking accounts was \$20,439 and \$39,599 as of June 30, 2020 and 2019, respectively.

Custodial Credit Risk – Custodial credit risk exists when, in the event of a bank failure, the Real Estate Foundation's deposits may not be returned to it. The Real Estate Foundation's policy in regards to custodial credit risk is to maintain deposits in qualified public depositories pursuant to Chapter 280, Florida Statutes, and, accordingly, are entirely insured by federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

Concentration of Credit Risk – The Real Estate Foundation maintains a cash account with a large financial institution that qualifies as a public depository pursuant to Chapter 280, Florida Statutes. A qualified public depository has a branch office(s) authorized to receive deposits in Florida, maintains FDIC deposit insurance, meets the specific statutory requirements of Section 280.17, Florida Statutes, and has been approved by the Florida Treasury's Bureau of Collateral Management to accept public funds for deposit. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Any losses to public depositors are satisfied first through any applicable deposit insurance, and then through the sale of collateral pledged or deposited by the defaulting depository. When necessary, assessments may also be made against other qualified public depositories of the same type as the depository in default.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates which will adversely affect a deposit. The Real Estate Foundation does not maintain deposits in foreign currency.

Investments

The Real Estate Foundation receives real estate gifts, which are subsequently marketed and sold, with proceeds going to support the University in accordance with the donor's restrictions. The fair market value for the investment balances of the Real Estate Foundation's portfolio, consisting of real estate held for resale is the following as of June 30, 2020 and 2019, respectively:

<u>Investment type</u>	<u>Location</u>	<u>Carrying Value</u>	<u>Unrealized Gains (Losses)</u>	<u>June 30, 2020</u>
Vacant land	Hendersonville, NC	\$65,000	(\$2,500)	\$62,500
Vacant land	Mineral, VA	210,000	-	210,000
Total investments		\$275,000	(\$2,500)	\$272,500

<u>Investment type</u>	<u>Location</u>	<u>Carrying Value</u>	<u>Unrealized Gains (Losses)</u>	<u>June 30, 2019</u>
Vacant land	Hendersonville, NC	\$62,500	\$2,500	\$65,000
Vacant land	St. Marys, GA	11,000	(1,000)	10,000
Total investments		\$73,500	\$1,500	\$75,000

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS (continued)

The Real Estate Foundation has entered into a split interest agreement, whereby the Real Estate Foundation serves as Trustee. The value of the life estate is included in investments on the statement of net position with a fair market value of \$1,450,000 and \$0, as of June 30, 2020 and 2019, respectively. See Note 6 for more details.

All real estate investments, with the exception of the life estate, are anticipated to have an investment maturity of less than 1 year. Realized losses from the sale of investments totaled \$8,089 and \$11,427 for the years ended June 30, 2020 and 2019, respectively.

Credit Risk – Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Real Estate Foundation does not currently hold any investments to which this risk may apply.

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Real Estate Foundation does not currently hold any investments to which this risk may apply and as a result, does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. FAIR VALUE MEASUREMENTS

The Real Estate Foundation prepares its financial statements according to the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining the fair value, the Real Estate Foundation uses the market approach. Based on this approach, the Real Estate Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Real Estate Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on observability of the inputs used in the valuation techniques, the Real Estate Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

3. FAIR VALUE MEASUREMENTS (continued)

The Real Estate Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and are disclosed in one of the following three categories:

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are observable, either directly or indirectly, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the asset;
- Level 3 inputs are significant unobservable inputs.

All transfers between fair value hierarchy levels are recognized by the Real Estate Foundation at the end of each reporting period. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investment in those instruments.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Real estate - The fair value of real estate held for resale consists of an examination of the markets and discussing valuations with local listing brokers.

The Real Estate Foundation's assets measured at fair value on a recurring basis are summarized as follows as of June 30, 2020 and 2019, respectively:

Description	Level 1	Level 2	Level 3	Fair Value at June 30, 2020
Real estate				
Land	\$ -	\$ -	\$272,500	\$272,500
Total investments	\$ -	\$ -	\$272,500	\$272,500

Description	Level 1	Level 2	Level 3	Fair Value at June 30, 2019
Real estate				
Land	\$ -	\$ -	\$75,000	\$75,000
Total investments	\$ -	\$ -	\$75,000	\$75,000

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

4. DUE FROM RELATED ORGANIZATIONS

Amounts due from the University and related entities consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
University	\$3,175	\$80
FSU Foundation	2,979	10,467
FSU Research Foundation	-	351
Amounts due to related organizations	<u>\$6,154</u>	<u>\$10,898</u>

5. CAPITAL ASSETS

The Real Estate Foundation's capital assets are comprised of two parcels of land and a building. One of the parcels of land was accepted in 2015 and has strategic value to the University. In 2018, FSU and the Blueprint Intergovernmental Agency approved a partnership to develop a new road segment as part of a larger Gateway project leading from the Tallahassee Airport to FSU's campus and to Downtown Tallahassee. This subject property sits at an intersection that will need to be improved as part of the larger project. The gifted property was offered at a time that FSU reasonably saw the potential for the infrastructure improvements and is now holding this property in support of the future project. The other parcel of land was accepted in 2018 and was gifted specifically to support the University's Coastal and Marine Lab program. The gifted property is being used for support research, education, and outreach and will include additional academic and operational support facilities. The building is held for the benefit of the FSU College of Music and provides temporary lodging for faculty and guests, including visiting professions, eminent scholars, and artists traveling to the University to support the academic mission of the College of Music.

A summary of changes in capital assets for the years ended June 30, 2020 and 2019 is shown below:

<u>June 30, 2020</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Nondepreciable capital assets:				
Land	\$143,000	\$ -	\$ -	\$143,000
Total nondepreciable capital assets	<u>\$143,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$143,000</u>
Depreciable capital assets:				
Buildings	\$65,000	\$ -	\$ -	\$65,000
Computer equipment	3,624	-	(3,624)	-
Total depreciable capital assets	<u>68,624</u>	<u>-</u>	<u>(3,624)</u>	<u>65,000</u>
Less, accumulated depreciation				
Buildings	(15,167)	(2,166)	-	(17,333)
Furniture and equipment	(3,361)	(263)	3,624	-
Total accumulated depreciation	<u>(18,528)</u>	<u>(2,429)</u>	<u>3,624</u>	<u>(17,333)</u>
Total depreciable capital assets - net	<u>\$50,096</u>	<u>(\$2,429)</u>	<u>\$ -</u>	<u>\$47,667</u>
Total capital assets - net	<u>\$193,096</u>	<u>(\$2,429)</u>	<u>\$ -</u>	<u>\$190,667</u>

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

5. CAPITAL ASSETS (continued)

June 30, 2019	Beginning balance	Increases	Decreases	Ending balance
Nondepreciable capital assets:				
Land	\$143,000	\$ -	\$ -	\$143,000
Total nondepreciable capital assets	\$143,000	\$ -	\$ -	\$143,000
Depreciable capital assets:				
Buildings	\$65,000	\$ -	\$ -	\$65,000
Computer equipment	3,624	-	-	3,624
Total depreciable capital assets	68,624	-	-	68,624
Less, accumulated depreciation				
Buildings	(13,000)	(2,167)	-	(15,167)
Furniture and equipment	(2,820)	(541)	-	(3,361)
Total accumulated depreciation	(15,820)	(2,708)	-	(18,528)
Total depreciable capital assets - net	\$52,804	(\$2,708)	\$ -	\$50,096
Total capital assets – net	\$195,804	(\$2,708)	\$ -	\$193,096

Depreciation expense totaling \$2,429 and \$2,708 was included in administrative expenses on the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019, respectively.

6. REMAINDER INTEREST TRUSTS

The Real Estate Foundation entered into a life estate agreement on August 26, 2019, whereby the Real Estate Foundation serves as Trustee. The value of the remainder interest trust is based on the fair market value, the actuarial life expectancy of the donor and the responsibility associated with executory costs and other factors. The donor is responsible for the executory costs of this life estate.

The Real Estate Foundation entered into a charitable remainder unitrust on May 1, 2020, whereby the Real Estate Foundation serves as Trustee. The charitable remainder unitrust was funded with three separate parcels of real property. Once the individual properties are sold by the Real Estate Foundation, the cash proceeds will be transferred to the FSU Foundation. The FSU Foundation will set up a charitable annuity with the cash proceeds and serve as the Trustee for those assets. The value of remainder interest trusts was \$333,000 and \$0 as of June 30, 2020 and 2019, respectively.

Per GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, changes associated with split-interest agreements are reported as deferred inflows of resources until such time as the assets are transferred to the remainder-interest beneficiaries, and the liability and any remaining deferred inflows of resources are eliminated.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

7. INTERFUND BALANCES

Interfund balances consisted of the following as of June 30:

Due to operating fund from:	<u>2020</u>	<u>2019</u>
Investment funds	\$34,171	\$4,075
Capital asset funds	<u>3,980</u>	<u>7,337</u>
Total due to operating fund from others	<u>\$38,151</u>	<u>\$11,412</u>

The balances for investment funds primarily consist of carrying costs associated with properties that are being held for resale. The Real Estate Foundation fronts these payments from its operation funds and is reimbursed at the time of sale as resources become available. Balances associated with capital asset funds, those properties reported as capital assets on the statement of net position, result due to a time lag. Expenses incurred are invoiced and reimbursed quarterly as they occur.

8. DUE TO RELATED ORGANIZATIONS

Amounts owed to the University and related entities consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
FSU Foundation	<u>\$7,824</u>	<u>\$432</u>
Amounts due to related organizations	<u>\$7,824</u>	<u>\$432</u>

9. OPERATING LEASES

The Real Estate Foundation had an operating lease agreement relating to parking facilities, with an original expiration date of June 30, 2020 and an option to renew for five additional one-year terms. The contract was not renewed and ended on June 30, 2020. Lease expense totaled \$8,700 for the years ended June 30, 2020 and 2019, respectively. Income received for this activity through a sublease agreement is transferred to the University and totaled \$8,700 for the years ended June 30, 2020 and 2019, respectively.

The Real Estate Foundation entered into a lease agreement on April 25, 2019 relating to office facilities with a three-year term effective July 1, 2019. The lease renews with a rental rate increase of 2% annually and ends on June 30, 2022. In the normal course of business, it is expected that this lease will be renewed or replaced by the purchase or lease of other facilities. Lease expense totaled \$24,770 and \$0 for the years ended June 30, 2020 and 2019.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

9. OPERATING LEASES *(continued)*

Expected future lease payments under this agreement at June 30, 2020 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Totals</u>
2021	\$25,265
2022	<u>25,771</u>
Totals	<u>\$51,036</u>

10. RETIREMENT PLAN

The Real Estate Foundation personnel are employees of the University and are eligible to enroll as members of the State administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 605, Florida Administrative Code; wherein plan eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Benefits of the Plan vest as of six years of service or eight years for new employees enrolled after July 1, 2011. All members are eligible for normal retirement benefits based on the plan definition of normal retirement date which is determined on the date they enrolled in the plan. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.).

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

10. RETIREMENT PLAN *(continued)*

Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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

It has been determined that the Real Estate Foundation is not a payor fund for the purposes of liquidating the pension liability. An actuarial valuation has been performed for the plan. The Real Estate Foundation's employees were included in the actuarial analysis and are part of the total pension liability and net pension liability disclosed in the footnotes and required supplementary information of the University's Annual Report. The University does not determine a separate liability for the Real Estate Foundation employees and as a result, there is no net pension liability recorded in these financial statements.

The cost of the defined benefit pension plan for the Real Estate Foundation's current employees is paid by the University and recorded by the Real Estate Foundation as an operating transfer from related organizations and an operating expense. Retirement contributions totaled \$27,056 and \$22,350 for the years ended June 30, 2020 and 2019, respectively.

11. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

A stand-alone report is not issued, and the Plan information is not included in the report of a public employee retirement system or another entity.

Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. The University provided required contributions toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

11. OTHER POSTEMPLOYMENT BENEFITS PAYABLE *(continued)*

It has been determined that the Real Estate Foundation is not a payor fund for the purpose of liquidating the net OPEB liability. An actuarial valuation has been performed for the plan. The Real Estate Foundation's employees were included in the actuarial analysis of the valuation of the OPEB Plan and are part of the OPEB disclosed in the footnotes and required supplementary information of the University's Annual Report. The University does not determine a separate liability for the Real Estate Foundation employees and as a result, there is no OPEB cost, percentage of annual OPEB cost contributed to the Plan, or the net OPEB liability recorded in these financial statements.

12. RISK MANAGEMENT PROGRAMS

The Real Estate Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property and general liability coverage are provided through commercial insurance carriers, and management continuously reviews the limits of coverage to ensure that they are adequate. No settlements have exceeded coverage in place during the past three fiscal years.

13. RELATED PARTY TRANSACTIONS

The Real Estate Foundation is a DSO of the University which is organized and operated exclusively to receive, hold, invest, provide guidance and administer property for the benefit of the University and its DSOs. As a result, the Real Estate Foundation maintains integral relationships with many related organizations of the University. These relationships take various forms from providing or receiving support to sharing resources or providing reimbursement for the use of software or other expenditures. Further details outlining each relationship are provided below:

Florida State University

The University provides monetary support to the Real Estate Foundation to support salaries and related benefits, professional fees, operations and carrying costs of real estate. The Real Estate Foundation conducts due diligence and studies on properties and real estate projects that may involve or require University resources. Amounts totaling \$398,752 and \$345,432 were included as transfers from related organizations in the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019, respectively. These transfers include both cash and noncash support.

The University provided support to the Real Estate Foundation in the form of contributed facilities. During fiscal year 2019, the Real Estate Foundation occupied 541 square feet of office facilities in Tallahassee, Florida, the use of which is provided without charge by the University. The rental value of the facilities was estimated based on current rental rates for comparable properties in the area. In-kind contributions of \$0 and \$8,648 have been recognized as revenues and expenses in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019, respectively. The Real Estate Foundation moved office locations in July of 2019 and no longer occupies the space provided by the University. See Note 9 for more details.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

13. RELATED PARTY TRANSACTIONS *(continued)*

The University also leased a parking garage to the Real Estate Foundation and received lease payments in return. The contract for this lease ended on June 30, 2020. See Note 9 for more details. Amounts totaling \$8,700 were included as transfers to related organizations in the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019, respectively.

Florida State University Foundation

The FSU Foundation provides monetary support to the Real Estate Foundation to support the administration, acquisition and carrying costs of real estate. Amounts totaling \$111,769 and \$64,438 were included as transfers from related organizations in the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019, respectively.

The Real Estate Foundation receives and holds real estate property to be sold and transferred to the Foundation. The Real Estate Foundation also provides guidance to the FSU Foundation on real estate gift transactions. Amounts totaling \$564 and \$147,940 were included as transfers to related organizations in the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019, respectively.

In April 2013, the FSU Foundation made available to the Real Estate Foundation a \$2.5 million line of credit. The line of credit has been extended in order to provide the Real Estate Foundation with the additional funding it requires to fulfill its mission to acquire, hold, manage, lease, mortgage, develop, administer or sell real property for the benefit of FSU. Interest will be paid monthly based on the amount of principal outstanding and principal borrowings will be repaid upon the sale of property purchased with the line of credit. As of June 30, 2020 and 2019, respectively, the Real Estate Foundation has not received any advances nor accrued any payable related to this line of credit.

Florida State University Research Foundation

The purpose of the FSU Research Foundation is to promote and assist the research and training activities of the University through income from contracts, grants, and other sources, including income derived from the development and commercialization of the University's work products. The FSU Research Foundation provides monetary support to the Real Estate Foundation to support acquisition and carrying costs of real estate that are to its benefit. Amounts totaling \$520 and \$824 were included as transfers from related organizations in the accompanying statement of revenues, expenses and changes in net position for the years ended June 30, 2020 and 2019, respectively.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 10, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

FLORIDA STATE UNIVERSITY REAL ESTATE FOUNDATION, INC.
Notes to Financial Statements

14. SUBSEQUENT EVENTS *(continued)*

A gift of real estate property valued at \$250,000 was donated by a private party to the Real Estate Foundation on July 20, 2020. The projected impact to the financial statements will be an increase of \$250,000 to investments on the statement of net position as well as contributions on the statement of revenues, expenses and changes in net position.

15. OTHER MATTERS

In late 2019, a novel strain of coronavirus was reported in Wuhan, Hubei, China. In March 2020, the World Health Organization determined the resulting outbreak of COVID-19, the disease caused by this novel coronavirus, to be a pandemic. The pandemic is disrupting supply chains worldwide as national and local governments implement measures intended to slow the spread of COVID-19, with production and sales across a range of industries impacted in different ways. The extent of the impact of COVID-19 on the Real Estate Foundation's operations and its financial performance will depend on certain developments outside of the Real Estate Foundation's control, including the duration and spread of the outbreak; its impact on customers, employees, and vendors; and broader economic conditions, all of which are uncertain and cannot be predicted at this time.

**Report of Independent Auditors 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***

The Board of Directors
Florida State University Real Estate Foundation, 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 the Florida State University Real Estate Foundation, Inc. (the Real Estate Foundation), which comprise the statement of financial position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Real Estate Foundation'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 Real Estate Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Real Estate Foundation's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Thomas Howell Ferguson P.A.

Tallahassee, Florida
September 10, 2020